abrdn Future Real Estate UCITS ETF

Fund Update – March 2025

Tickers: R8TA (USD), R8T (EUR), AREG (GBP), AREC (CHF)

For professional investors only (in Switzerland for qualified investors). Not for use by retail investors. For sale in selected countries: Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Italy (for professional investors only), Luxembourg, Netherlands, Norway, Sweden & United Kingdom.

This is a marketing communication. Please refer to the prospectus of the UCITS and see the Key Investor Information Document (KIID) or Key Information Document (KID) for details before making any final investment decisions.

French investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this fund presents disproportionate communication on the consideration of non-financial criteria in its investment policy.

The value of investments and the income from them can go down as well as up, and investors may get back less than the amount invested. 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

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 closely related group of industries or sectors.

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.

Headline Bullets

- **The Future Real Estate ETF marginally underperformed its benchmark index, on a NAV basis, over the month (-0.45%)**. Since inception (01/03/2023) to end of March, the NAV return was 3.39% while the FTSE EPRA NAREIT Developed Net Index returned 4.42%.

- **The global listed real estate market,** as measured by the FTSE EPRA NAREIT Developed Net Index, **significantly outperformed general equities over March, returning -2.32% versus a return of -4.45% for the MSCI World** (figs in USD).

- The Fund's **performance was aided by the overweight exposure to Pan-Euro Logistics/Industrial** as the sector rallied off depressed valuations on signs that demand was beginning to pick up which would lead to greater leasing activity in the back half of the year.

- The Fund's **overweight allocation to the German Residential sector was a drag on performance** and it materially underperformed the benchmark during the month. The sector historically has the highest negative correlation with interest rates in the market, and therefore underperformed as interest rates in Germany rose.

- Our **Multi-asset HouseView retains an overweight recommendation to global real estate**, for both direct and listed real estate.

Performance

The Future Real Estate ETF underperformed its benchmark index, on a NAV basis, over the month (-0.45%) and it remains marginally behind the benchmark over the period since launch (-0.98%).

Fund Performance vs Benchmark	1 Month (%)	3 Months (%)	1 Year (%)	Since Inception (% p.a.)*
Gross Daily Time Weighted Return	-2.66	1.06	2.73	4.33
Share Price Return	-2.73	2.22	1.36	3.36
NAV Return	-2.76	0.83	1.95	3.39
FTSE EPRA Nareit Developed Net Return	-2.32	1.59	3.89	4.42

Relative Performance vs Benchmark	1 Month (%)	3 Months (%)	1 Year (%)	Since Inception (%)*
Geometric Relative Return v GDTW	-0.35	-0.53	-1.12	-0.08
Geometric Relative Return v Share Price	-0.43	0.62	-2.44	-1.01
Geometric Relative Return v NAV	-0.45	-0.75	-1.87	-0.98

**Source: Aberdeen & FTSE, since inception figures from 01/03/2023 to 31/03/2025*

Notable Outperformers

Pan-Euro Logistics/Industrial: The overweight position in the sector benefitted the Fund as the sector rallied off depressed valuations on signs that demand was beginning to pick up which would lead to greater leasing activity in the back half of the year. Additionally, the sector benefitted from the German government's pivot away from strict borrowing parameters to drive greater investment in infrastructure and economic growth. This was seen as a potential catalyst for further growth in demand for space in the medium term.

Notable Underperformers

German Residential: The Fund's overweight allocation to the sector was a drag on performance and it materially underperformed the benchmark during the month. The drop in share prices was a reaction to the sharp rise in German Bund yields stemming from the announcement of the pivot away from strict borrowing parameters and greater government spending. The sector historically has the highest negative correlation with interest rates in the market, and therefore underperformed as interest rates in Germany rose.

Nordics Office & Diversified: The Fund's overweight position to Nordics Office & Diversified benefitted the fund as the sector outperformed during March. This was driven by the strong performance of Swedish offices, reflecting improved lending conditions in Scandinavia.

UK Diversified: The Fund's overweight position to large cap UK landlords benefitted as the sector outperformed during March. Better than expected market updates coupled with attractive valuations and the rotation out of the US as the belief in American exceptionalism waned due to increased concerns about inflation and the potential of a slowing economy due to tariffs drove much of this move.

