Anlage 6.2.2.

Fondsbericht vom 30.09.2018

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Aberdeen European Residential Opportunities Fund

Quarterly report Q3 2018
November 2018

Horisonten - Lindholm Brygge, Denmark

General information

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société d'investissement à capital variable – fonds d'investissement spécialisé
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Cushman & Wakefield, Germany

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Board of Directors of the Fund

Pertti Vanhanen (Chairman), Global Co-Head of Real Estate Property, Aberdeen Asset Management plc
Sarah Barely, Head of Finance, Aberdeen Global Services S.A.
Michael Determann, Non-Executive Director

Board of Directors of the AIFM

Gary Marshall (Chairman), Head of EMEA - Product Division Management, Aberdeen Asset Management plc
Alan Hawthorn, Head of Investor Services, Aberdeen Asset Managers Ltd
Hugh Young, Managing Director, Aberdeen Asset Management Asia Ltd
Neil Dolby, Head of Fund Operations, Aberdeen Asset Management plc
Michael Determann, Non-Executive Director
Andreia Camara, Head of Risk Management Luxembourg & Conducting Officer, Aberdeen Global Services S.A.
Soraya Hashimzai, Head of Governance, Continental Europe/Conducting Officer – Product Development & Management, Aberdeen Global Services S.A.

Investment Committee

Andrew Creighton (Chairman)
Fabian Klingler
Norbert Kraus
Thomas Wolff
Tim Sankey
Marc Pamin
Ralf Köhler
Regional Head of Research
Regional Head of Asset Management

Contents

Executive summary

Market commentary

Although economic activity remains broadly stable in the Eurozone, latest data suggest that growth may have been a bit softer in Q3 2018, compared to the previous period. The domestic economy remains solid, but the adverse external environment and rising political risks in Europe are posing an increasing threat to the outlook. While Q3 GDP growth is partly reflecting a transitory production slowdown in Germany, a pick-up by year end is expected and the overall GDP growth for 2018 is expected to end at 2% – before slowing to 1.7% in 2019. Many of the drivers underpinning above-trend growth remain in place: employment growth, elevated consumer and business confidence and favourable financing conditions. Euro appreciation may soon start to weigh on net trade, although the strength of global demand should provide some offset. Inflation inched up to 2.1% in September, the highest in six years, primarily a result of rising oil prices. Core inflation remains weak at 0.9% for the same period, but is expected to increase as wage growth strengthens across the region. In line with expectations, no new policy announcements were made at the September ECB meeting, still being on track to end QE purchases this year – despite the concerns relating to Italy.

Real estate values continue to increase across Europe, a trend we expect to continue for a further twelve months given the positive readings from our short-term leading indicators table. Our most-favoured investment themes in Europe include the residential sector, which benefits from strong population growth in winning cities, restricted supply with tight planning controls and limited sites for new development. Moreover, our five year forecasting period suggests that rental value growth for European residential is the highest ranked sector amongst the sectors we cover at 2.8% – largely driven by Germany, Austria and Ireland.

While annual UK house price growth remained steady in September at 2%, this growth represents a five-year low according to Nationwide. Prices were, however, slightly up (0.3%) from the previous month. Over the last twelve months, annual UK house price growth has been confined to a fairly narrow range of c. 2-3% – suggesting little change in the balance between demand and supply in the UK market. Going forward much will depend on how broader economic conditions evolve, especially in the labour market, but also with respect to interest rates. Overall, UK house prices are expected to grow by around 1% over the course of 2018.

In Germany, the housing market has experienced a continued rise in condominium prices and strong rental growth in the big seven cities and major secondary cities. However, due to the financial market environment and the associated capital pressure, the price development is stronger than rental development. Another major price driver are construction costs of residential units, which grew by 4.6% in August 2018 compared to the corresponding period last year. While favourable demographics (urbanisation and smaller household size) generate higher demand, construction companies are close to working at full capacity.

Considering the Nordics, house prices have seemingly stabilised somewhat in Norway and Sweden during the three first quarters of 2018. In Norway, strong monthly gains since the start of the year have pushed owner-occupied house prices back to peak levels, and

Horisonten, Aalborg, Denmark

the stock of homes currently for sale has normalised – while many new projects are expected to come to market in the latter quarter of 2018. Combined with an increased policy rate to 0.75% (up 0.25%) in September, we expect house prices to flatten for the remaining period of 2018. After several years of rising house price growth, the Swedish market came to an end in 2017. This was mainly triggered by stricter mortgage amortization requirements and an increasing supply side – causing house prices to drop by approximately 10%. However, house prices have showed signs of stabilising over the first half of 2018 and are currently more in line with their equilibrium value. As in Norway, there are an increasing number of finalised units entering the Swedish market during autumn and we argue that it is too early to exclude a further negative price correction – especially in Stockholm. In Finland, increasing urbanisation, demographic development and changes in housing preferences have a profound impact on housing markets in Finland. The demand for small, well-located apartments has increased in both owner-occupied and rental housing markets, whereas the need for single family houses and large apartments has decreased. Between 2010 and 2015, some 80% of new dwellings have been constructed in the city regions – Helsinki and Tampere being the largest regions. In Denmark, more specifically Copenhagen, residential construction activity continued at a steady pace throughout 2017 – with a rental growth of 2.5%. However, it is unlikely that that the scale of completions will raise much further in the coming years as residential development outside the Capital region is starting to pick up along with a substantial pipeline of public projects.

Fund performance and commentary

The return for Q3 2018 was 1.1% for Class A and -2.0% for Class B shares respectively (Adjusted NAV performance).

The Fund has completed its final closing, with a total committed capital of EUR 264.0 million as of 30 September 2018. EUR 246.2 million is committed in Class A, the USD denominated share class, and EUR 17.8 million in Class B, the EUR denominated share class.

The Fund has so far called EUR 151 million and the capital is allocated to finance the first nine acquisitions in the UK, Germany, Denmark, Sweden and Finland. Capital call number ten and eleven were drawn in September 2018, among others, to fund the acquisition of Transformerverkstaden in Hammarby Sjöstad in Stockholm, Sweden and ongoing project and pre-construction costs across the portfolio.

At the end of the quarter the Fund had acquired nine properties and Transformerverkstaden closed just after quarter-end. In total, the capital commitment to the ten projects corresponds to approximately 76% of the Fund's total capital commitments. During the quarter, the Fund started negotiations and due diligence on one project in Ludwigshafen, south of Frankfurt, Germany, The acquisition is expected to close before year-end 2018, at which point the Fund will be approximately 80% committed. In parallel, the Fund explored potential wholesale exits of three of its investments. Two of these processes may lead to some type of exit over the next couple of quarters.

2018 top priorities for the portfolio

- Source a further 3-5 transactions in Germany and the Nordics in order to commit the remaining ~40% of TCC during 2018.
- Ensure strong and structured execution of the secured projects according to time, budget and specifications.

The Paper Tower, Silkeborg, Denmark

Key data

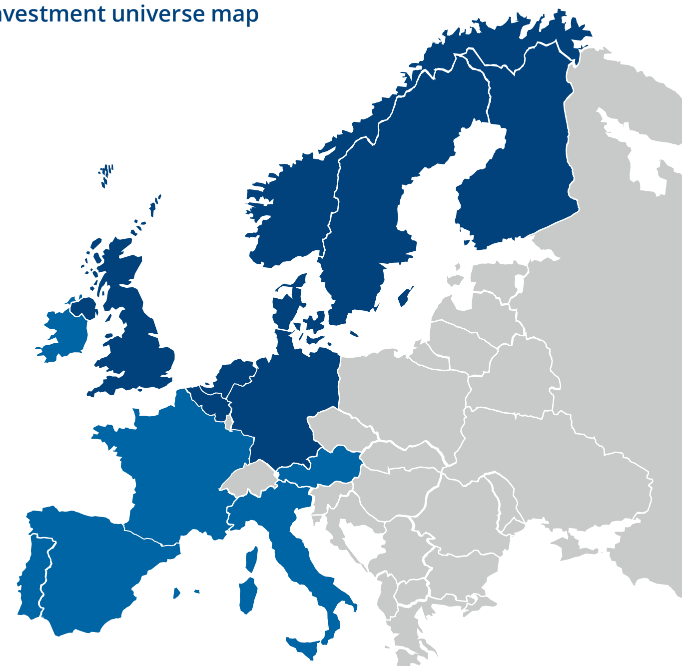
€m unless otherwise specified	Q3 2018	Q2 2018	YTD 2018	Chg Q2 18 to Q3 18
Fund earnings data				
Total income (€)	0.8	0.8	2.2	-4.1%
Net Operating Income (€)	-2.5	-1.8	-6.1	41.7%
Total return Class A	1.1%	3.9%	5.0%	-2.8pp
Total return Class B	-2.0%	-1.7%	-1.9%	-0.3pp
Accumulated return since inception Class A	-14.9%	-15.8%	-14.9%	0.9pp
Accumulated return since inception Class B	-13.3%	-11.5%	-13.3%	-1.8pp
Fund balance sheet data			**Q4 2017**	
Total assets	170.7	132.6	70.4	28.8%
Investment property (Lux GAAP)	122.5	113.6	62.3	7.9%
Total loans	20.3	17.8	9.9	13.6%
Net Asset Value (NAV) - Class A	131.1	98.8	48.5	NM
Net Asset Value (NAV) - Class B	8.8	6.8	3.6	NM
NAV per share - Class A (€)	7.57	7.49	7.21	1.1%
NAV per share - Class B (€)	8.67	8.85	8.84	-2.0%
Number of shares - Class A	17,311,164	13,203,366	6,725,905	4,107,798
Number of shares - Class B	1,010,421	769,856	412,359	240,565
Loan to value (Fund LTV)	11.9%	13.5%	14.0%	-1.6pp
Equity committed[A]	264.0	265.8	258.9	-0.7%
Equity drawn	150.7	118.0	65.2	27.7%
Property data				
Number of properties	9	9	5	0
Existing space (sqm)	41,417	42,650	15,750	-2.9%
Fully developed (sqm)	134,774	134,774	64,070	0.0%
Total invested capital	126.3	117.2	63.9	7.8%

