abrdn Global Premier Properties Fund

Quarterly Commentary

Quarter ended January 31, 2024

Fund performance

The abrdn Global Premier Properties Fund returned 17.01%[1] on a net asset value (NAV) basis for the three-month period ending January 31, 2024, outperforming the 15.32% return of its benchmark, the FTSE EPRA/NAREIT Global Real Estate Net Index[2].

The Fund's exposure to all regions, except stock selection in North America, contributed to relative performance. Our underweight and stock selection in Asia Pacific (excluding Japan) was especially favorable.

Sector wise, our exposure to industrial and diversified real estate investment trusts (REITs) added to returns. Meanwhile, self-storage and healthcare REITs, in particular, weighed on relative performance.

At the stock level, the Fund's overweight position in Hudson Pacific lifted performance as the stock rallied sharply during the period due to the decline in interest rates and asset sales that were not only at better-than-expected prices but also helped to offset some of the concerns around elevated leverage levels. Our lack of exposure to China Resources Land and Sun Hung Kai Properties was also positive as the Chinese market continued to lag due to concerns about a slowing economy, government regulation, and potential financial distress related to the real estate lending markets.

Conversely, the Fund's underweight position in self-storage REIT Extra Space was a notable detractor. While its third-quarter earnings decelerated from the prior quarter, the rate of decline was smaller than expected, driving a recovery in its share price, which accelerated as interest in short selling shrunk in the wake of the lower interest-rate environment. Equity Lifestyle underperformed in the quarter as the defensive manufactured homes landlord lagged the sharp rally, which focused on sectors that significantly underperformed the U.S. REIT market in the first nine months of 2023. Meanwhile, CK Asset Holdings was negatively affected by the sentiment towards real estate companies with Chinese exposure. Elsewhere, although skilled nursing REIT Omega Healthcare was among the strongest performers through the first nine months of 2023 on the back of stronger operating fundamentals and an attractive high dividend yield, Omega's indications that several tenants were unable to pay their rent in full reignited some of the fears around tenant health, resulting in the underperformance during the most recent three months.

Cumulative and annualised total return as of December 31, 2023 (%)

	NAV	Market Price	FTSE EPRA Nareit Global Net Index
Since inception (p.a.)	1.18	0.26	n/a[3]
10 Years (p.a.)	3.35	3.51	3.28
5 Years (p.a.)	3.55	4.75	2.07
3 Years (p.a.)	-1.14	-0.31	0.15
1 Year	12.78	12.46	8.67
Year to Date	12.78	12.46	8.67
3 Months	17.86	10.19	14.53
1 month	9.70	7.71	9.02

[1] **Past performance is no guarantee of future results. Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Net asset value return data include investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions.**

[2] The FTSE EPRA/NAREIT Global Real Estate Index is a total return index that is designed to represent general trends in eligible real estate equities worldwide. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Index performance is not an indication of the performance of the Fund itself. For complete fund performance, please visit **abrdn.us**.

[3] There is no since inception figure for the FTSE EPRA/NAREIT Global Index Net because the inception date of the Index is March 23, 2009.

Market review

The global real estate securities market, as measured by the FTSE EPRA/NAREIT Global Real Estate Net Index, returned 15.32% for the reporting period, versus the 15.15% return of global equities, as measured by the MSCI All Country (AC) World Net Index.[4]

The U.S. REIT market recorded strong gains over the period. The key driver of this move was a benign consumer-price-index report to start November and dovish commentary from the U.S. Federal Reserve (Fed) regarding the future path of interest rates, which drove a sharp reversal in the final two months of 2023. As a result, the 10-year yield dropped more than 120 basis points to 3.79%. In conjunction with this move, investors quickly pivoted away from the 'higher for longer' narrative that weighed on the market earlier in the year, towards an expectation of as many as six rate cuts from the Fed in 2024. This, in turn, drove a strong rally in equity markets, where REITs were among the largest beneficiaries. The Fed subsequently tried to temper market expectations with a series of comments in January, which resulted in some easing in the pace of equity-market gains. In general, operating fundamentals for most property types continued to moderate from the robust levels that we saw last year, where numerous sectors were able to pass through double-digit rental-rate growth. Therefore, rental and earnings growth should be in the low-single digits in 2024.

