# Aberdeen Standard European Logistics Income PLC

## Capturing long-term income potential from logistics real estate in Europe

Performance Data and Analytics for Quarter 3, 2021

## Investment objective

To aim to provide a regular and attractive level of income return together with the potential for long term income and capital growth from investing in high quality European logistics real estate.

## Strategy

To deliver the investment objective through investment in, and active asset management of, a diversified portfolio of logistics real estate assets in Europe.

## Cumulative performance (%)

| | as at 30/09/21 | 3 months | 1 year |
|---|---|---|---|
| Share Price (GBp) | 111p | (5.8) | 8.2 |
| NAV (Eur)[A] | 126.7c | 3.6 | 17.5 |
| NAV (Converted to GBp)[A] | 109.0p | 3.8 | 11.4 |

## Discrete performance (%)

| | 30/09/21 | 30/09/20 | 30/09/19 | 30/09/18 | 30/09/17 |
|---|---|---|---|---|---|
| Share Price (GBp) | 8.2 | 20.1 | (9.4) | – | – |
| NAV (Eur)[A] | 17.5 | 5.4 | 3.3 | – | – |
| NAV (Converted to GBp)[A] | 11.4 | 13.2 | 2.6 | – | – |

The Company launched on 15 December 2017, therefore discrete performance figures are not available for full years prior to 2019.
Share price total return is on a mid-to-mid basis.
Dividend calculations are to reinvest as at the ex-dividend date.
Source: Aberdeen Asset Managers Limited, Lipper and Morningstar.
**Past performance is not a guide to future results.**

## Fund managers' report

### Highlights

- NAV per Ordinary share increased by 2.5% to 126.7c (GBp – 109.0p) (30 June 2021: 123.6c (GBp – 106.1p)), reflecting a NAV total return of 17.5% (in Euro terms) for the 12 months to 30 September 2021
- Portfolio valuation of €504.0 million increased by 2.3% or €11.4 million (on a like-for-like basis and using the purchase price for the Barcelona property), reflecting modest yield compression
- 100% of the rent due for the quarter ended 30 September 2021 collected
- Portfolio comprises 16 strategically located, modern and diversified European logistics assets with increasingly enhanced / best in class ESG credentials, across five countries
- Significantly oversubscribed share issue raised gross proceeds of £125 million following scaling back
- The Investment Manager is undertaking due diligence on a significant portfolio in one of its key geographies, which is under exclusivity and would see the majority of available equity deployed.

## Asset allocation (%)

| | |
|---|---|
| Direct Property | 96.6 |
| Cash & Cash Equivalents | 3.4 |
| **Total** | **100.0** |

## Total number of investments 16

## Key information
### Calendar

| | |
|---|---|
| Year end | 31 December |
| Accounts published | April, September |
| Distributions | March, June, September, December |
| Launch date | December 2017 |
| Fund manager | Direct Property Team |
| Annual management fee[B] | 0.75% |
| Yield[C] | 4.4% |
| Premium/(Discount) | 1.8% |
| Gearing | 30.9% |
| Net Asset Value | €333.1m |

## AIFMD Leverage Limits

| | |
|---|---|
| Gross Notional | 3.65x |
| Commitment | 1.85x |

## Capital structure

| | |
|---|---|
| Ordinary shares | 262,950,001 |

## Allocation of management fees and finance costs

| | |
|---|---|
| Revenue | 0% |
| Cash & cash equivalents | 100% |

## Trading details

| | |
|---|---|
| Bloomberg code | ASLI LN |
| ISIN code | GB00BD9PXH49 |
| Sedol code | BD9PXH4 |
| Stockbroker | Investec |
| Market makers | CFEP INV. JEFF JPMS NUMS PEEL WINS |

All sources (unless indicated): abrdn: 30 September 2021.

[A] Total return; NAV to NAV, net income reinvested.
[B] 0.75% per annum of net assets up to €1.25bn and 0.60% thereafter.
[C] Calculated using the company's historic net dividends and quarter end share price.

## Fund managers' report - continued

### Performance

The unaudited portfolio valuation increased by €11.4 million, or 2.3%, (on a like-for-like basis and using the Barcelona purchase price). The Polinyà, Barcelona, urban logistics property valuation was €19.1 million at 30 September 2021, a 2.3% increase over the €18.7 million July 2021 purchase price. Yield compression and high demand for logistics warehousing continues to drive valuations.

For the 12 month period to 30 September 2021, the share price total return (with dividends reinvested) was 8.2% with the Company's net asset value total return over the same period 17.5% in Euro terms (11.3% in sterling terms).