[A] FX rate as at 30 Sep 2018 and 30 Jun 2018 respectively

Key facts	
Investment universe	European Economic Area
Risk profile (INREV 2011)	Opportunistic
Launch	Q2 2016
Expiry	Q2 2023
Fund structure	Luxembourg SCSp SICAV-FIS, close-ended with finite life
Mandate type	Discretionary
Target Fund Size (GAV)	EUR 600 million
Return target[A]	>12% pa
Target income distribution[A]	NA
Minimum investment	€10 million
Currency	EUR and USD
Currency hedging	For Class A the Partnership will seek to fully hedge all principal equity that is exposed to non-USD risk
NAV reporting frequency	Quarterly
External asset valuation	Annually
Reporting standard	Lux GAAP

Codes	
International Securities	LU1608622038
Identification Number (ISIN)	LU1608622202
Legal Entity Identifier (LEI)	222100YRXKCWJ1QPPZ44
Org. number	13455
RCS Luxembourg	B 205.551
FATCA Classification	IGA1-DC (Sponsored investment entity)
FATCA Sponsoring Entity	Aberdeen Global Services S.A
Global Intermediary Identification Number (GIIN) - Sponsoring Entity	MVNN3A.00000.SP.442
GIIN - Fund	MVNN3A.00084.SF.442

Investment universe map



- Primary (UK, Germany, Denmark, Sweden, Norway, Finland, The Netherlands, Belgium)
- Secondary (France, Spain, Italy, Portugal, Ireland, Austria)
- Not in focus (Rest of Europe, Lux)

Liquidity profile	
Redemption mechanism	Redemptions are not permitted
Lock-in period	Close-ended verhicle with a six year term from the Final Closing with potential to extend for 24 months with approval by the Advisory Committee
Notice period	Not applicable
Redemption period	Not applicable
Redemption price	Not applicable
Cap mechanism (Mandatory)	Not applicable
Suspension redemption	Not applicable
Liquidity buffer	Not applicable

The liquidity risk of the portfolio in normal market conditions is considered to be high on the basis that real estate assets are relatively illiquid. For more information see the Fund documentation.

[A] Target returns are offered as strategic goals and are not referenced to past performance. There can be no guarantee targets will be achieved.

Performance summary

Performance

The return for Q3 2018 was 1.1% for Class A and -2.0% for Class B shares respectively. This is based on the change in Adjusted NAV during the quarter, plus any distribution. The key driver of the different performance between Class A and Class B is due to currency hedging.

In general, the J-curve shaped returns since inception are as could be expected during the investments phase of the Fund. However, with the external valuations of some of the Fund's projects being significantly lower than total invested capital, the Fund has considered whether it was appropriate to use external valuations at this early stage in the cycle of the projects as the values will first materialise at closer to the completion stage. Following further analysis, the Fund has decided to keep the external valuations but reduce the frequency from semi-annually to annually in line with the requirements in the Fund documentation. Going forward, the Fund will perform annual external valuations as at year-end. For Q1, Q2 and Q3 the Fund will apply the latest year-end valuation and then add incurred capex during the year.

Net Asset Value

The Net Asset Value (NAV) is the value of all assets of the Company less liabilities to creditors (including provisions for such liabilities) determined in accordance with the Association of Investment Companies' valuation guidelines and in accordance with applicable accounting standards. There are currently no differences between the Adjusted NAV and the Lux GAAP NAV.

NAV table (€)

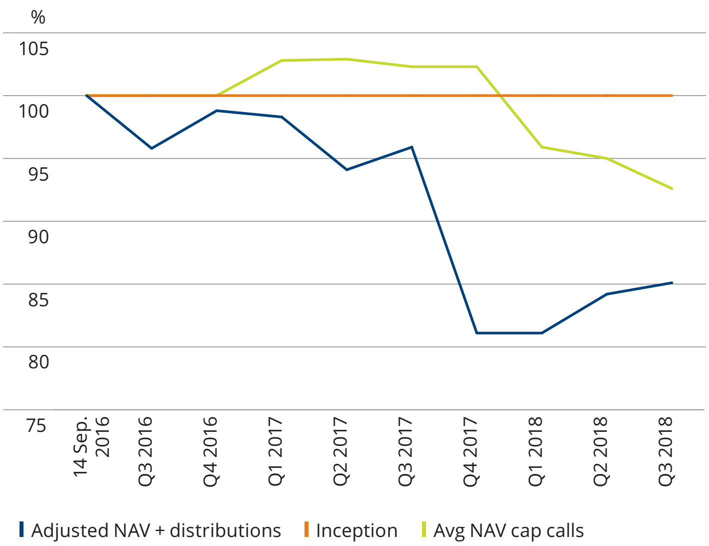
	Q3 2018 Class A	Q3 2018 Class B	Q2 2018 Class A	Q2 2018 Class B	Inception Class A[I]	Inception Class B[II]
NAV (Lux GAAP)	131,095,369	8,759,060	98,845,980	6,815,905	17,780,940	4,123,592
Equalisation charge	-	-	-	-	-	-
Fair value adjustment	-	-	-	-	-	-
Distribution	-	-	-	-	-	-
NAV (Adjusted total)	131,095,369	8,759,060	98,845,980	6,815,905	17,780,940	4,123,592
Lux GAAP NAV per share	7.57	8.67	7.49	8.85	8.89	10.00
NAV (Adjusted - per share)	7.57	8.67	7.49	8.85	8.89	10.00
Number of shares	17,311,164	1,010,421	13,203,366	769,856	2,000,000	412,359

I 17 Jul 2017 • II 14 Sep 2016

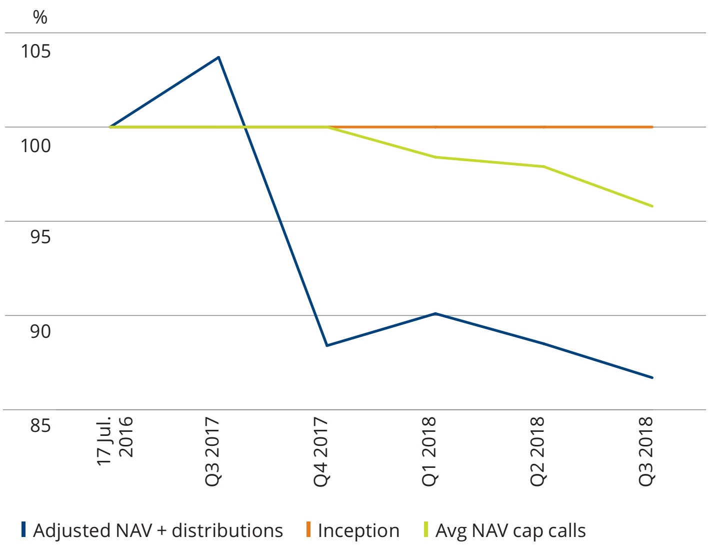
Fund level returns (%)

	Q3 2018 Class A	Q3 2018 Class B	Q2 2018 Class A	Q2 2018 Class B	Since inception Class A	Since inception Class B	3 yrs (ann.)	5 yrs (ann.)
Total return, Adjusted NAV	1.1	-2.0	3.9	-1.7	-14.9	-13.3	NA	NA
Target return	3.0	3.0	3.0	3.0	NM	NM	NA	NA
Relative to target	-1.9	-5.0	0.9	-4.7	NM	NM	NA	NA

Indexed NAV development Class A (EUR)
(Since inception to Q3 2018, including distributions)



Indexed NAV development Class B (EUR)
(Since inception to Q3 2018, including distributions)



Investment strategy

Investment objective

The Partnership believes that there is a compelling rationale for investing in commercial buildings located in the major cities of the European Economic Area that can be transformed into higher value residential uses.

This opportunity is driven by existing residential shortages in the major cities which are being exaggerated by rapid urban population growth and limited prospective residential supply additions. Concurrently we observe an excess of obsolete commercial space in these cities, illustrated by a high vacancy rate of offices and underutilised sites upon which many commercial buildings have historically been developed.

Strategy

The Partnership has a focused strategy to exploit the value difference between the existing use and the prospective residential value. It will seek capital gains on the basis of rezoning (to residential), optimising the design and use of the sites, developing the residential and ultimately selling the properties.

The intention is to develop a high conviction portfolio of 10-15 investments across a range of European countries.

