



Recommended All-Share Merger
with
abrdrn Property Income Trust

*“Aiming to be the REIT of
choice for private and
institutional investors seeking
high and stable dividends
from well diversified UK
commercial real estate”*

January 2024





Overview of the Merger

Recommended All-Share Merger



abrdn Property Income
Trust Limited



- Diversified regional portfolio
 - **Approximately 200 assets**
 - **In excess of £1.0bn of property value**
- Below institutional sized assets
 - **Rental growth and yield advantage to generate higher income returns and capital growth**
- Income-focused investment strategy
 - **Continued commitment to fully covered and sustainable dividend**
- Stronger and more resilient balance sheet
 - **Pro forma rolled-forward LTV 30% as at 31 December 2023**

Aligned Strategies

COMPANIES SHARE AN INCOME-FOCUSED INVESTMENT STRATEGY

- UK real estate
- Modern buildings
- Regional focus
- Portfolio diversification
- Conservative gearing
- Commitment to sustainability
- High residual values
- Enhanced yield on acquisition

Existing investment policies

| CREI | API |
|--|--|
| Diverse portfolio of UK commercial real estate | Diversified portfolio of UK assets |
| Smaller, regional, core/core-plus properties | No property to be greater value than 15% of total assets |
| No tenant greater than 10% of rent roll | No tenant greater than 20% of rent roll ⁽¹⁾ |
| Target gearing of 25% but not to exceed 35% | Gearing not to exceed 45% |

Aims to invest in good quality assets with potential to provide an above market level of total return and an attractive level of income with scope to grow

Rationale

COMPELLING STRATEGIC AND FINANCIAL RATIONALE

- Market profile
- Scale and liquidity
- Diversification
- Portfolio income potential
- Cost savings
- Dividend commitment

Ambition

- To be the REIT of choice for private and institutional investors seeking high and stable dividends from well diversified UK commercial real estate
- To gain scale and liquidity
- To enhance diversification of income base
- To benefit from continued emphasis on regional, below institutional sized assets and significant reversionary potential
- To deliver significant cost savings
- To maintain fully covered and sustainable dividend

Summary of Merger Terms

ALL-SHARE MERGER



- Exchange Ratio
- Rolled-forward unaudited EPRA NTA basis
- 29.4% premium to API Closing Price⁽¹⁾
- CREI shareholders: c.60% & API shareholders: c.40%

- For each API share, holders will be entitled to receive 0.78 new CREI shares (the “Exchange Ratio”)
- Exchange Ratio is based on the rolled-forward unaudited EPRA net tangible asset value of each company as at 31-Dec-23, subject to certain adjustments to reflect:
 - fair value of each company's debt and derivatives
 - relative levels of dividend cover
 - costs expected to be incurred by each party in connection with Merger
 - post balance sheet disposals
- Applying the Exchange Ratio to Closing Price per CREI share on 18 Jan 2024⁽¹⁾ values the entire issued and to be issued share capital of API at c.£237m / 62.1p per API share
 - premium of 29.4% to API Closing Price on 18 Jan 2024⁽¹⁾
 - premium of 26.5% to API 3 month VWAP
- Existing CREI shareholders will hold c.60% and API shareholders c.40% of the Combined Group

Cost Savings

MATERIAL COST SAVINGS

Recurring cost synergies - estimated at £1.0m

- Management fee savings
- Corporate and administrative savings

Transition Period⁽¹⁾ cost synergies - estimated at £2.1m

- Amended management fee tiers
- Partial management fee waiver

- Recurring cost synergies
 - Unification of investment management under Custodian Capital - delivering cost synergies from lower management and administrative fees charged on API investment properties - estimated £0.5m annualised run-rate savings
 - Corporate and administrative savings - rationalisation of duplicated listing, administration and operational expenses - estimated at least at £0.5 million annualised run-rate savings
- Transition Period cost synergies
 - Reduction in Annual Management Charges ("AMC") during Transition Period through consolidation of the first two fee tiers into one (0.75% up to £500m), followed by review by Management Engagement Committee
 - Custodian Capital intends to waive its management fee in relation to the NAV attributable to API's portfolio for the first nine months following completion of the merger - estimated £1.5m in the first year following the Effective Date