As at 30 September 2021, the Company's share price stood at 111.0p.

### Equity cash raise

On 29 September 2021, the Company announced the results of its new share issue, which comprised a Placing, Open Offer and Offer for Subscription as set out in the Company's prospectus published on 8 September 2021.

The issue was oversubscribed with strong support from existing and new investors and a scaling back exercise was undertaken due to the strong investor demand. The Company issued a total of 114.7 million new Ordinary shares, raising gross proceeds of £125 million at the issue price of 109.0 pence per new Ordinary share.

Dealings in the new Ordinary shares commenced after the quarter end on 1 October 2021. Following the issue, the Company's share capital now consists of 377,628,901 Ordinary shares with voting rights.

The Investment Manager is evaluating a pipeline of new potential investments, including exclusive discussions regarding the purchase of an attractive portfolio, which, if concluded, will lead to the majority of the available equity being deployed. Advanced due diligence is underway and the Company hopes to be in a position to provide a further update shortly.

### GRESB 2021 Survey Results – ASLI awarded Regional Sector Leader status

The Company was placed first in the Listed European Industrial – Distribution Warehouse – segment, reflecting the continued work that the Investment Manager has undertaken in improving the sustainability credentials of t
he portfolio.

The Company's 2021 GRESB score of 84/100 represented an improvement on its 2020 GRESB survey score of 79/100. It also compared favourably against the 64/100 average peer score and 73/100 overall average 2021 GRESB score.

The Company has maintained its high Green Star rating with 4 out of a maximum 5 stars and outperformed the benchmark average score in almost every category.

### Debt Financing

As at 30 September 2021, the Company level loan to value ("LTV") ratio was 31%, below the long-term target of 35%. In November 2021, the Company signed a revised revolving credit facility agreement with Investec Bank, increasing the facility's capacity to €70 million, providing further flexibility for the acquisition of new properties.

### Occupier market trends

The logistics market is benefitting from a structural shift in the volume of space we require to move and store goods. This trend has multiple drivers, with e-commerce being the core reason for the spike in demand. E-commerce in particular has grown sharply, with estimates putting 2020 retail sales via online platforms at 15-25% of total retail sales depending on the country. Online retail sales had been growing at a rate of around 10% per annum prior to the pandemic, but levels have more than doubled in some countries since the pandemic broke. The overall shift in sales to online platforms represents an acceleration of almost five years in the space of a few months. This is relevant because estimates suggest online retail requires substantially more logistics space than in-store retail.

The increase in online retail sales will slow down as consumers revert back to their preferred shopping methods in H2 2021. However, new cohorts, such as more senior affluent groups often referred to as "silver surfers", are emerging as eager adopters of online retail, due to the efficiencies. Newer trends, such as online food retail and take away delivery (serviced through "dak kitchens") have also accelerated with online fast-food orders increasing by roughly 50% in the UK through the pandemic. While the UK, US and China are ahead in this e-commerce process, we believe that there will be significant further growth across Europe over the next decade.

**Fund managers' report continues overleaf**

## Fund managers' report - continued

We have seen e-commerce start-ups grow significantly in Europe to try to challenge the likes of Amazon. For example, Getir, a Turkish delivery service start-up now has significant footprint across Europe with their key focus being ultrafast delivery of 10-15 minutes from the time you buy. This further supports the shifting consumer pattern and appetite for more instantaneous and seamless delivery, which increases demand for logistics assets especially in well-connected urban locations.

Greater e-commerce sales are translating directly into parcel handling volumes. According to a Transport Intelligence report, the global express and parcels market is set to grow at a compounded annual growth rate of 7.5% over the next five years. As e-commerce continues to grow, it is likely we will see this growth rate accelerate due to other factors such as technological change or higher than expected demand. Reverse logistics is also set to boost parcel handling volumes, with consumers increasingly familiar with the process of returning items that don't meet expectations.

There are additional changing drivers, these include increased stockpiling to prevent supply shortages impacting revenues, while global or international supply chain risks have been exposed by the crisis and this will only serve to accelerate the pre-existing trend of near-shoring manufacturing processes closer to end consumers. This latter point is supported by the increased prevalence of robotics, 3D printing and automation in the manufacturing process which reduces the importance of low-cost labour.