JP Developer: Developers performed well over the month, and the fund's underweight in the sector was the key driver of negative attribution.

JREIT: The JREIT sector outperformed the global benchmark in the month of March and the fund's underweight in the sector was the key driver of negative attribution. Stock selection was also detracting to performance, driven by the fund's non-holding of the less liquid stocks which outperformed. The fund is also overweight the hotel sector which underperformed.

Market Overview

Europe

- The European economy is currently navigating a complex landscape marked by tariff uncertainties and evolving fiscal policies. The recent sharp increase in US tariffs has led to a slowdown in global growth, with the Eurozone experiencing a negative growth and inflation shock. However, fiscal easing measures, particularly in Germany, are expected to boost GDP growth by 0.5-1.0% over the next few years. Inflation in the Eurozone is projected to be around 1.9% in 2025, with the European Central Bank likely to continue its monetary easing policies. Despite these challenges, the overall economic outlook remains cautiously optimistic, with fiscal stimulus providing some support to growth.
- The European real estate market is showing signs of resilience amidst the economic uncertainties. Office vacancy rates have increased to 14.8% as of December 2024, but core central business districts (CBD) are heavily undersupplied, leading to rising rents. Rental growth in CBDs has been robust, with notable increases in cities like London, Paris, Munich, Amsterdam, and Frankfurt. The logistics sector is expected to benefit from fiscal easing and increased defence spending, particularly in Germany. Retail parks are also seeing positive trends, with vacancy rates falling to a record low of 3.2% and transaction yields compressing. The residential market remains strong, with stable vacancy rates and ongoing rental growth.
- The performance outlook for European real estate is promising, with total returns projected to be 7.4% in 2025. The three and five-year annualised total-return forecasts are 9.3% and 8.8%, respectively. Risks to the outlook include potential pauses in rental growth due to stock market volatility and geopolitical uncertainties. Investors remain cautious, particularly in the office sector, but there is improving demand for high-quality assets. The logistics and residential sectors are expected to be the most resilient, while retail and office sectors may face some headwinds.

UK

- Economic growth surprised to the upside over February, recording a strong 0.5% expansion against a consensus of 0.1%. Although monthly figures can be volatile, this growth is welcome following a lacklustre end to 2024. Following US tariff announcements in April, we expect business sentiment in the UK to suffer as 10% tariffs are implemented and uncertainty is drawn out. Although headline inflation slowed to 2.6% through March, it is expected to rise to 3.6% in April due to utilities. Still, the market believes the Bank of England has inflation under control as expectations for rate cuts over this year have only increased, now leaning towards four 25bps cuts by year-end.
- UK real estate achieved a healthy 8.1% total return during the 12 months to February 2025, according to the MSCI Monthly Index. The favoured sectors of retail and industrial led the index, with the hotel and residential sectors also outperforming. Crucially, there is far less sectoral differentiation present in our outlook. Instead, we expect asset-specific drivers and asset-management angles to provide the required alpha to outperform.
- Investment volumes have taken a step back over the first three months of the year, as total transaction volumes fell 33% year-on-year. Just £8 billion was transacted over the first quarter of 2025, down from nearly £20 billion over the

prior quarter. Initial uncertainty around macroeconomic and geopolitical tensions held volumes back over the first quarter, and tariff announcements from the US will ensure more investors sit on their hands in the short term.

US

- The US economy looks to be losing momentum. Activity data has been weak in early 2025 and business and consumer sentiment have deteriorated sharply in the face of tariff threats. We think the slowdown in core PCE inflation will stall over 2025, leaving the year-over-year rate running uncomfortably hot between 2.5-3%.
- Multifamily's vacancy climb steadied itself in Q1 at 6.3% and while most primary metros still face higher vacancies than at the same time last year, 40% experienced no changes or even declines in vacancies in Q1. New York office has outperformed with 1.9 million sqft of positive net absorption, while Pittsburgh and Charlotte followed at 540,000 and 517,000 sqft. However, on the national level, net move outs still came to -1.4 million sqft and vacancies hit a new high of 20.4%.
- U.S. commercial property prices rose 1.3% year on year in February, supported by growth in the retail and industrial sectors and a moderation of the declines in other property types. Year-on-year price gains for industrial assets and retail assets measured at 4.6% and 4.9% respectively while Multifamily slowed its annual decline down to -1.3%.
- Weakening US consumer backdrop poses a challenging year for US retail. US offices will remain a bifurcated story with East coast offices outperforming other markets while Industrial will face headwinds as tariffs weigh on occupier and investor decisions going forward, having said that, reshoring could soften the blow in some markets with strong intermodal connections. We are most positive on the multifamily sector, as excess supply should be absorbed by mid-2025 and demand should remain resilient but faces downside risks from slower job growth.