Management and Board

Investment Manager

RICHARD SHEPHERD-CROSS MRICS

ED MOORE FCA

Investment Manager

- 30 years' experience in commercial property
- National investment agency across UK regional markets with Hartnell Taylor Cook and JLL
- Set up Custodian Capital (Property Fund Management) for Mattioli Woods in 2011
- Launched Custodian REIT in 2014



Finance Director

- Qualified as a Chartered Accountant in 2003 with Grant Thornton, specialising in audit, financial reporting and internal controls across its Midlands practice
- Joined Custodian Capital in 2014
- Became Company Secretary to Custodian REIT 2019



The Manager – Custodian Capital



Custodian Capital Board

Ian Mattioli MBE, Chair
Richard Shepherd-Cross
Ed Moore
Bill Nixon
Bill Kennedy
Ravi Tara
Michael Wright

Richard Shepherd-Cross MRICS
MD/Investment Manager

Jas Riyait
Executive Assistant

Alex Nix MRICS
Assistant Investment Manager

Ed Moore FCA
Finance Director

Tom Donnachie MRICS
Portfolio Manager

Javed Sattar MRICS
Portfolio Manager

Jeremy Wilson
Management Accountant

Priya Patel ACCA
Financial Controller

Aman Sharma MRICS
Portfolio Manager

Kailn Patel
Property Manager

Rob Garner
Property Accountant

Chantelle Hoolahan
Assistant Management
Accountant

Abbie Morrissey
Property Apprentice

Shaheen Patel
Property Manager

Eva Romanova
Finance Assistant

Track Record

STRONG AND CONSISTENT TRACK RECORD



- Experienced team
- In-house management
- Corporate growth
- Covered dividend
- Total shareholder return

Custodian Capital

- Team of experienced individuals
 - Dedicated roles with respect to CREI
 - Expertise in investment in and operation of UK commercial real estate
- In-house responsibility for portfolio management
 - Property management, asset management, rent collection

Custodian Property Income REIT

- IPO in 2014
 - £55m of new equity raised at IPO
 - Over £300m of new equity raised subsequently
- Fully covered dividend paid since IPO
- Total shareholder return outperformed peers over time⁽¹⁾

Custodian Property Income REIT Board

BREADTH OF EXPERIENCE



Continued focus on corporate governance

CREI Board benefiting from added expertise of two proposed directors from API board