Asset categorisation

The portfolio is divided into the following four categories measured on future risks, expected returns and development in certain areas. This categorisation is used in the daily management of the portfolio and also as a guide to the future strategy of the Fund.

Asset categorisation

Asset manage — long-term hold				
IP[A] 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018
0%	0%	0%	0%	0%

Long-term hold				
IP[A] 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018
0%	0%	0%	0%	0%

Immediate sale				
IP[A] 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018
0%	0%	0%	0%	0%

Asset manage — short-term hold				
IP[A] 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018
100%	100%	100%	100%	0%

[A] IP refers to the Investment Plan

Asset manage – long-term hold

- Manufacture of long-term hold assets
- Adding value to core assets

Immediate sale

- Assets no longer fulfilling a strategic or tactical role in the portfolio
- Sale possible now at a price which realises the value of unexploited opportunities
- Planned disposals for current calendar year

Long-term hold (10 years +)

- Held regardless of market environment or potential short-term relative performance
- Focus on quality
- Durable income
- Potential for growth

Asset manage – short-term hold

- Tactical, value-added strategy for assets not to be held in the long-term
- Assets requiring asset management prior to sale

Risk limits and investment guidelines

During the Investment Period, the Partnership will invest in Real Estate in accordance with the following Investment Restrictions:

- No investment in Real Estate located outside the member states of the European Economic Area.
- No more than 50% of the Total Capital Commitments may be invested in any one single country.
- No more than 20% of the Total Capital Commitments may be invested in any single Real Estate asset.
- At least 40% of Total Capital Commitments shall be invested in office space converted or to be converted into residential property.

At the end of the Investment Period the Partnership shall be invested in at least ten Real Estate investments and in at least four different countries.

Risk type	Risk limits (IMA)[A,B]	Current position 30/09/18	Breach (Y/N)
INREV style	Opportunistic (INREV 2011)	Opportunistic (INREV 2011)	N
Geographic	100% Inside European Economic Area Max. 50% of Total Capital Commitments in one single country At least 4 countries after Investment Period	Denmark 14%, UK 13%, Sweden 7%, Germany 4%, Finland 4% (of TCC)	N
Sector	Min 40% of TCC in Office	Other 16%, Industrial 15, Office 12% (of TCC)	N
Currency risk exposure	The Partnership will seek to fully hedge all principal equity that is exposed to non-USD risk	DKK 30%, EUR 22%, GBP 18%, SEK 13%, USD 18% (Class A hedged)	N
Single asset exposure	Max. 20% of TCC in single asset	Bath Press Site: 10.5%	N
Single tenant exposure	No guidelines or restrictions	Portrait Software International Ltd 44%	N
Development	100% developments	100% developments	N
Ownership/title	No guidelines or restrictions	96% weighted ownership	N
Indirect	No guidelines or restrictions	0%	N
Leverage (fund level)	Max 60% of GAV	11.9%	N
Leverage (asset level)	Max 65% of GAV	52.2% (The Smith Centre)	N
Interest rates	No guidelines or restrictions	NA	N
Variable interest rates	No guidelines or restrictions	NA	N
Debt rollover next 2 yrs	No guidelines or restrictions	NA	N
Derivatives	Derivatives can only be used for hedging purposes	Principal equity is hedged against currency fluctuations	N
Liquidity buffer	No minimum restrictions	-	N
Cash and money market instruments	No guidelines or restrictions	€37.7 million	N
Limitation to transfer of share(s)/unit(s)	Investors may transfer their shares subject to the approval of the General Partner.	-	NA
Valuation frequency	Annually	Last valuation Q4 2017[C]	N
Independency of Valuer	External valuers reviewed every 3 years	Cushman & Wakefield[C]	NA

[A] The IMA controls are static restrictions, legally binding, strategic in nature.
[B] Risk limits do not apply until after the investment period and therefore no breach can yet exist.
[C] For Q1, Q2 and Q3 2018 the Fund applies the latest year-end valuation and then adds in incurred capex during the year.

Portfolio allocation

Current geographic allocation (%)

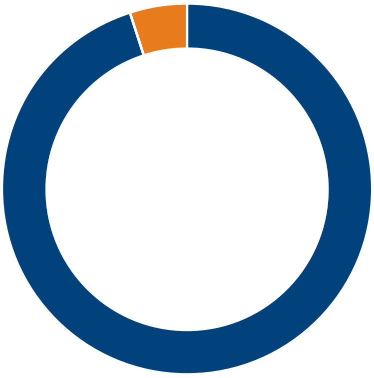
UK	31%
Denmark	30%
Germany	17%
Sweden	14%
Finland	8%

Current sector allocation (%)

Office	37%
Industrial	32%
Other	31%

Expected sector allocation post-conversation (%)

Residential	95%
Retail	5%
Other	0%



Pyynikki Beach, Tampere, Finland

Property portfolio overview

At quarter-end, the Fund had closed nine transactions and signed one further project. In total, the capital commitment to the ten transactions corresponds to approximately 76% of the Fund's total capital commitments.

Key portfolio data - as is

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Number of properties/projects	9	9	8	5	3	3	1	1	1
Existing space (sqm)	41,417	42,650	41,209	15,750	12,082	12,082	3,244	3,244	3,244
Value of investment property (€m)[A]	126.3	117.2	101.2	63.9	61.0	56.1	13.2	13.2	13.1
Annualised rental income (€m)	1.9	2.1	2.1	2.0	1.9	2.0	0.8	0.9	0.0

[A] Cost-based approach including accumulated capex

Key portfolio data – planned development (base case)

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Fully developed (sqm)	134,774	134,774	123,374	64,070	34,118	34,118	3,448	3,448	3,448
Number of residential units	2,059	2,138	2,048	1,101	461	461	35	35	35
Total estimated gross development costs (€m)	480.7	481.6	430.9	250.3	168.9	168.9	25.8	25.8	25.8

Closed projects – Key property data

	City	Country	Sector	Acq. date	Project type	Project size (sqm)	# of units	Resi segment	Est. delivery date	Current status
Pyynikki Beach	Tampere	Finland	Office	28 Feb 2018	Conversion	33,000	160	Condos	2019-2021	Project planning
Bath Press Site	Bath	UK	Industrial	9 May 2017	Rebuild	20,900	244	Condos	2019-2022	Project planning
Kista - Jylland & Anholt	Stockholm	Sweden	Other	7 Mar 2018	Rebuild	20,516	730	Micro-living	2020-2021	Project planning
Horisonten	Aalborg	Denmark	Industrial	24 Nov 2017	Rebuild	17,200	166	Condos	2020	Construction
Nobelvägen	Malmö	Sweden	Office	24 Oct 2017	Rebuild	12,800	400	Micro-living	2020	Project planning
The Paper Tower	Silkeborg	Denmark	Other	30 Apr 2018	Build	11,400	87	Condos	2020	Construction
Burgstrasse	Frankfurt	Germany	Office	1 Apr 2017	Conversion	9,770	182	Condos	2019-2020	Project planning
The Beach Terraces	Copenhagen	Denmark	Other	9 Mar 2018	Build	5,740	55	Condos	2019-2020	Construction
The Smith Centre	Henley-on-Thames	UK	Office	27 Sep 2016	Conversion	3,448	35	Condos	2021	Project planning
Total						**134,774**	**2,059**			

Closed projects – Key financials (€m)

	Acquisition value[A]	Tot. invested capital @Q3 18	Book value @Q3 18	Latest valuation @Q4 17	Capex YTD	Est. project development costs
The Smith Centre	12.9	12.6	12.5	12.0	0.0	33.0
Burgstrasse	18.6	21.5	25.3	21.2	1.8	44.0
Bath Press Site	24.2	26.7	19.6	15.8	1.3	96.4
Nobelvägen	2.2	2.7	2.7	2.7	0.4	38.3
Horisonten	5.4	13.5	13.5	13.5	8.2	42.6
Pyynikki Beach	9.8	10.0	10.0	10.0	0.2	82.3
Kista - Jylland & Anholt	13.3	14.5	14.5	14.5	0.9	75.7
The Beach Terraces	7.3	11.3	11.3	11.3	4.0	23.9
The Paper Tower	7.0	13.5	13.4	13.5	5.5	44.4
Total	**100.7**	**126.3**	**122.7**	**114.5**	**22.3**	**480.7**

[A] Including transaction costs

Closed projects – Key financials (€m)

	Equity allocated	Equity invested @Q3 18	Remaning eqt. commitment	External debt @Q3 18	Book value (NAV) @Q3 18	Equity allocated as % of TCC
The Smith Centre	15.4	6.0	9.4	6.6	12.5	5.8
Burgstrasse	16.0	10.5	5.5	11.0	25.3	6.0
Bath Press Site	26.8	26.7	0.1	-	19.6	10.2
Nobelvägen	19.4	2.7	16.7	-	2.7	7.3
Horisonten	19.5	10.8	8.6	2.7	13.5	7.4
Pyynikki Beach	21.6	10.0	11.6	-	10.0	8.2
Kista - Jylland & Anholt	25.1	14.5	10.7	-	14.5	9.5
The Beach Terraces	14.4	11.3	3.1	-	11.3	5.5
The Paper Tower	22.3	13.5	8.8	-	13.4	8.5
Total	**180.5**	**106.0**	**74.5**	**20.3**	**122.7**	**68.4**

Acquisitions and disposals

The fund did not close any acquisition during the quarter but Transformerverkstaden in Hammarby Sjöstad in Stockholm, Sweden closed on 1 October 2018. In addition, the Fund started negotiations and due diligence on one project in Ludwigshafen, south of Frankfurt, Germany, The acquisition is expected to close before year-end 2018, at which point the Fund will be approximately 80% committed. Furthermore, the Fund team is actively looking at several other early stage investment opportunities in Germany and the Nordics. Based on current activity the Fund team aims to be fully committed by mid-year 2019.