European listed real estate also posted strong gains during the three-month period, against a similar backdrop to the U.S. Higher-risk, higher-leverage companies performed well as investors started to believe in the supporting interest-rate environment.

Meanwhile, in Asia Pacific, listed real estate markets continued to be affected by concerns over the rising rate trajectory combined with a slowing services economy, labor markets, and spending across the world's key economies. Against this backdrop, most REIT regimes such as Singapore, Australia, and Hong Kong remained weak in the latter part of 2023. However, Japan was a relative outperformer in the quarter ended 31 January 2024 on the thematic that the country was finally entering into a structurally inflationary economy. The Japanese market also benefitted as capital rotating out of Chinese markets was attracted to discounted relative values in Japan. Elsewhere, Hong Kong's developers continued to underperform as all key real estate sectors deteriorated. Its residential sector's demand evaporated further amid higher rates and piling inventories, which continued to drag on buyer sentiment. Additionally, supply continued to outstrip demand in the office sector. Retail spending suffered after mainland arrivals peaked and Hong Kong residents increasingly flocked to Shenzhen for their discretionary spending.

Outlook

Following the strong rally in the REIT market in the period, we believe the sector is still well positioned for relative performance, particularly if the Fed successfully navigates a soft landing. REITs have historically performed well in the six to 12 months following the end of a tightening cycle, which we appear to have now entered. Moreover, while higher than the valuations seen in October, we think REITs are still trading at attractive valuations versus the broader equity market. Operationally, we believe in a soft-landing scenario where REITs will likely experience low to mid-single digit net-operating-income growth as demand continues to soften slightly from the strong levels seen in 2022 and early 2023. The biggest risks to this outlook would be either a hard landing, which would further curtail net-operating-income growth due to weaker economic activity or interest rates remaining higher than currently expected. As a result, we continue to believe that active portfolio management focused on sectors with strong underlying supply and demand fundamentals, high-quality assets, and healthy balance sheets could drive outperformance in the coming months.

Accordingly, we are focusing on those sectors and companies where we see opportunity to increase rents both in the near term and with supportive structural tailwinds into the future even if economic activity remains relatively weak. We increased the defensive positioning in the Fund over the last few months, favoring regions and sectors with more predictable cash-flow outlooks. We reduced the Fund's exposure to rent-sensitive and/or economically sensitive segments of the market. We think that listed real estate could see fewer downward earnings revisions than those in the broader equity markets over the next 12-18 months.

[4] The MSCI AC World Index is an unmanaged index considered representative of stock markets of developed and emerging markets. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Index performance is not an indication of the performance of the Fund itself. For complete fund performance, please visit **abrdn.com**.

Top 10 Fund holdings as of December 31, 2023 (%)

Prologis Inc	8.2
Equinix Inc	4.6
Public Storage	3.9
Welltower Inc	3.8
Digital Realty Trust Inc	3.7
Realty Income Corp	3.4
Simon Property Group Inc	3.1
AvalonBay Communities Inc	3.0
Equity LifeStyle Properties Inc	2.7
Mitsui Fudosan Co Ltd	2.6
Percent of Portfolio in Top Ten	**39.0**

Source : abrdn 12/31/2023.

Holdings are subject to change and are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities shown.
The top ten holdings are reported by share class. Certain companies listed may be held in additional share classes not listed above.

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Under U.S. tax rules applicable to the Fund, the amount and character of distributable income for each fiscal year can be finally determined only as of the end of the Fund's fiscal year. The Fund anticipates that sources of distributions to shareholders may include net investment income, net realized short-term capital gains, net realized long-term capital gains and return of capital. The estimated composition of the distributions may vary from time to time because the estimated composition may be impacted by future income, expenses and realized gains and losses on securities. For more detailed information related to the composition of the Fund's distributions, see www.abrdnawp.com.

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