abrdn Future Real Estate UCITS ETF

Quarterly Update – Q4 2024

This is for professional investors for all countries. In Switzerland for qualified investors only.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID / KIID before making any final investment decisions.

The abrdn Future Real Estate UCITS ETF quarterly update provides an overview of the market; fund performance, positioning and portfolio changes; and the fund manager's outlook for the months ahead.

abrdn Future Real Estate UCITS ETF, a US Dollar denominated sub fund of abrdn III ICAV. This Fund is managed by Carne Global Fund Managers (Ireland) Limited (the "Manager").

OBJECTIVES AND INVESTMENT POLICY

Investment objective

To generate growth over the long term (5 years or more) by investing in listed real estate investment trusts ("REITs") and equities (company shares) of companies engaged in real estate-related activities globally.

Performance Target: To outperform the FTSE EPRA NAREIT Developed Net Index (the "Benchmark Index") before charges. There is however no certainty or promise that the Fund will achieve the Performance Target. The Investment Manager believes this is an appropriate target for the Fund based on the investment policy of the Fund and the constituents of the Benchmark Index.

Risks

All investment involves risk. This fund offers no guarantee against loss or that the fund's objective will be attained. The price of assets and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment. Inflation reduces the buying power of your investment and income. The value of assets held in the fund may rise and fall as a result of exchange rate fluctuations.

Equity risk

The fund invests in equity and equity-related securities. These are sensitive to variations in the stock markets, which can be volatile and change substantially in short periods of time.

Concentration risk

A concentrated portfolio may be more volatile and less liquid than a more broadly diversified one. The fund's investments are concentrated in a particular country or sector.

ESG risk

Applying ESG and sustainability criteria in the investment process may result in the exclusion of securities within the fund's benchmark or universe of potential investments. The interpretation of ESG and sustainability criteria is subjective, meaning that the fund may invest in companies which similar funds do not (and thus perform differently), and which do not align with the personal views of any individual investor.

Real estate investment trust risk

Dividend payment policies of the REITs in which the fund invests are not representative of the dividend payment policy of the fund.

Derivative risk

The use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure among market participants. The use of derivatives may result in the fund being leveraged (where market exposure and thus the potential for loss by the fund exceeds the amount it has invested), and in these market conditions the effect of leverage will be to magnify losses.

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Market commentary

Interest rates once again were the key driver of returns in the fourth quarter, as the US 10-year Treasury yield reversed the third quarter downward trajectory and rose despite 100bps of interest rate cuts by the Fed. We attribute the increase in rates to concerns about inflationary pressures stemming from economic policy of the new Presidential administration. The US 10-year Treasury yield rose by c40bps in December alone, as such, we witnessed a sharp sell-off in the listed real estate securities market towards the end of the year.

Higher interest rate costs and lower growth expectations weighed on the UK market as well towards the end of the year. Additionally, the Labour government seemingly has limited ability to manoeuvre the market with their options apparently limited towards a reduction in spending or a further increase in borrowing to end the economic malaise.

Despite further rate cuts form the European Central Bank (ECB) over the fourth quarter, the market remained concerned about economic and political issues in both Germany and France. The uncertain market backdrop should provide more room for the ECB to cut rates in 2025, which should help to stabilise the market.

Performance from the Asia Pacific (APAC) market continued to be dominated by weak fundamentals and limited catalysts for growth over the fourth quarter. In Japan, interest rate uncertainty could remain an overhang for the foreseeable future, dampening the near-term outlook for the market. Despite government efforts on multiple fronts, fundamentals are extremely weak in Hong Kong with net departures at historic highs, pressures in the retail sector and elevated vacancy in the office market. The Australian market was one of the best REIT regimes in 2024 on a relative basis, despite negative sector earnings per share/funds from operations. Largely, this outperformance was underpinned by expectations of imminent rate cuts by the Fed, which would be closely followed by the Reserve Bank of Australia. As inflation and labour market resilience continues to surprise to the upside, the timing of rate cuts continues to be pushed out.