In parallel, the Fund explored potential wholesale exits of three of its investments. Two of these processes may lead to some type of exit over the next couple of quarters.

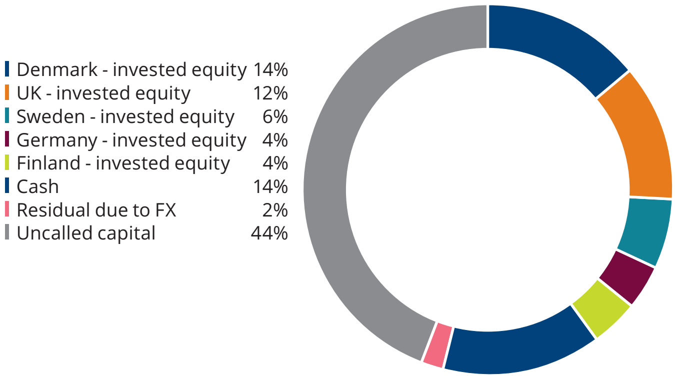
Acquisitions summary

Period	Activity	Number of properties	Acquisition price (€m)
Q3 2018	Closed	-	-
	Signed but not closed	-	-
	Total signed and/or closed	**-**	**-**

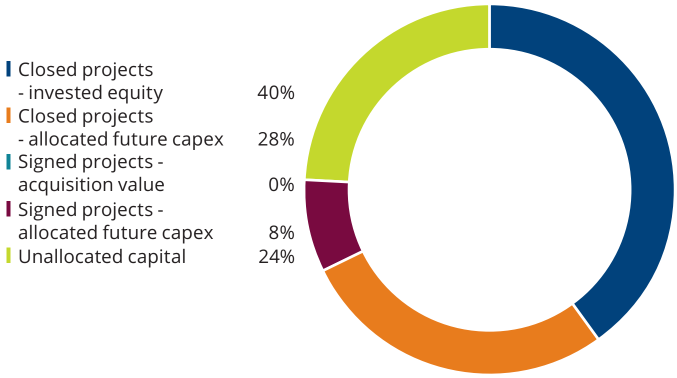
Closed investments

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Total number of properties	9	9	8	5	3	3	1	1
Acquisition cost property (incl. trans. costs) (€m)	100.2	100.9	92.5	61.6	54.5	55.0	13.2	13.2
Capex (€m)	26.1	16.5	7.6	4.7	1.6	0	0	0
Total investments	**126.3**	**117.4**	**100.2**	**66.3**	**56.1**	**55.0**	**13.2**	**13.2**

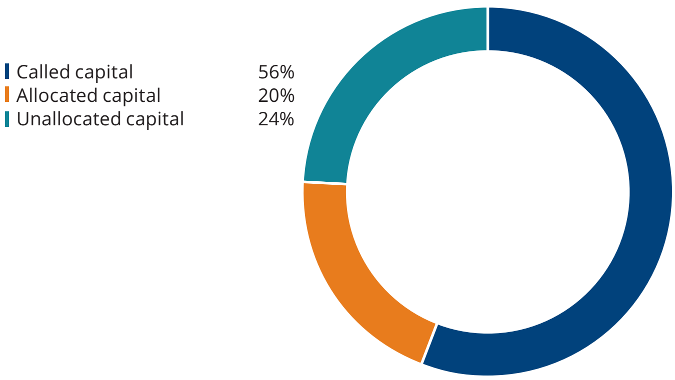
Closed and signed acquisitions - geographic allocation (equity as % of total committed equity)



Closed and signed acquisitions - capital allocation (equity as % of total committed equity)



Capital allocation (%)



Development projects

Closed acquisitions	Property	Project description	Current activities / comment
	The Smith Centre Henley-on-Thames, UK	The Smith Centre in Henley-on-Thames is located in a desirable and affluent residential area on the edge of an area of outstanding natural beauty. The 3,200 sqm property consists of a five building office campus and is fully let to a single tenant until March 2020. The plan is to improve the scheme which currently has permitted development rights.	Application submitted for improved scheme with 52 units. In parallel, working on further sqm for new build scheme. Unsolicited bid received during the quarter and the Fund will potentially sell the property during Q4 18 to a developer at a substantial mark-up to the invested capital.
	Burgstrasse Frankfurt, Germany	Burgstrasse in Frankfurt consists of 8,838 sqm above ground and is currently let to a range of tenants on mainly short-term leases, providing a net initial yield of 6.8%. The strategy is to convert the existing office space into residential condominiums whereas the existing commercial units on the ground floor will be retained as retail.	Application submitted for optimisation of the existing planning, adding approximately 2,000 sqm. Structured process initiated and bids received during the quarter. The Fund will potentially sell the property as a forward funding exit where it complete the development project before handover to the buyer. Building permit process and lease regear negotiations with retail tenant progressing well.
	Bath Press Site Bath, UK	Bath Press Site is a redundant industrial building and roadside trade counter in Lower Bristol Road, Bath. The 5.44 acre site has an existing planning consent for redevelopment to 244 dwellings of various types, a provision of 15,984 sq ft (GIA) of flexible employment space, residential parking in a basement and associated amenity space.	Due to higher than expected construction costs, the Fund has considered strategic alternatives to the original business plan. During the quarter the Fund was in advanced negotiations with a buyer for the entire site but post-quarter end the negotiations were terminated. Instead, the Fund expects to reposition to the scheme towards rented accommodation instead of condominiums and will look to identify a forward funding partner during 2019 in order to optimise returns. Demolition works completed.

Closed acquisitions	Property	Project description	Current activities / comment
	Nobelvägen Malmö, Sweden	Nobelvägen in Malmö, Sweden is a former combined office and industrial building. The plan is to develop the property to a scheme of approximately 400 micro-living rental apartments across 12,800 sqm. The scheme will target young people – students as well as young professionals. The project will include common areas, including study/co-working space, café/ deli, reception and a gym.	Design phase progressing well. Coordination with the Malmö Municipality and advisors currently ongoing in order to submit building permit application by year-end 2018. Considerations ongong in terms of modular construction method. Early stage negotiations with contractors. Process initiated for securing vacant possession and preparation of demolition works and site clean-up.
	Horisonten Aalborg, Denmark	Horisonten is a development project of a silo tower located on Lindholm Brygge, a former industrial area next to Limfjorden in Aalborg, the fourth largest city and third largest municipality in Denmark. The zoning plan for the land plot provides 17,200 sqm building rights with planning consent for redevelopment to residential. The 66 meter tall building will be purely residential with the exception of the ground floor, in total around 166 condo units.	Construction works are progressing well with completion planned in Q3 2020. Marketing of the units started in August 2018. Site acquistion loan was disbursed during the quarter.
	Pyynikki Beach Tampere, Finland	Pyynikki Beach is a former combined office and industrial building complex in Tampere, the second largest city and economic area in Finland. The plan is to convert the old building into residential and commercial area and to use the existing residential building rights to create 13,900 sqm of residential and 8,500 sqm of commercial premises. In parallel, the plan is to create additional building rights.	Demolition works ongoing and early stage negotiations with contractors. Marketing of the units ongoing with currently approxomately 26% reserved for the first phase. Early stage dialogue with potential tenants for commercial parts. Application for additional sqm submitted in Q1 18. Debt financing process progressing in parallel.
	Kista - Jylland & Anholt Stockholm, Sweden	Kista, Jylland & Anholt in Stockholm, Sweden is a micro-living scheme in Kista, the foremost ICT cluster in Northern Europe and a vibrant student hub in Stockholm. The project has an approved local zoning plan and comprises 20,500 sqm and up to ca. 730 high quality micro-living apartments targeting students and young professionals, a school and a youth centre across two land plots. The project will include common areas, including study/co-working space, café/deli, reception and a gym.	Design phase progressing well. Coordination with the Stockholm Municipality and advisors currently ongoing in order to submit building permit application by year-end 2018. Considerations ongong in terms of modular construction method. Early stage negotiations with contractors. Debt financing process progressing well.

Closed acquisitions	Property	Project description	Current activities / comment
	The Beach Terraces Copenhagen, Denmark	The Beach Terraces is a beachfront and former harbour area land plot in Køge, one of Copenhagen's largest suburbs. The 0.2 ha site has planning consent for redevelopment to residential and consists of 5,740 sqm / around 55 residential units across seven stories.	Construction works are progressing well with completion planned in Q1 2020. Marketing of the units started post the summer holidays. Debt financing process progressing well with loan disbursement on track for Q4 18.
	The Paper Tower Silkeborg, Denmark	The Paper Tower in Silkeborg, Denmark is a land plot, which is part of Papirfabrikken, a former paper factory that has been converted to a mixed use scheme with retail, office and residential. The land plot will be taken over once the amended rezoning and a building permit is in place, allowing for a high rise of approximately 11,400 sqm and 22 floors.	Construction works are progressing well with completion planned in Q4 2020. Marketing of the units ongoing with currently approximately 17% sold. One month delay caused by archaeologists findings. Debt financing process progressing well with loan disbursement on track for Q4 18.