APAC

- The global baseline plus the reciprocal tariff regime announced by the US on 2 April exceeded our base case expectations and those of the market. We think a negative growth and dis-inflationary shock will dominate the near-term outlook for most economies outside of the US. We cut our 2025-26 GDP growth forecasts for China to 4.2% (from 4.6%) and 3.5% (from 4.2%), respectively, and for Japan to 0.6% (from 1.2%) and 0.2% (from 0.9%), respectively.
- APAC's logistics properties' leasing market remains predominantly in favour of tenants despite a tapering of new supply in several markets. In Greater Seoul, elevated vacancy rates still weigh on rents while less new supply in 2025 will help to stabilize vacancy in Greater Tokyo. Office leasing activity is still dominated by renewal vs. relocation but robust expansionary appetite is observed in India and Japan. Flight to quality and location is keeping Singapore offices' rents stable.
- Foreign capital's interest in Greater Seoul's premium logistics assets has picked up despite elevated vacancy rates still weighing on rents. Credit spreads hiked last month even as bond yields trended lower, possibly reflecting higher credit risks as the growth outlook turns cautious. Private credit strategies have gained popularity among investors, given the prospect of higher-for-longer rates, but recent news flow in Australia is a reminder that there are trade-offs, and the returns are not risk-free.
- Despite the negative growth shock and downside risks to our forecasts, our current opinion is that the contours of our key convictions remain unchanged. Prior to the 2 April announcement, we had expected a 'K-shaped' recovery and bifurcation to expand not just between markets but also between different locations and grades within the same sector. While the negative growth shock is likely to dampen the overall leasing demand, tenants' flight to quality/location will likely continue.

Market Outlook

In the US, economic activity is slowing due to elevated policy uncertainty and a decline in sentiment. Q1 GDP nowcasts point to a large contraction, and recession risk probability models are picking up. However, sentiment surveys have been unreliable, and technical factors appear to be overstating the extent of the underlying slowdown. The labour market is cooling but is not consistent with a downturn. In the Eurozone, weak near-term growth prospects are evident, with the rollover of labour markets in France and Germany pushing domestically generated inflation pressures down. Fiscal expansion, including increased defence spending and infrastructure investment in Germany, should boost growth in the medium term. China's economic activity has been stronger than expected, with Q1 GDP expanding 5.4% year-over-year. Monthly activity data for March also surprised on the upside, helping key metrics post robust quarterly growth rates. However, the property sector continues to struggle, and the authorities may allow deflation to become embedded, blunting policy easing. Japan's Q4 GDP was revised lower to 1.1% as consumption disappointed. Although nominal wage growth has improved significantly, real wages have deteriorated as food costs accelerated in recent months.

The European real estate market is showing signs of recovery, with increased investment volumes and improving liquidity. MSCI annualized European total returns reached 4.8% in 2024, driven by capital growth and rental increases. The Netherlands, Portugal, Sweden, Spain, and Denmark outperformed, particularly in the industrial, hotel, and residential sectors. The outlook remains positive, with nominal rental growth expected to beat inflation in 2025 and beyond.

The UK real estate market achieved an 8.1% total return over the 12 months to February 2025, according to the MSCI Monthly Index, led by retail and industrial sectors. Performance was driven by income returns, with capital values moving into positive territory. Investment volumes have decreased in early 2025 due to macroeconomic and geopolitical uncertainties, but the market remains resilient.