Review of succession plan following integration

Intended transition to a fully independent Board



David MacLellan
Independent Non-Exec Chair



Elizabeth McMeikan
Senior Independent NED



Chris Ireland FRICS
Independent NED



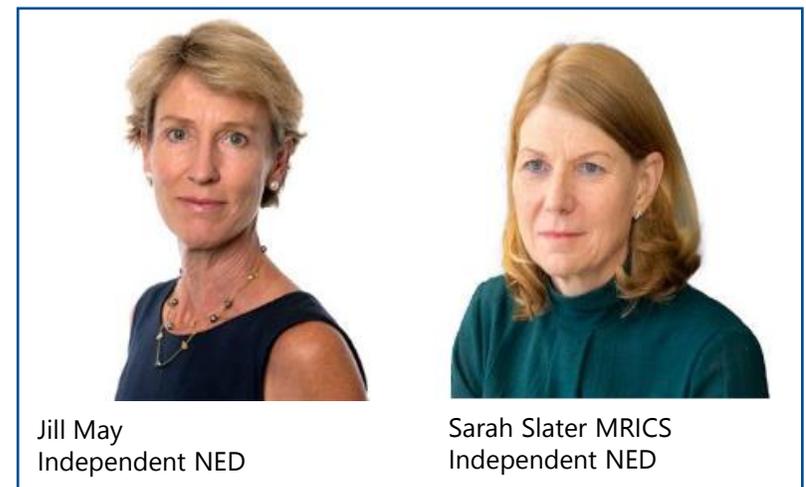
Hazel Adam
Independent NED



Malcolm Cooper FCCA FCT
Independent NED



Ian Mattioli MBE
NED



Jill May
Independent NED

Sarah Slater MRICS
Independent NED

Proposed additional API NEDs



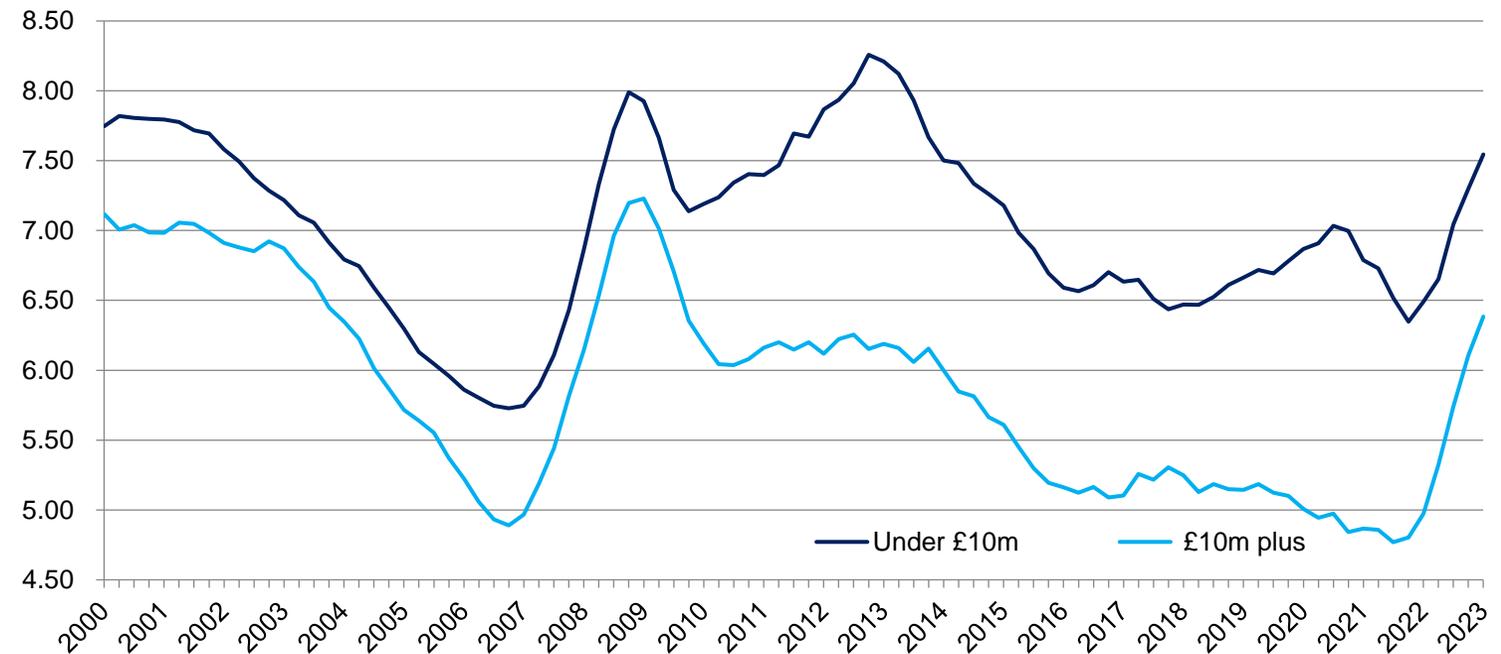
Enlarged Custodian Property Income REIT

Well-positioned to capture yield advantage

- Av. net initial yield 7.1% for sub £10m lot sizes vs 5.5% for +£10m lot sizes⁽¹⁾