Signed acquisitions	Property	Project description	Current activities / comment
	Transformer-verkstaden Stockholm, Sweden	Transformerverkstaden in Stockholm, Sweden is a micro-living scheme in Hammarby Sjöstad, a former industrial area that was transformed over the past 30 years. The business plan is to convert the former industrial building (currently office use) into micro-living serviced loft apartments and co-working space, whilst maintaining the industrial feeling and appearance. The planned 7,800 sqm scheme will provide approximately 180 apartments, 80 desks in a co-working facility plus common areas such as café/ deli, reception, gym and laundry.	Transaction closed on 1 Oct 2018. Design phase progressing well. Coordination with the Stockholm Municipality and advisors currently ongoing in order to submit building permit application by year-end 2018. Construction contract negotiations ongoing.

Investment capital and investor base

Capital committed and capital base

The Fund has completed its final closing, with a total committed capital of EUR 264.0 million as of 30 September 2018. EUR 246.2 million is committed in Class A, the USD denominated share class, and EUR 17.8 million in Class B, the EUR denominated share class.

A total of EUR 150.7 million is now called and the capital is allocated to finance the first ten acquisitions in the UK, Germany, Denmark, Sweden and Finland. Capital calls number ten and eleven were sent to drawn in September 2018. The capital calls were, among others, to fund the acquisition of Transformerverkstaden in Hammarby Sjöstad in Stockholm, Sweden and ongoing project and pre-construction costs across the portfolio.

Overview of committed capital

Closing	Date	Number of new investors	Class A Amount committed (USD)	Class B Amount committed (EUR)[A]
1st closing	13 Jun 2016	1	158,300,000	
2nd closing	26 Aug 2016	-	43,000,000	
3rd closing	15 Nov 2016	-	18,200,000	
4th closing	18 Apr 2017	-	20,000,000	
Final closing	12 Jun 2017	2	50,060,000	17,752,337
Total		**3**	**289,560,000**	
Total EUR equivalent				**263,966,363**

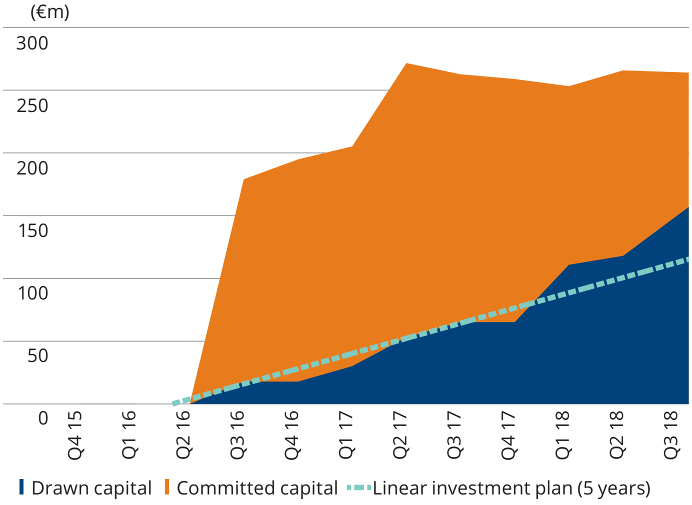
[A] FX rate as at 30 Sep 2018

Capital calls

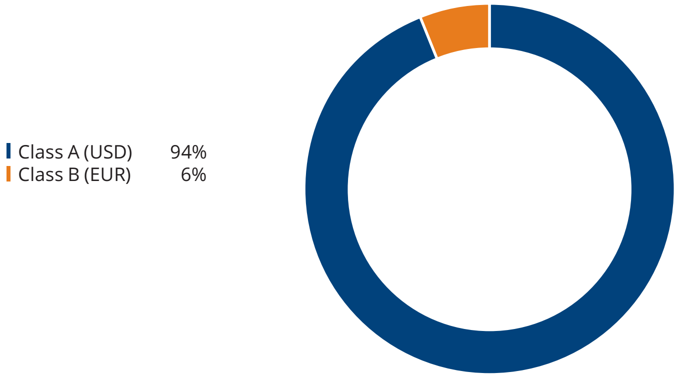
Closing	Date	Number of investors	Class A amount called (USD)	Class B amount called (EUR)[A]	Total amount called (EUR)[A]
1st capital call	14 Sep 2016	1	20,000,000		17,780,939
2nd capital call	21 Feb 2017	1	13,000,000		12,338,063
3rd capital call	3 May 2017	1	25,000,000		22,918,959
4th capital call	17 Jul 2017	3	9,259,050	4,123,592	12,195,295
5th capital call	9 Jan 2018	3	15,214,000	883,640	13,636,365
6th capital call	23 Feb 2018	3	22,900,000	1,290,000	19,911,671
7th capital call	16 Mar 2018	3	14,000,000	774,000	12,174,651
8th capital call	20 Apr 2018	3	8,100,000	451,500	7,048,397
9th capital call	20 Jul 2018	3	4,400,000	258,000	4,016,273
10th capital call	3 Sep 2018	3	6,360,000	387,000	5,857,261
11th capital call	21 Sep 2018	3	25,060,000	1,484,000	22,792,618
Total		**3**	**163,293,050**	**9,651,732**	**150,670,492**

[A] FX rate as at specific drawdown dates

Drawn capital and total committed capital



Allocation of share classes (%)



Nobelvägen 125, Malmö, Sweden

Currency overview

Currency strategy and hedging

The Fund is denominated in euros. For Class A, the principal equity in USD is hedged against currency fluctuations, typically with FX forwards. The Fund provides quarterly information on the currency exposure for total assets and NAV.

Currency hedging

	Q3 2018				
	GBP	EUR	DKK	SEK	Total (€)
FX exposure (LOC)	26,839,470	27,204,898	294,088,301	176,021,787	113,558,629
Hedging in place (LOC)	26,826,050	27,191,295	293,941,257	175,933,776	113,501,850
MTM value (€)	534,475	379,482	544,651	602,869	2,061,476
Hedging ratio	100%	100%	100%	100%	100%

FX rates	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
GBP/EUR	1.1137	1.1308	1.1406	1.1265	1.1349	1.1389	1.1691	1.1715	1.1559
USD/EUR	0.8503	0.8565	0.8131	0.8328	0.8459	0.8768	0.9350	0.9481	0.8905
DKK/EUR	0.1341	0.1342	0.1342	0.1343	0.1344	0.1345	0.1345	NA	NA
SEK/EUR	0.0968	0.0957	0.0971	0.1017	NA	NA	NA	NA	NA

FX rate change in %	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
GBP/EUR	-1.5	-0.9	1.3	-0.7	-0.3	-2.6	-0.2	1.4	NA
USD/EUR	-0.7	5.3	-2.4	-1.5	-3.5	-6.2	-1.4	6.5	NA
DKK/EUR	-0.1	0.0	-0.1	-0.1	-0.1	0.0	NM	NM	NM
SEK/EUR	1.1	-1.4	-4.5	NM	NM	NM	NM	NM	NM

	NAV Q3 2018		Total assets Q3 2018	
Currency exposure	(EUR '000s)	(%)	(EUR '000s)	(%)
GBP	26,033	18.4	33,349	19.5
EUR	30,298	21.5	44,437	26.0
USD	25,476	18.1	25,476	14.9
SEK	17,641	12.5	17,768	10.4
DKK	41,673	29.5	49,668	29.1
Total	**141,121**	**100.0**	**170,698**	**100.0**

Financing and financial risk management

Financing

The Fund puts a strong focus on having the most appropriate financing structure in place at all times, and benefits from Aberdeen's longstanding relationships with key banks across the European region.

At the end of Q3 2018, the Fund had a loan agreement with DZ Hyp for Burgstrasse in Frankfurt, Germany, in place. Currently €11.0 million out of the €37 million credit facility are drawn. The Fund also had a loan agreement for GBP 6 million with Investec for The Smith Centre in Henley-upon-Thames, UK. During Q3 2018 a loan of DKK 20 million was drawn from Danske Bank for Horisonten in Aalborg, Denmark.

All other acquisitions are currently 100% equity financed but the Fund plans to subsequently debt finance part of the acquisition value and recycle freed-up capital into construction related capex and/or finance new investments. During the quarter, the Fund progressed the debt financing negotiations for the acquisition and development financing of the two other Danish projects and of Pyynikki Beach. In parallel, the Fund is looking to set up a fund level revolving credit facility.

Cash position

The Fund had a net balance of €37.7 million in cash as at 30 September 2018. All cash is invested in low risk money market funds and bank deposits. The high cash position was in particular due to the closing of Transformerverkstaden on 1 October 2018.