Notwithstanding the relatively volatile market environment, capital raising from the global real estate securities market was up year-on-year with more than US$70 billion raised through a combination of debt and equity issuance and new initial public offerings. Listed real estate companies remain at a comparative advantage versus their private market peers given their ability to raise capital through the unsecured debt market. Listed real estate debt spreads remain attractive with an average spread of 1.6% versus similar-dated Treasuries. The availability of capital ensures that listed real estate companies can remain active in terms of deploying capital towards the bottom of the cycle, while also presenting attractive merger and acquisition opportunities.

Outlook

As we enter 2025, most overall real estate price corrections seem to have concluded. Notably, some sectors in the US, UK and Europe have seen values increase. Consequently, the latest abrdn Multi-Asset House View has retained its overweight stance to both global direct real estate and global real estate securities. This indicates that an underweight allocation is no longer beneficial to multi-asset portfolios.

Capital value expectations vary by sector and region, with APAC on a different trajectory. Sectors missing thematic benefits, and low-quality assets facing high retrofitting costs because of elevated vacancy rates and/or strict environmental regulations, are still at risk.

We anticipate further capital declines for these assets. We are more optimistic about sectors with strong fundamentals like logistics, residential, retail warehouses and some alternative sectors. High-quality central office spaces are also looking more valuable as rents rise under a short-supply backdrop. These sectors have low vacancies, limited future supply, and strong demand boosted by thematic trends. Data centres and strategies looking to harness the opportunities in the energy transition and rising power demand are growing substantially.

Expected returns are rising. We forecast a global allproperty (direct level) total return of 6.9% over the next three-year period to end 2027. While geopolitical and economic risks are rising, real estate risks are diminishing, and more opportunities are emerging. There will be attractive investment pricing points for those with equity this year and next year.

Valuations in the commercial real estate market have been negatively impacted by the rise in long-term interest rates, which have provided an attractive entry point for investors with a global discount to net asset value of -10.2% as at year-end.

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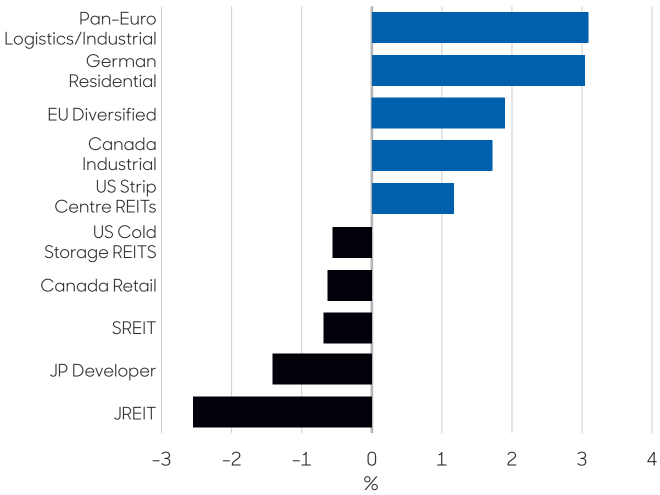
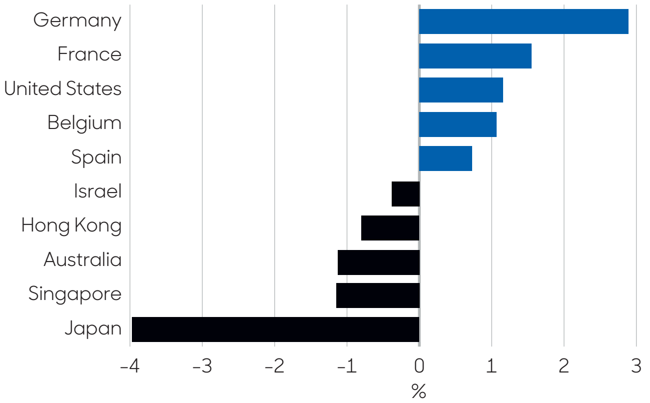
Top and bottom five stocks versus benchmark[1]