Enhanced portfolio diversification by asset, sector, geography and tenant

1 year rolling average transaction yield %



(1) Based on market rates since 2010 as opposed to pro-forma portfolio

Split of Estimated Rental Value by Sector

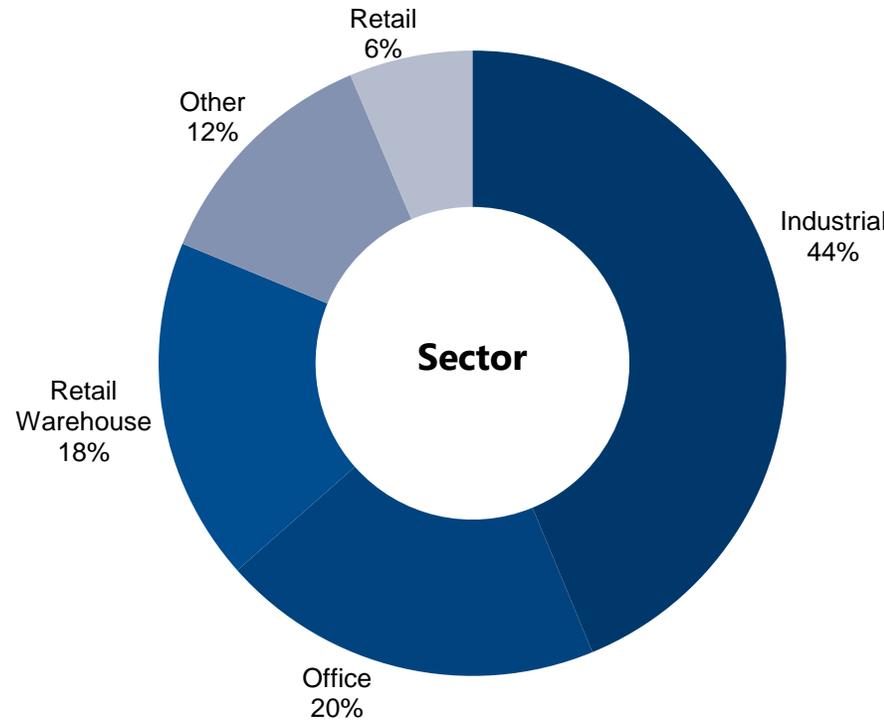
COMBINED PORTFOLIO

Diversified between the principal commercial property sectors

Significant exposure to the industrial sector

- Continues to benefit from low vacancy levels, limited new supply and strong occupier demand
- Further potential for rental growth

Sector split by Estimated Rental Value



| ERV by sector (%) | | | |
|-------------------|------|-----|----------|
| Sector | CREI | API | Combined |
| Industrial | 41% | 48% | 44% |
| Office | 16% | 25% | 20% |
| Retail Warehouse | 22% | 11% | 18% |
| Other | 13% | 12% | 12% |
| Retail | 8% | 4% | 6% |