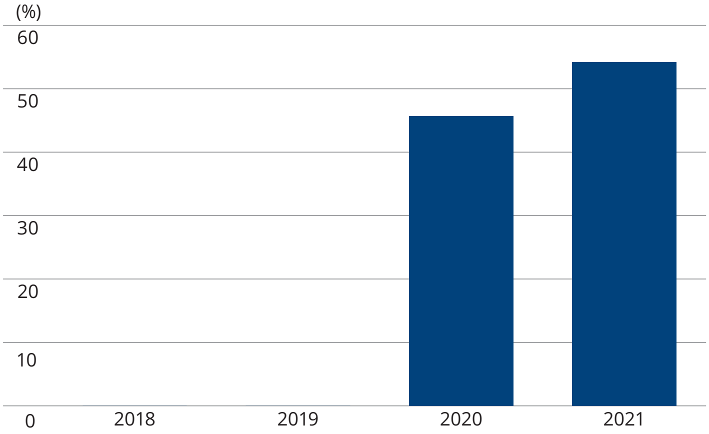
Loans and interest rates

According to the short-term nature of the investments, the financing needs to be as flexible as possible. Depending on the development plans we are considering two phases of financing: first tranche to refinance part of the equity for the acquisition of the asset and second phase to partly finance capital expenditure during the construction phase. There may occur partial loan repayments already during the construction phase, depending on the disposal progress of the units and/or the phased nature of some of the development projects.

Key financing data	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Total loans	20.3	17.8	11.0	9.9	9.8	9.7	-	-	-
Leverage of the AIF:									
Gross exposure - Fund level (%)	200	220	199	217	196	223	-	-	-
Gross exposure - Maximum level (%)	500	500	500	500	500	500	-	-	-
Commitment exposure - Fund level (%)	119	122	119	126	120	129	-	-	-
Commitment exposure - Maximum level (%)	250	250	250	250	250	250	-	-	-
Cash and cash equivalents	37.7	12.9	13.0	4.7	13.3	4.2	8.7	6.2	5.2
Loan to Value (Fund level) (%)[A]	11.9	13.5	9.4	14.0	13.5	15.3	-	-	-
Loan to Value (Net debt) (%)[B]	NM[D]	3.7	NM[D]	7.3	NM[D]	10.3	-	-	-
Loan to Value (Property level) (%)[C]	52.2	53.0	51.7	46.5	45.2	44.9	-	-	-
Hedge ratio (% of loan hedged)	-	-	-	-	-	-	-	-	-
Average maturity of swaps (yrs)	-	-	-	-	-	-	-	-	-
Weighted average debt maturity (yrs)	2.19	2.47	3.00	3.25	3.50	3.75	-	-	-
Financing cost incl. margins (%)	3.43	3.68	2.68	2.68	2.68	2.68	-	-	-
Average loan margin (bps)	317	338	268	268	268	268	-	-	-

[A] The main LTV for the fund is calculated as total loans divided by total assets
[B] LTV is calculated as total loans minus net cash (cash and cash equivalents minus mark-to-market of SWAPS) divided by the property portfolio value
[C] LTV is calculated as total loans divided by the property portfolio value.
[D] Not meaningful, as cash and cash equivalents exceed total loans.

Debt maturity profile



Kista - Jylland & Anholt, Stockholm, Sweden

European property market

General background

- While leading indicators suggest that economic growth slightly slowed in Q3 2018, partly due to a transitory slowdown in Germany, European GDP growth for 2018 is expected to end at 2%. This implies a sustained period of above potential GDP growth for the region.
- With close to six months until UK leaves the EU, Brexit continues to remain a major source of uncertainty - though it is likely that the two sides will come to an agreement. Largely driven by household spending power gradually recovering, net exports fading as the currency strengthens and global growth potentially softens slightly – outlook for Q3 looks strong nevertheless, but might be offset somewhat by the above.
- Nordic upswing is to some extent expected to continue. In Denmark, unemployment is falling and business investments are increasing. Households seem solid, but exports are slowing. The Finnish economy continues to grow at a healthy pace, with consumption becoming a key driver. Norwegian oil investments seem to have bottomed out and are set for a strong rise, and the outlook for consumption is positive. The economy is still growing at a healthy pace, but export growth has levelled off and there is still uncertainty related to the housing market.
- Residential in major continental European cities looks attractive, supported by structural undersupply, which can underpin both rental and capital-value growth.

Commercial property markets

- Our short-term leading indicators of performance still remain strong, suggesting that the outlook for capital values over the next six to twelve months is positive in all major continental European markets. The gap between property yields and bond yields is relatively high, investor sentiment is generally strong and economic and rental growth prospects are improving.
- While we expect yield levels to remain flat for Europe in the short- to medium-term, continued intense competition for stocks have compressed yields within certain markets and segments in the third quarter as well. In a historical perspective, yield levels are very low – and our view is that the European market will be more rental driven rather than yield driven going forward, which it has been for the last couple of years.
- According to MSCI, total return for the Pan-European market was 9.1% in 2017. Our forecast suggests that rental value growth will be the main return-driver over the next couple of years, while the bigger yield impact is to decrease, which is natural given the low yield levels we experience in the market and given the state we are in the cycle. Nonetheless, we project overall returns for the European market to decrease somewhat in the short- to medium-term.
- While being slightly down from previous quarter, transaction activity across Europe remained strong in Q3 2018, with investment volumes reaching €45 billion according to Real Capital Analytics. In terms of residential, volumes for Q3 2018 reached €7.9 billion – which is very strong in a historical context and a sector we find offering a favorable outlook.

Residential property markets

- Our most-favoured investment theme in the Eurozone includes the private rented residential sector, which benefits from strong population growth in winning cities, a restricted supply with tight planning controls, and limited sites for new development.
- European residential is currently one of the most attractively priced mature markets globally, and could offer attractive risk-adjusted returns for investors at this point in the cycle.
- Urbanisation, increased employment and general economic growth are all factors in favour of residential stock. In major cities, completion of new builds have not been able to meet the growing demand for this sector, which have translated into structural cumulative growth in shortfall. Moreover, developed over a long period of time, there has seemingly been an increasing mismatch between specific demand and new construction. In particular this mismatch has manifested in purpose-built units, such as the private rented sector and affordable housing. That being said, the number of homes being built has increased sharply over recent quarters in many markets aiming at fulfilling the structural undersupply.
- For instance, number of built to rent blocks under construction or in planning in the UK increased by nearly 40% during 2017. This in turn is assumed to impact rent levels in some locations and we find rental growth prospects to remain positive for the remainder of 2018 and 2019.
- Following new city districts and inner-city development, demand for residential construction in Germany remains high. We prefer either newly constructed or existing high-quality properties, which meet current tenant and market requirements (structure, floor plan and location).
- While the Nordic residential owner-occupied markets showed diverging performance in 2017 compared to previous years, house prices have seemingly stabilised somewhat in Norway and Sweden during the three first quarters of 2018. Considering Norway, house prices are back at peak levels and the stock of homes currently for sale has normalised. However, there are a large number of units expected to enter the market in the fourth quarter, which may bring some noise to the price development. There is a large number of units expected to enter the Swedish market as well, and although house prices seemingly have reached their intrinsic value, price corrections might still occur – especially in Stockholm.

Consolidated statement of operations

(Amounts – EUR '000)	Q3 2018	Q2 2018	YTD 2018
Income			
Rental income	389	560	1,327
Interest income	11	9	43
Recharges operating expenses to tenants	14	(25)	147
Other income	337	239	717
Total income	**751**	**783**	**2,234**
Expenses			
Property operating expenses	1,185	945	2,412
Property maintenance and repair	411	309	862
Fund management fees	1,004	983	2,919
Property management fees	26	4	37
Property taxes	5	6	40
Taxes (current and deferred)	6	(596)	10
Interest expense on loans and swap	182	75	354
Amortisation of establishment costs	17	18	52
Amortisation of transaction costs	293	289	772
Administrative and other expenses	130	520	867
Total expenses	**3,259**	**2,553**	**8,325**
Net operating income	**(2,508)**	**(1,770)**	**(6,091)**
Net unrealised gain / (loss) on property investments	290	(471)	349
Net unrealised gain / (loss) on foreign exchanges	829	306	929
Net realised gain / (loss) on foreign exchanges	(1,232)	(49)	(1,352)
Net unrealised gain / (loss) on financial assets	1,167	680	2,733
Net realised gain / (loss) on financial assets	3,295	4,752	6,187
Net increase in net assets resulting from operations	**1,841**	**3,448**	**2,755**
Net increase in net assets resulting from operations attributable to:			
Non-controlling interest	(92)	(73)	(207)
Owners of the Fund	1,933	3,521	2,962
	1,841	**3,448**	**2,755**

Consolidated statement of net assets

(Amounts – EUR '000)	30 Sept 2018	30 June 2018	31 March 2018
ASSETS			
Non-current assets			
Real estate investments, at appraised market value	92,163	92,864	86,602
Real estate investments under construction, at appraised market value	26,088	16,474	9,826
Financial instruments, at appraised market value	2,061	895	215
Other assets - Intangible assets	4,271	4,269	4,110
Deferred tax assets	-	-	-
Current assets			
Accounts receivable	7,222	4,534	2,237
Cash and cash equivalents	37,651	12,917	13,033
Restricted cash	551	144	-
Other assets	691	462	490
Other investments	-	3	533
Total assets	**170,698**	**132,562**	**117,046**
LIABILITIES			
Liabilities due after more than one year			
Long-term loans payable to banks	20,266	17,842	10,968
Financial instruments, at appraised market value	-	-	-
Deferred tax liability	974	975	1,572
Liabilities due within one year			
Deposits received	105	105	118
Interest accruals and payable	70	74	-
Accounts payable and accrued expenses	5,080	5,361	7,520
Tax payables	3,081	1,119	291
Deferred Income	-	65	31
Total liabilities	**29,576**	**25,541**	**20,500**
Net assets	**141,122**	**107,021**	**96,546**
Net assets attributable to:			
Non-controlling interest	1,267	1,359	1,433
Owners of the Fund			
Capital contributions	150,670	118,004	110,956
Retained earnings	(12,586)	(12,586)	(12,586)
Conversion reserves	(1,192)	(785)	(765)
Results for the period	2,963	1,029	(2,492)
Net assets	**141,122**	**107,021**	**96,546**
Total equity and liabilities	**170,698**	**132,562**	**117,046**