In the APAC region, Japan and Korea are favoured for investment due to their lower-risk profiles and supportive policy environments. The living sector, particularly Tokyo multifamily, remains robust despite economic uncertainties. Office occupier fundamentals in Tokyo and Seoul are expected to withstand near-term shocks, with strong demand for high-quality office spaces.

The US real estate market faces challenges from tariffs and a slowing consumer backdrop. Industrial sectors show promise for rental growth recovery, while retail faces significant variation in performance. The multifamily housing sector remains resilient, with strong demand in key regions despite a drop in construction starts.

Why the Future Real Estate ETF?

The abrdn Future Real Estate ETF is an active, low-cost, and liquid strategy that offers investors the opportunity to invest directly in the highest conviction global real estate calls as identified by Aberdeen's Global Real Estate Research team. It is a thematic proposition that is positioned with a view to the future. It targets those areas of the market that our Research team expect to be underpinned by long-term structural drivers of demand; supply chain reconfiguration, demographics and digitalisation. It aims to achieve this by leveraging our proprietary Global Real Estate HouseView which researches 28 markets globally and ranks more than 280 market segments based on our projected returns over three years. The Future Real Estate ETF will proactively tilt exposures in favour of those HouseView sectors expected to outperform, whilst looking to reduce exposures to sectors that are forecast to underperform. It will dynamically rebalance on a quarterly basis, to account for HouseView changes, with the aim of unlocking through-the-cycle returns for investors. The strategy is managed around an ESG-focused investment framework that is SFDR Article 8 compliant.

1. Differentiated, **active** management strategy, that targets our highest conviction global real estate calls.
2. **Only active real estate ETF** of the c40 available in the EMEA market.
3. Leveraging the **thematic insights** of our Global Real Estate Research team's HouseView.
4. **Dynamically tilting exposures** in favour of those HouseView sectors expected to outperform, rebalanced and updated on a quarterly basis.
5. ESG-focused investment framework that is **SFDR Article 8 compliant.**
6. **Low-cost** solution that is priced on a par (40bps TER) with passive equivalents.
7. We believe the Fund is positioned well for the current environment given ongoing **polarisation** in sector performance.

Useful Material

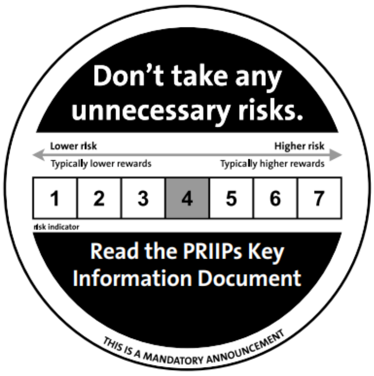
Fund webpage
The REIT time, the REIT place
Global Real Estate Market Outlook Q4 2024
Insights and Research | Insights | Aberdeen
Global Real Estate Strategies (PDF)
Long Term Thematic Trend is Your Friend (PDF)

Discrete Annual Returns – Year to 31st of March	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Gross Daily Time Weighted Return	2.73	–	–	–	–	–	–	–	–	–	–
Share Price Return	1.36	–	–	–	–	–	–	–	–	–	–
NAV Return	1.95	–	–	–	–	–	–	–	–	–	–
FTSE EPRA Nareit Developed Net Return	3.89	–	–	–	–	–	–	–	–	–	–

Relative Performance vs Benchmark	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Geometric Relative Return v GDTW	-1.12	–	–	–	–	–	–	–	–	–	–
Geometric Relative Return v Share Price	-2.44	–	–	–	–	–	–	–	–	–	–
Geometric Relative Return v NAV	-1.87	–	–	–	–	–	–	–	–	–	–

Source: Aberdeen & FTSE, figures to 31/03/2025

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 Aberdeen's Sustainable and Responsible Investment Approach are published at www.aberdeeninvestments.com under Sustainable Investing.

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 [www.aberdeeninvestments.com]. The Prospectus also contains a glossary of key terms used in this document.

Fund is traded on Deutsche Borse (Xetra), London Stock Exchange and SIX Swiss Exchange.

A summary of investor rights can be found in English under Group Policies on the Manager's website

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 Aberdeen. All documents are also available on www.aberdeeninvestments.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.aberdeeninvestments.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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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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