

Aberdeen UK Property Fund of Funds



This material is intended for use by professional investors.

A core-plus fund of funds designed to invest in a balanced and diversified portfolio of funds across the UK market.

Investment objective and strategy

The purpose of the Aberdeen UK Property Fund of Funds (the "Fund") is to provide exposure to a balanced and diversified portfolio of funds, with investments in property assets across the UK. The objective of the Fund is to construct a portfolio with a low to medium risk and return profile. The investment strategy is to achieve the return objective through the rigorous application of an investment process which selects appropriate funds that will deliver the required returns over the medium term. Although the generation of short term trading profits will not form part of the Fund's strategy, Aberdeen's access to the market will enable the strategy to be executed in a cost effective way, by using secondary market transactions, where possible, to reduce trading costs.

The majority of the investments are expected to be in the office, retail and industrial sectors. The portfolio will comprise a core component of balanced funds, which will include funds with a core, core plus or value-added investment strategy, and a satellite component of investments comprising specialist or focused funds. Target allocations to specific sectors and regional and national markets are determined using a top-down model, based on detailed forecast information provided by Aberdeen's property research team.

Fund Manager's comment

In Q4 2009, as part of the ongoing rebalancing of the Fund's portfolio, a commitment was made to invest in the M&G Secured Property Income Fund, an open-ended vehicle investing in property let to quality tenants on long leases with fixed or RPI-linked rental uplifts. This investment will help reduce the risk profile and volatility of the Fund.

The UK property market has experienced a strong recovery in prices in the final quarter, leading to a small positive return for the year, as a whole. Largely driven by a strong demand for prime property with secure income flows, the recovery has been rapid and has given rise to a shortage of stock for investment. To a certain extent, the recovery in prices is a correction of the significant falls experienced at the beginning of the year, although also as a reaction to the significant differential in values between property and the other major asset classes.

The underlying fundamentals for the UK property market are by no means improving at the same rate as the capital market, although the deterioration is slowing somewhat. Rental value decline is slowing in most markets, except in parts of the industrial sector, and a shortage of new development stock will lead to a constrained supply in others, especially the City of London, as and when these markets recover.

Overhanging debt remains a significant problem for the next few years, as many large loans and securitised debt instruments mature with little appetite from lenders to substitute new facilities. Doubtless, some of the facilities will be extended, although not all. Whether there will be sufficient capital to replace the debt remains to be seen.

In the indirect market, the open ended balanced funds are seeing a sudden inflow of capital and some have closed or have rationed the rate at which investors can enter the Fund. In any event, many now have long cash positions and in the now steeply rising property market, this will dilute short term returns. In contrast, the closed ended, geared funds are witnessing even steeper rises in net asset values as the gearing effect now works in a positive way. However, the funds with development exposure or exposure to secondary properties are not yet seeing the same rises in values as for prime stock and, although this may come, the timing is difficult to determine at this stage.

Key information

Legal structure	FCP-FIS
Domicile	Luxembourg
Term	Open-ended
Investment universe	Commercial property funds within the UK
Risk profile	Core-plus
Target size (GAV)	GBP 250 million
Current size (GAV)	GBP 22.8 million
Minimum commitment	GBP 100,000
Target returns [^]	IPD All Balanced Funds Index + 50 basis points
Currency	GBP
Current leverage	21.6% (look through)
Maximum leverage	50% on a look through basis
Liquidity	Redemption requests accepted quarterly
Launch	Q1 2007
Next closing	Monthly

[^]There can be no guarantees that target returns will be achieved.

Investment universe



Key
 Target market

Further information

For further information please contact:

Richard Gale, Fund Director

Phone: +44 207 463 6776

Email: richard.gale@aberdeen-asset.com

Morgan Angus, Fund Manager

Phone: +44 207 463 6776

Email: morgan.angus@aberdeen-asset.com

www.aberdeenpropertyinvestors.com

Aberdeen UK Property Fund of Funds

Investment plan

The portfolio will comprise a core component of balanced funds and a satellite component of investments in specialist or focused funds. The relative proportions of the core and satellite components will be adjusted, over time, to reflect the different stages of the property investment cycle. The core component will consist of funds with balanced and diversified portfolios of assets, and low to medium risk and return profiles. The value-added funds are likely to be closed-ended and distributions may be less frequent, with more emphasis on capital growth than the core funds.