Responsible property investment

Company approach

Aberdeen Asset Management views responsible property investment as a fundamental part of our business. As a property investment and asset manager we recognise that while property investment provides valuable economic benefits and returns for clients it has, by its nature, an environmental and societal impact. Aberdeen has made four commitments toward responsible property investment. We are committed to:

- Identifying, assessing, monitoring and controlling environmental, societal and regulatory risks at key stages of the investment, development and asset management operations.
- Ensuring effective governance and responding to and complying with regulatory requirements in every country in which we operate.
- Sharing our knowledge and engaging with central government, with local government and with other bodies in order to encourage best practice in the market and to steer government policy.
- Working in partnership with our key stakeholder groups – our investors, occupiers, employees, suppliers and the communities we serve.

This approach is at the centre of our investment practices and is embedded in all of our key business functions. We seek to manage our impact on the environment and to control both physical and regulatory risks related to climate change. Through effective control of the investment risk profile across all funds and mandates we seek to avoid obsolescence and to reduce the rate of depreciation of our assets.

We make use of the expertise within the responsible property investment team and we are actively engaged with the European Union, national governments and industry working groups, including a number of local Green Building Councils, the Global Real Estate Sustainability Benchmark (GRESB), the UK Better Building Partnership and the UN Principles for Responsible Investment (UN PRI). This ensures that Aberdeen helps to formulate government policies and that our management teams are well informed of future government intent and market direction.

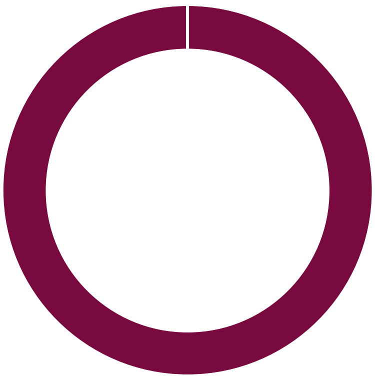
Fund Targets for 2019

As we move into 2019 we intend to refresh our approach and strategy to responsible property investment and ESG (environmental, social and governance) and we will update in the coming months.

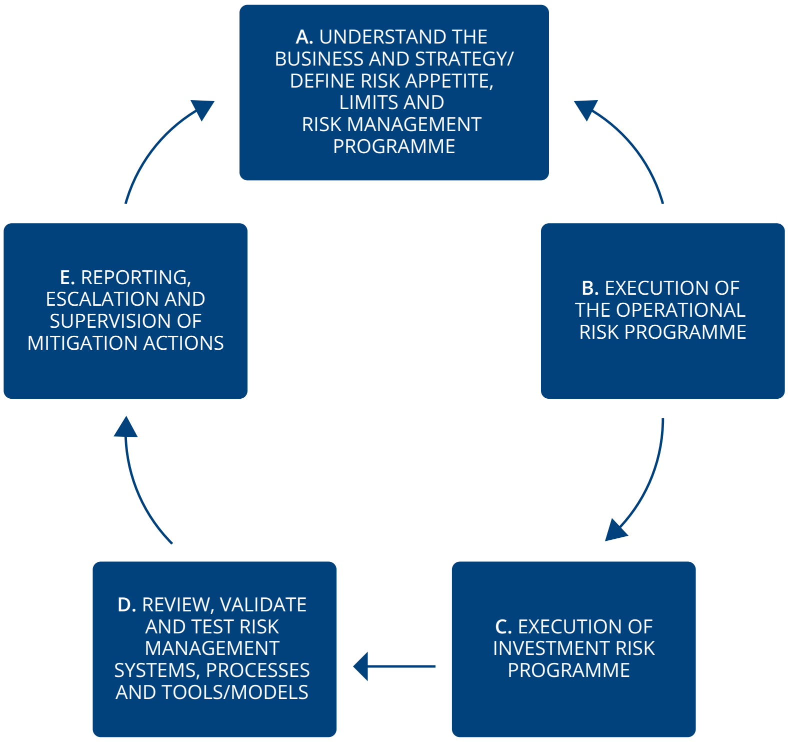
Fund facts – Energy Performance Certificates (EPCs)
Properties = 9
EPCs = 5 (100%)[1]
Total number of EPCs at A - C = 0 (0%)
Fund target once developed
Total Number of EPCs at A - C = 100%

Energy performance certificates score 2018

A	0%
B	0%
C	0%
D	100%
E	0%
F	0%
G	0%



Risk management



Risk management function

The Group is committed to building and continuously improving a sound and effective system of internal control and a risk management framework that is embedded within its operations; this is the Group's first line of defence.

The Group's Risk Division, as the second line of defence, exists to support management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Conduct & Compliance, Operational Risk and Investment Risk Oversight. The team is headed by the Group's CRO, who reports to the Chief Executive Officer of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group's operational risk management system (SWORD).

The Group's Internal Audit Department is independent of the Risk Division and reports directly to the Group co-CEOs and to the Chair of the Audit Committee of the Group's Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment; it is the Group's third line of defence.

The Group's corporate governance structure is supported by several committees that bring together Group's subject matter experts from different departments, to assist the Group's Board of Directors, its subsidiaries and the funds to fulfil their roles and responsibilities. The Group's Risk Division is represented on all committees, with the exception of those that deal with investment recommendations to the Boards. The specific goals and guidelines on the functioning of those committees are described in their respective terms of reference.

Risk management programme

The risk management programme is typically aligned with the valuation and reporting cycle of the funds and can be summarised broadly in five steps, see the chart below.

The first step of the programme allows the risk teams to identify, assess and understand the inherent risks of the fund and to define the risk management programme. This step allow the Risk Management team to understand potential changes in the risk profile of the fund and to focus and adapt their level of analysis to the most significant risks. The operational risk programme execution allows the risk teams to assess whether the internal controls mitigating those risks are sufficient and effective. Further, the execution of the investment risk programme relates to the identification and measurement of risks embedded in the investments of the fund. The review of the risk management systems allows the risk teams to confirm whether the processes are operating as described in the procedures and whether they are still fit for purpose.

The review of the risk management systems, processes and tools results of the independent risk assessment are escalated to the relevant committees and boards which are responsible for overseeing how the business implements the necessary mitigating actions.

Description of the process of identifying, assessing and managing risks

- **Market risk:** Is a form of risk that impacts a fund's investments (Investment risk), which is primarily identified, assessed and managed through the Group's investment management processes. The Risk Management team is provided with the investment plans and observes how they are challenged by the Investment Strategy Group (ISG). The team also raises any concerns where it identifies issues that have not been raised by the members of the ISG. The information collected helps the Risk Management Department to have a holistic view of the idiosyncratic risks of the property portfolios. The market risk is further monitored through the computation of loan to value ratios and the level of leverage by both the gross and net approach. The leverage is calculated by converting each derivative instrument into the equivalent position in the underlying assets, on a NAV basis. The market risk linked to the concentration risk is mitigated through investment restrictions set according to the basic principle of diversification. The Risk Management Department uses other techniques such as scenario analysis, concentration analysis, tenant, lease and debt risk indicators, to complement techniques deployed.

- **Liquidity risk:** The Group has a Liquidity Risk Management Policy in place applicable to the funds and set out in accordance with its overall Risk Management Process, relative to the size, scope and complexity of the funds. Liquidity risk is monitored on both the asset and liability sides. To monitor asset liquidity risk, the Group employs a number of methods specific to the underlying assets in order to measure the level of liquidity. In all cases, the approach is to reference the actual holdings of the fund against the market evidence. A Group Pricing Committee is responsible for the review and monitoring of asset pricing, in addition to the approval of pricing methodologies and fair value approaches. The Group has implemented a Group Pricing Policy which details the operational responsibilities for pricing assets. The Group uses external independent appraisers to advise on the value of each of the individual assets of the portfolio. On the liability side, investor transactions and, beyond this, investor behaviour are the main drivers of liquidity within each open-ended fund. In this context, the articles and prospectuses contain certain key provisions or limits which provide protection to the funds and ultimately investors, in situations where liquidity might become a concern. In addition, the Risk Management Department performs periodic analysis in respect of the shareholder concentration and transactional behaviour. Other source of liquidity risk is debt. The Risk Management Department performs periodic analysis of debt maturity alongside current and potential covenant breaches under certain stressed conditions. Any particular concerns noted are escalated to the relevant Group Committee and Boards, if material.