Diversification

MINIMISING PROPERTY SPECIFIC RISK

Largest tenant B&Q

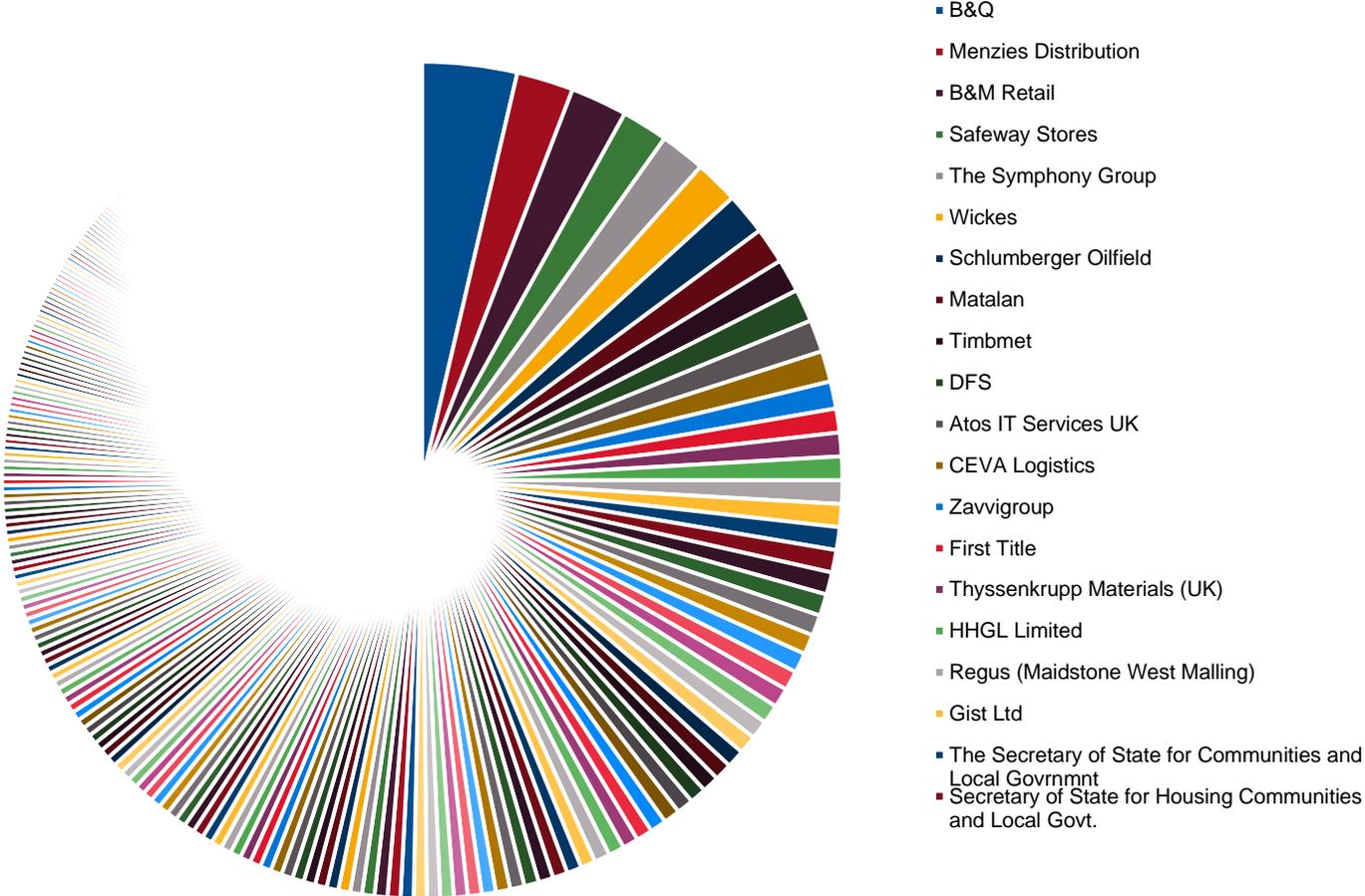
- 3.6% of rent
- 3 properties
 - Halesowen
 - Weymouth
 - Banbury

50% of income from top 54 tenants

90% of income from top 204 tenants

374 separate tenants

CREI + API - Portfolio split by income



Quality of Income

COMBINED PORTFOLIO



CREI:

- 79% lower than average risk tenants

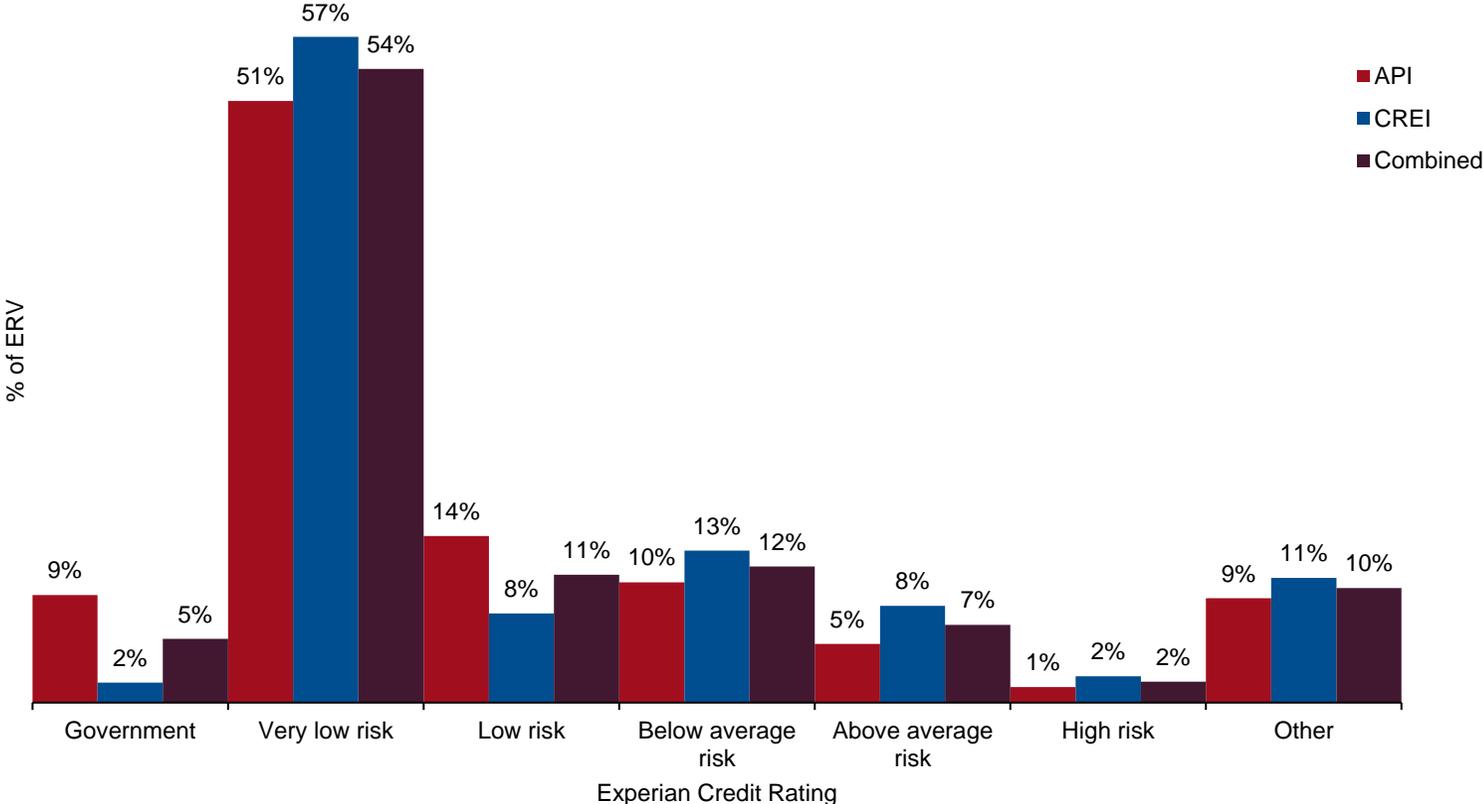
API:

- 85% lower than average risk tenants

Combined

- 81% lower than average risk tenants

Risk rating of CREI and API tenants



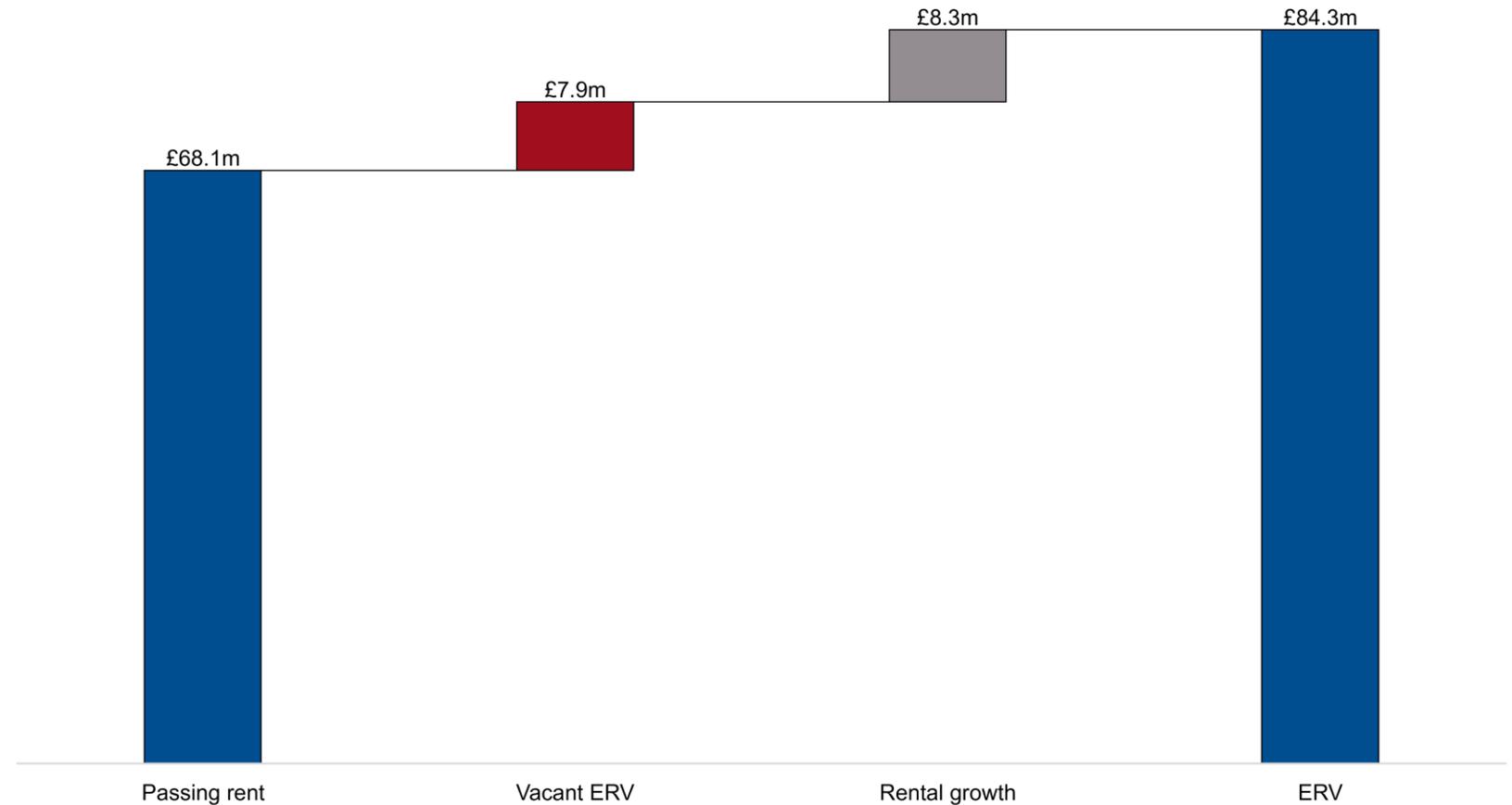
Note: Experian tenant risk assessment as at 31 December 2023
(1) Other includes maximum risk, imminently falling and unknown.

Rental Reversion

Both portfolios show significant reversionary potential

- Ongoing occupational demand
- Limited new development of below institutional sized assets