	Fund (%)	Benchmark[1] (%)	Relative (%)
Vonovia SE	2.77	1.24	1.53
Covivio SA	1.62	0.16	1.46
LEG Immobilien SE	1.75	0.36	1.38
Dream Industrial Real Estate Investment Trust	1.35	0.13	1.22
SEGRO plc	1.55	0.69	0.87
Mitsui Fudosan Co., Ltd.	0.87	1.29	-0.41
Vornado Realty Trust	–	0.43	-0.43
Agree Realty Corporation	–	0.44	-0.44
Rexford Industrial Realty, Inc.	–	0.49	-0.49
Mitsubishi Estate Company, Limited	–	0.95	-0.95

Top and bottom five sectors versus benchmark[1]



Top and bottom five countries versus benchmark[1]



Fund facts

Fund size (USD)	$83.8m
Number of holdings	139
ISIN	IE000GGQK173
Inception date	1st March 2023
TER	0.40%
Base currency	USD
Ticker	AREG (GBP), R8TA (USD), R8T (EUR), AREC (CHF)
Benchmark index	FTSE EPRA NAREIT Developed Net Index
SFDR classification	Article 8

[1] Portfolio Holdings As Of Date: abrdn Future Real Estate UCITS ETF – Transactions 31-Dec-2024.
Benchmark Holdings As Of Date: FTSE EPRA Nareit Developed 31-Dec-2024.
All other information as at 31 December 2024 unless specified.

Performance (%)

	Since Inception[1] (%p.a)	1 mth	3 mths	YTD	1 yr	3 yrs	5 yrs
abrdn Future Real Estate UCITS ETF NAV	3.39	-7.43	-10.36	-1.22	-1.22	n/a	n/a
abrdn Future Real Estate UCITS ETF Share price	2.58	-9.80	-11.94	-3.84	-3.84	n/a	n/a
FTSE EPRA Nareit Developed Net Return Index (USD)	4.13	-7.08	-9.69	0.94	0.94	-6.04	-1.00

[1] Inception date 01/03/2023.

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Positive Performance Drivers

- The Fund maintains an underweight position to the US industrials sector on concerns over a deceleration in market rents due to weakening demand and excess supply, and coupled with the potential negative impact of future tariffs on trade. This positioning proved accretive to performance as the sector materially underperformed the global benchmark.
- Investors were attracted to the strong supply and demand fundamentals of the US strip centre REIT sector over the quarter. The sector also benefitted from the continued health of the US consumer, which was supportive of rental growth. Our overweight positioning to the sector was beneficial as it outperformed the global benchmark over the fourth quarter.
- Rumours around a potential acquisition of Sunstone Hotel Investors by private equity resulted in a rally in the US hotel REIT sector. The Fund maintains a neutral weight to the sector versus the benchmark, but is more heavily weighted toward higher quality names which benefitted more from this rally.

Negative Performance Drivers

- The overweight to the pan-European logistics and industrial sector was a drag on performance as the sector underperformed over the quarter due to concerns that the slowing rental growth seen in the US would move across the Atlantic and impact European markets as well.
- The overweight position in Spanish landlord Merlin (EU diversified) was a drag on performance over the period. Despite solid operating fundamentals remaining in place, concerns about supply chain pressures potentially delaying data centre developments, and a potential change in tax treatment in Spain for listed real estate companies, led to the underperformance.
- After strong relative performance over the prior quarter, the German residential sector underperformed in the fourth quarter. The rise in interest rates was largely to blame for the underperformance as the sector is the most rate sensitive sector globally. Therefore, the Fund's overweight position detracted from performance.