- **Credit and counterparty risk:** Transactions involving derivatives are only entered into with counterparties having an appropriate internal credit rating validated by the Group's Credit Risk Department. The credit and counterparty risk linked to derivatives transactions are managed through processes outlined in the Group's Derivative Management Policies, standards for trading derivative instruments, and legal and collateral terms. The implementation of these policies is monitored by the Group Derivative Management Committee (DMC). The DMC is also responsible for monitoring aggregated derivative positions and exposures. The Group has as well a Credit Committee (CC) responsible to provide credit market insights and assess the impact on existing credit exposures and approved credit counterparties and approve or remove those counterparties.

- **Legal risk:** All key contractual arrangements entered into by the funds are reviewed by the Legal Department and, where required, by external legal counsel. If these contracts refer to delegation arrangements, where applicable, there is an operating memorandum defining information flows between the parties, frequency of services and deadlines, a clear attribution of rights and responsibilities of each party and, when applicable, the key performance indicators to measure performance. Any litigation issues are also handled by the Legal Department, which would provide updates to the Risk Management Department on any existing litigation, status of the litigation and the extent of any impact to the funds.

- **Tax risk:** The Group uses external tax consultants to advise on tax structuring, transactions and tax reporting.

- **Operational risk:** The Operational Risk Management Framework ensures that the operational risks taken and their contribution to the overall risk profile are accurately measured on the basis of sound and reliable data and that the risk measurement arrangements, processes and techniques are adequately documented. The identification, measurement, management and monitoring of operational risk within the Group are achieved through the use of the Group's Operational Risk Management Framework System, SWORD. This system provides the following key Risk Management Modules:
  - Event Management: This module serves as a historical loss database, in which any operational failures, loss and damage experience (Events) will be recorded. The records include professional liability damages. The process for recording, investigation and mitigation of Events aims to ensure that they are not repeated.
  - Issues and Actions Plan: The issues and actions module provides a standardised mechanism for identifying, prioritising, classifying, escalating and reporting internal audit findings and other on-going / unresolved matters impacting the Group from a risk or regulatory perspective (Issues).

– Risk and Control Self Assessment (RCSA): The RCSA process is to ensure key risks and key controls are identified and managed effectively in order to satisfy, at a Group level, Internal Capital Adequacy (ICAAP) requirements. The RCSA also provides a systematic and holistic means of identifying risk and control gaps that could impact business or process objectives which are agreed by senior management to complete.

– Business Continuity Plan (BCP): Is in place and designed for invocation where there has been significant disruption to normal business functions at any Aberdeen Group office that is likely to last longer than 24 hours.

Measuring risk

Where appropriate the Group applies the following measurements for each fund:

- **Leverage and debt related measurements:** measures the effect of gearing a fund's expected performance by allowing a fund to gain greater exposure to underlying investment opportunities (gains and losses). The higher the leverage the greater the risk (potential loss).The measurements are also designed to capture limitation on the capacity of managing the funds' assets due to restrictions or banking covenants which come associated with debt and the risk of not be able to re-finance debt upon maturity. Other secondary risks measured relate to whether the cost of gearing is too high and whether the length of the gearing is appropriate.
- **Stress test and scenario analysis:** Captures how much the current portfolio will make or lose if certain market conditions occur.
- **Concentration:** By grouping the portfolio through various different exposures: country, sector, issuer, asset, etc., to identify where concentration risk exists.
- **Asset net income leakage:** captures revenue risk arising from portfolio characteristics; type of leases or changes in the local rental market prices, tenant characteristics and concentration.
- **Alignment of asset/liability liquidity terms:** assesses whether the fund has enough liquidity to cover its short term liabilities and whether the maturity of the remaining fund liabilities are aligned with the asset liquidity profile.
- **Activities to measure operational risks:** inquires to legal and tax teams on litigations and tax developments impacting the funds. Assessments of investor satisfaction. Understanding processes related to NAV production, investing and monitoring of investments. Analysis of SWORD Events and Issues, etc.

For some of the risk measurements above, the funds' Boards of Directors and Risk Management team will determine and set specific risk limits, which will be appropriate for each fund.

Escalation and reporting

The Group recognises timely and adequate reporting measures as well as escalation channels to be key components of the control process and management of risk.

The Risk Management Department provides regular updates to the Board/senior management on the adequacy and effectiveness of the Risk Management Process indicating, where applicable, actual or anticipated deficiencies and the remedial measures.

Risks identified at the level of the funds are reported to the Board of each fund, to the Board of the Manager and to the relevant Group Committee.

In addition, all issues and events impacting any Aberdeen entity or the funds are logged in SWORD, by the relevant area within the prescribed time limits.

The Beach Terraces, Copenhagen, Denmark

Appendix: FATCA and CRS notice

FATCA NOTICE

FATCA UPDATE AND CONFIRMATION OF GLOBAL INTERMEDIARY IDENTIFICATION NUMBERS ('GIINs')

This Notice contains important information regarding new US tax regulation requirements which came into effect from 1 July 2014.

FATCA BACKGROUND

The Foreign Account Tax Compliance provisions of the United States Hiring Incentives to Restore Employment Act ('FATCA') generally impose a U.S. federal reporting and withholding tax regime on non-US financial institutions with respect to certain U.S. source income (including, among other types of income, dividends and interest) and gross proceeds from the sale or other disposal of property. The rules are designed to require certain U.S. persons' direct and indirect ownership of certain non-U.S. accounts and non-U.S. entities to be reported to the U.S. Internal Revenue Service ('IRS'). A 30% withholding tax regime could apply if there is a failure to provide certain required information and these rules apply to such payments made after 30 June 2014.

APPLICABILITY TO ABERDEEN'S FUNDS

Aberdeen European Residential Opportunities Fund ('The Fund') is domiciled in Luxembourg. Luxembourg has entered into an intergovernmental agreement (IGA) with the IRS to facilitate FATCA compliance. FATCA compliance will be enforced under local tax legislation and reporting rules. The Fund will comply with these rules and has registered on the IRS website to obtain a GIIN.

The relevant FATCA information and GIIN:

COMMON REPORTING STANDARD (CRS) NOTICE

CRS UPDATE

This Notice contains important information regarding OECD tax regulation requirements which came into effect from 1 January 2016.

Jurisdiction	Fund Name	FATCA Classification	Sponsoring Entity	Sponsoring Entity GIIN	Fund GIIN
Luxembourg	Aberdeen European Residential Opportunities Fund	IGA1-DC (Sponsored investment entity)	Aberdeen Global Services S.A.	MVNN3A.00000.SP.442	MVNN3A.00084.SF.442

CRS BACKGROUND

The Organisation for Economic Co-operation and Development ("OECD") received a mandate from the G8/G20 countries to develop a common reporting standard ("CRS") to achieve a comprehensive and multilateral automatic exchange of information (AEOI) in the future on a global basis. The CRS will require financial institutions to identify financial account holders and establish their tax residence. Financial institutions should then report financial account information relating to certain accounts to the local tax authority, which will thereafter automatically transfer this information to the relevant competent foreign tax authorities on a yearly basis. Shareholders may therefore be reported to the local and other relevant tax authorities under the applicable rules.

A European Council Directive 2014/107/EU as regards mandatory automatic exchange of information in the field of taxation (the "Euro-CRS Directive") has been adopted on 9 December 2014 in order to implement the CRS among the member States of the European Union. In addition, the local tax authorities signing the OECD's multilateral competent authority agreement ("Multilateral Agreement") agreed to automatically exchange information under the CRS.

APPLICABILITY TO ABERDEEN'S FUNDS

Aberdeen European Residential Opportunities Fund ('The Fund') is domiciled in Luxembourg. Luxembourg is considered an 'Early adopter' CRS jurisdiction, for more information please visit OECD's website. The first exchange of information amongst tax authorities is expected to be applied in 2017 for information related to the year 2016. Accordingly, the Fund would be committed as of 1 January 2016 to run additional due diligence processes on its account holders and to report the identity and tax residence of certain account holders (including certain entities and their controlling persons) to the local tax authorities who will share such information with other relevant tax authorities. The information reported will also include the account balance, income and redemption proceeds. The Fund will comply with these rules and may, in due course, require additional information from investors in order to comply with relevant CRS obligations. Each investor should consult their professional advisors on the possible tax and other consequences with respect to the implementation of the CRS.

All sources (unless indicated): Aberdeen Asset Managers Limited, 30/09/2018

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Data Protection Statement

We take your privacy seriously and we will only ever collect and use information which is personal to you where it is necessary, fair and lawful to do so. We will collect and use your information only if are able to satisfy one of the lawful processing conditions set out in the data protection laws.

We may share your information internally, and with third parties acting on our behalf to enable us to provide you with the product, service, or investment, or to meet our legal and regulatory requirements.

The majority of your information is processed in the UK and European Economic Area (EEA). Where your information is being processed outside of the EEA, we take additional steps to ensure that your information is protected to at least an equivalent level as would be applied by UK / EEA data privacy laws

We take information and system security very seriously and we strive to comply with our obligations at all times. Any personal information which is collected, recorded or used in any way, whether on paper, online or any other media, will have appropriate safeguards applied in line with our data protection obligations.

You have a number of rights under data protection laws (e.g. the right of access to personal information relating to you) which may be exercised in certain circumstances. Please contact us, or consult our privacy policy online, if you would like more information about exercising these rights.

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