Given this strong demand, there is a distinct lack of supply ongoing. Modern existing units in good locations are difficult to source with new tenant requirements increasingly satisfied through second hand assets or satisfied through pre-let arrangements. Most new construction activity is already pre-leased or leased quickly on completion. Development finance on speculative schemes is also still expensive, further restricting supply growth. Overall the average vacancy rate fell to 3.6% with vacancy rates in Germany being 2.3%, 2.1% in the UK and 0.5% in Belgium. Vacancy rates in cities such as Dublin, the Tier 1 regional cities in Germany, Barcelona and across the key Nordic markets are almost negligible as well.

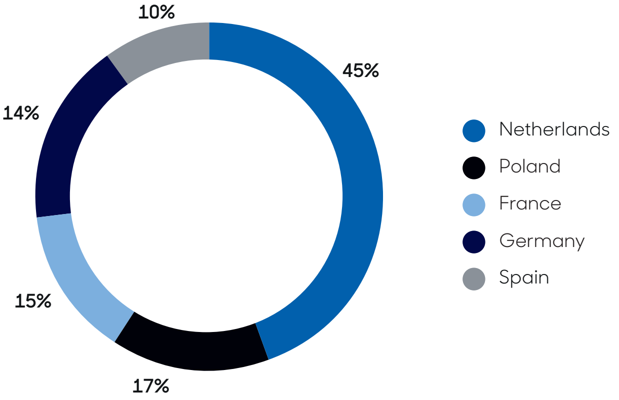
### Rental market trends

The lack of supply is now starting to push rents higher in standing logistics assets, where competition for immediately available stock has been focused. There is an added urgency to adapt in the context of the pandemic and pressures are focused on those buildings ready to be occupied in adequate locations. Overall, CBRE reported that rents have increased 1.7% in H1 2021 and 3.2% compared to Q2 2020.

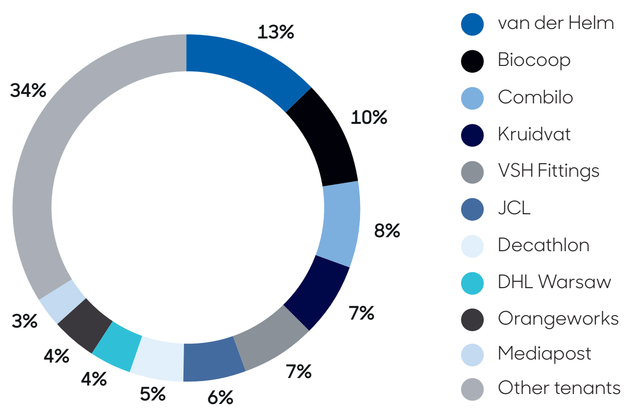
It is important to note that we see stronger rental tension in fringe urban locations where competing land uses and the pressures from e-commerce and parcel delivery volumes are concentrating demand into a small number of leasing opportunities. Rents have increased sharply by 90% in London in the last decade and we see a similar trend emerging in a number of other cities.

Recent research by Green Street (Q3 2021) further backs up the urban fringe and mid-box thesis in a broader European context, which is where our efforts are focussed. Having reviewed over 1,500 lease events in logistics properties across Europe, Green Street reported that on average units under 3,500 square metres experienced a rental uplift of 24% compared to the passing rent, while units over 35,000 square metres saw a smaller increase of 11%.

### Country allocation (% of portfolio value)




### Tenant exposure (% of total rent)



## Important information

**Risk factors you should consider prior to investing:**

- The value of investments and the income from them can go down as well as up and you may get back less than the amount invested.
- Past performance is not a guide to future results.
- Investment companies can borrow money in order to enhance investment returns. This is known as 'gearing' or 'leverage'.
- However, the use of gearing can result in share prices being more volatile and subject to sudden or large falls in value. Where permitted an investment company may invest in other investment companies that utilise gearing which will exaggerate market movements, both up and down.
- There is no guarantee that the market price of the Company's shares will fully reflect its underlying Net Asset Value.
- As with all stock exchange investments the value of the Company's shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.
- Investing globally can bring additional returns and diversify risk. However, currency exchange rate fluctuations may have a positive or negative impact on the value of your investment.
- The Company may hold a limited number of investments. If one of these investments declines in value this can have a greater impact on the fund's value than if it held a larger number of investments.
- Property values are a matter of the valuers' opinions and can go up and down. There is no guarantee that property values, or rental income from them, will increase so you may not get back the full amount invested.
- Property investments are relatively illiquid compared to bonds and equities and can take a significant length of time to sell and buy.
- The Company invests in a specialist sector and it will not perform in line with funds that have a broader investment policy.
- Derivatives may be used, subject to restrictions set out for the Company, for efficient portfolio management in order to manage risk. The market in derivatives can be volatile and there is a higher than average risk of loss.

**Other important information:**

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