Investors

The Fund is tailored to meet the requirements of institutional investors.

Leverage

There will be no gearing at Fund of Funds level. On average, the investments of the Fund will not have leverage in excess of 50% of their aggregate gross asset value. The maximum permitted leverage in any one investment is 75% of its gross asset value. At present, neither the Fund, nor any funds within the portfolio are in breach of these guidelines.

Distribution policy

Distributable cash flow will be allocated and distributed quarterly, pro rata to the NAV of each class or series of units in the Fund. The target cash dividend return to investors, after all costs and interest expenses are taken into account, is expected to be approximately 5% per annum.

ABERDEEN PROPERTY INVESTORS IN BRIEF

Aberdeen Property Investors is the dedicated property investment division of Aberdeen Asset Management PLC, a global investment management group listed on the London Stock Exchange, which manages €161.8 billion⁹ of assets in equities, fixed income and property.

Aberdeen Property Investors manages some €25 billion⁹ of property assets in Europe, Asia and North America through property funds and separate account mandates.

Clients are solely third party clients and primarily institutional investors. They are served by some 600 people at offices in 13 European countries, and in Singapore.

We provide domestic and international investment exposure to property by offering a wide range of investment products and services. These are all supported by rigorous investment processes, independent inhouse research and local active management.

www.aberdeenpropertyinvestors.com

⁹ 31 December 2009

FOR PROFESSIONAL USE ONLY

This document is strictly for information purposes only and should not under any circumstances be considered as an offer or solicitation to deal in the property market. Accordingly no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the reader acting on any information, opinion or estimate contained in this document. The product is not for sale in any jurisdiction in which such sale would be prohibited. Prospective investors must rely on their own examination of the legal, taxation and investment matters. The value of investments and any income from them may go down as well as up; they can be affected by exchange rate movements between currencies and it is possible that investors may not get back the full amount invested. Physical property assets are illiquid in nature and, under adverse market conditions, the sale of such assets may take a considerable time. Delays in selling underlying assets may lead to similarly lengthy constraints being placed on the sale of shares by investors in a fund. Past performance is no guarantee of future performance. No part of this document may be copied or duplicated in any form or by any means or redistributed without the written consent of Aberdeen Property Investors.

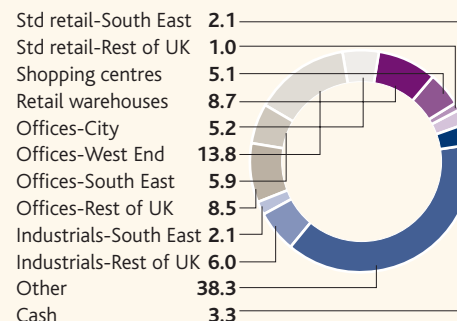
© 2010 Aberdeen Property Investors. All rights reserved.

UK INVESTOR INFORMATION

Issued and approved by Aberdeen Property Investors UK Limited which is authorised and regulated in the UK by the Financial Services Authority.

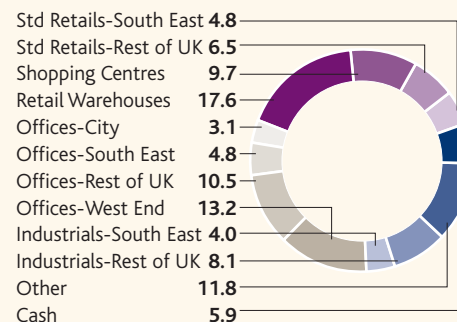


Current sector allocation (%)



As at 31 December 2009

Target sector allocation (%)



As at 31 December 2009