Combined Portfolio – Rental Reversion



Balance sheet

STRONGER AND MORE RESILIENT BALANCE SHEET

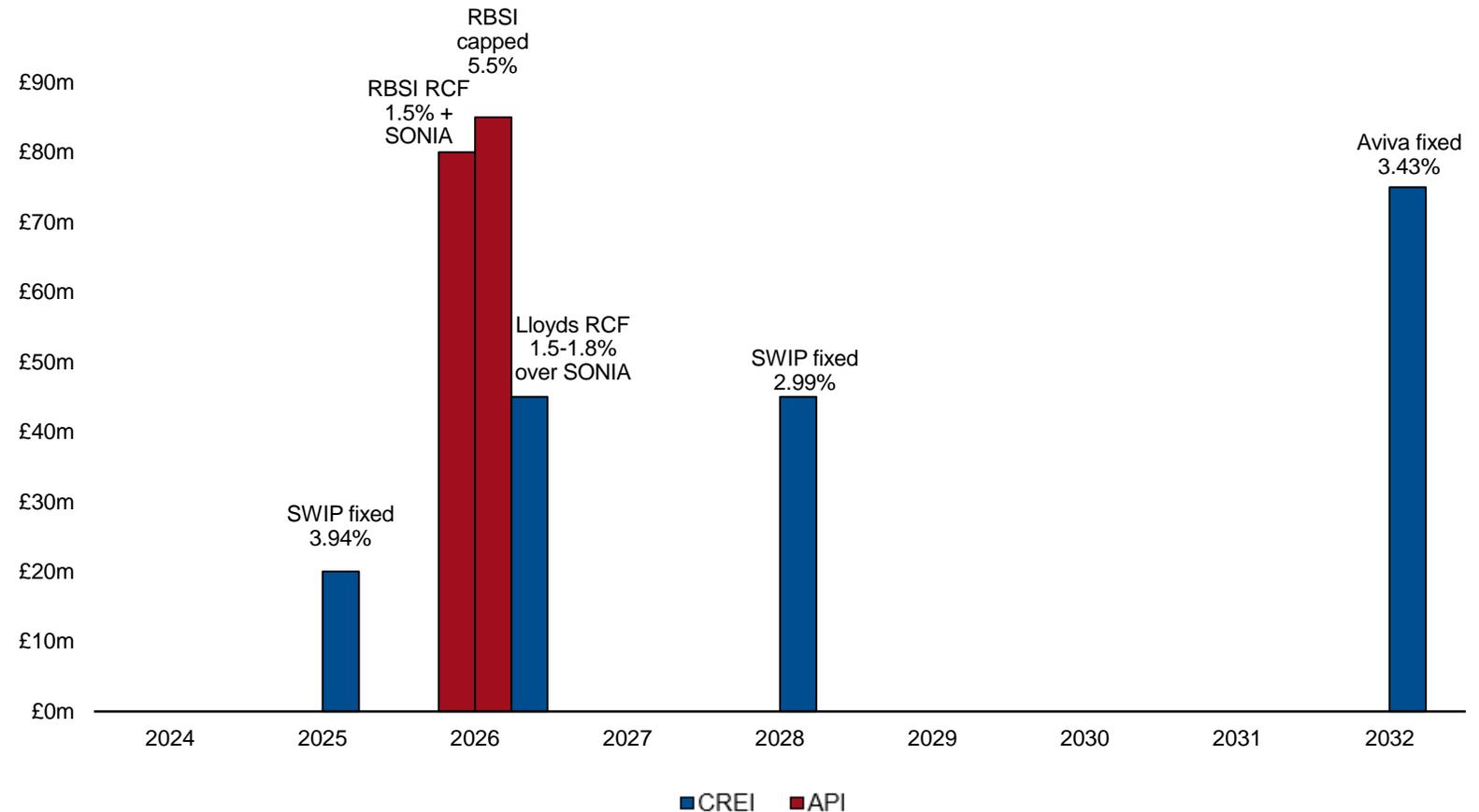
Enhanced ability to grow and to address future refinancing events

Retention of CREI's and API's existing debt facilities.

Pro forma rolled-forward credit metrics as at 31 December 2023

- Implied LTV 30%
- Weighted average cost of debt 5%
- Weighted average debt maturity 3.8 years

Combined Portfolio



Source: Latest CREI and API quarterly trading updates



Summary

Summary of All-Share Merger

TO CREATE A WELL POSITIONED REIT



- Diversified regional portfolio with a weighting to Industrial, Logistics and Retail Warehousing
 - **Over 200 properties**
 - **In excess of £1bn of property value**
 - **24% reversionary potential**
- Below institutional sized assets
 - **Yield advantage and diversification of income**
- Income-focused investment strategy
 - **Continued commitment to fully covered and sustainable dividend**
- Stronger and more resilient balance sheet

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