Annual returns to 31 December 2024 (%)

	1 year to 31/12/24	1 year to 31/12/23	1 year to 31/12/22	1 year to 31/12/21	1 year to 31/12/20
abrdn Future Real Estate UCITS ETF NAV	-1.22	n/a	n/a	n/a	n/a
abrdn Future Real Estate UCITS ETF Share price	-3.84	n/a	n/a	n/a	n/a
FTSE EPRA Nareit Developed Net Return Index (USD)	0.94	9.67	-25.09	26.09	-9.04

Fund inception date 1st March 2023.
Past Performance is not a guide to future performance. The price of shares and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment.
For full details of the fund's objective, policy, investment and borrowing powers and details of the risks investors need to be aware of, please refer to the prospectus.
The fund does not have an index-tracking objective.

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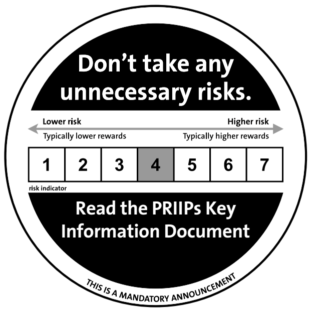
Important information

The fund is a sub fund of abrdn III ICAV, an open-ended umbrella fund which is regulated by the Central Bank of Ireland and with segregated liability between sub-funds registered in the Republic of Ireland (no. C469164) at 70 Sir John Rogerson's Quay, Dublin 2.



This fund is categorised as Article 8 under SFDR. Details of abrdn's Sustainable and Responsible Investment Approach are published at www. abrdn.com under Sustainable Investing.

This fund concerns the acquisition of units/shares in a fund, and not in a given underlying asset such as a building or shares of a company.

Any decision to invest should take into account all objectives of the fund. To help you understand this fund and for a full explanation of risks and the overall risk profile of this fund and the share classes within it, please refer to the Key Investor Information Documents available **in the local language**, and Prospectus available in English, which are available on our website **abrdn.com**. The Prospectus also contains a glossary of key terms used in this document.

A summary of investor rights can be found in English under Group Policies on the Manager's website **https://www.carnegroup.com/wp-content/uploads/2022/03/Carne-Group-Summary-of-Investor-Rights-1.pdf.**

This information is intended to be of general interest only and should not be considered as an offer, investment recommendation or solicitation to deal in the shares of any securities or financial instruments. Subscriptions for shares in the fund may only be made on the basis of the latest prospectus, relevant Key Investor Information Document (KIID) or Key Investor Document (KID) as applicable and, in the case of UK investors, the Supplementary Information (SID) for the fund which provides additional information as well as the risks of investing. These may be obtained free of charge from abrdn. All documents are also available on www.abrdn.com.

Further information about the **abrdn Future Real Estate UCITS ETF** can be obtained from the prospectus, supplement to the prospectus and latest annual and semi-annual reports once available. These documents are available in English, are free of charge and can be obtained along with other information such as unit prices, from **www.abrdn.com**, the Manager, or the **Paying agent: EU/EEA territories: europeanfacilitiesagent@carnegroup.com UK facilities agent: UKfacilities@carnegroup.com.**

The Manager may terminate arrangements for marketing the fund under the Cross-border Distribution Directive denotification process.

In the United Kingdom: The conditions set out in regulation 63 of the Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019 have been satisfied with respect to the fund, with the result that the fund is treated as a recognised scheme for the purposes of Part XVII of the Financial Services and Markets Act 2000. For so long as the fund is treated as a recognised scheme, the fund may be promoted, and Shares in the fund may be marketed, to the general public in the United Kingdom, notwithstanding the United Kingdom's withdrawal from the European Union. This document and the information contained herein may only be distributed by an Authorised Person in accordance with the FCA rules.

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* abrdn means the relevant member of abrdn group, being abrdn plc together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

FTSE disclosure if using FTSE benchmark

Before making an investment in the fund, investors should take steps to ensure that they fully understand the investment risks associated with the fund and have made an independent assessment of the appropriateness of an investment in the fund in light of their own objectives and circumstances.

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