

# Aberdeen Diversified Income Fund

I Acc

Performance Data and Analytics to 28 February 2019

## Objectives and investment policy

Objective: To generate income and increase the value of the shareholder's investment over the long term (income and capital growth).

Investment policy: The Fund invests more than 50% of its total net assets in worldwide equities and bonds, with the remainder invested in other asset classes such as cash, property and infrastructure. The Fund's bond investments may be issued by governments, corporations and other large organisations, and may be any credit quality. The Fund may gain exposure to some assets by investing in other Funds (mainly those managed by the investment adviser or its affiliates).

The Fund has a wide range of investment powers. The Investment Manager has the flexibility to amend the investment allocation between different asset classes, in line with its view on markets, in pursuit of the investment objective.

## Performance (%)

	1 month	3 months	6 months	1 year	Annualised			Launch
					3 years	5 years		
Fund	0.46	1.07	-1.46	-1.07	6.54	4.06		4.98

## Discrete annual returns (%) - year ended 28/02

	2019	2018	2017	2016	2015
Fund	-1.07	3.81	17.75	-5.77	7.09

## Calendar year performance (%)

	Year to date	2018	2017	2016	2015
Fund	3.42	-5.26	7.24	13.72	-1.24

Performance Data: Share Class I Acc

Source: Lipper. Basis: Total return, NAV to NAV, net of annual charges, UK Net Income Reinvested.

These figures are gross of an initial charge: to the extent that this is paid, it will reduce performance from that shown.

Past performance is not a guide to future results.

## Fund manager's report

### Market review

The recovery in sentiment towards risk assets that occurred in January following the sharp decline in asset prices in December continued in February.

Global equities continued their strong start to 2019, further reversing some of the losses experienced towards the end of 2018. Reasons cited for the continued rally include President Trump delaying the deadline for raising tariffs on more than \$200bn of Chinese imports, which was scheduled for 1 March. The UK notably underperformed other global equity markets as Prime Minister Theresa May pushed back the UK parliament's next big vote on her Brexit deal by two weeks to 12 March.

At the end of the month CATCo Reinsurance Opportunities confirmed that its two share classes are going to be put into run-off. The shares have been trading on wide discounts to net asset value since last autumn and, following Market CATCo's decision to offer all investors a redemption opportunity, this made wind-up an attractive option. Investors will receive their capital over the next three years as existing contracts run off and losses on the events of 2017 and 2018 are finalised / paid out to claimants. The share prices of the listed funds were unchanged on this news, which was in line with our expectations.

During the month Airbus announced they will cease production of the A380 after 2021 following Emirates decision to cut their outstanding orders. We have exposure to the A380 through two of our aircraft leasing holdings, Doric Nimrod Air 2 (DNA2) and Doric Nimrod Air 3 (DNA3), who respectively own seven and four A380s leased to Emirates for a period of 12 years. These leases expire between 2023 and 2025. As the A380 currently accounts for around half of Emirates' seat capacity, it can be argued that Airbus's move makes it more likely that Emirates will sign extensions to leases on existing A380s as these expire in order to maintain its seat capacity. This would underpin the valuation of aircraft held by these funds. However, the counter argument is that fewer airlines will be interested in taking on any A380s which do come off lease and so residual values will fall. This uncertainty has recently caused weakness in the shares of aircraft leasing funds exposed to the A380. As things stand, Airbus's decision does not impact the ability of either fund to continue to pay attractive dividends to shareholders which makes up a substantial proportion of our expected return on these investments. Also, our analysis shows that if Emirates continue to pay their lease payments until the end of the lease terms, then even if the residual value of the A380 aircraft falls to the value of its engines, landing gear and other reusable parts at the end of the lease, the shares would deliver a positive annual return to shareholders from here.

### Portfolio changes

We increased our exposure to private equity as we established a position in Onex, a large and well established Canadian private equity/debt investment company. We believe Onex is a high quality manager and like the fact that fees received from managing third party funds more than cover ongoing running costs of the company. Towards the end of 2018 Onex was impacted by the broader equity market sell-off and the shares are now trading at a discount to NAV. This effectively means we are getting a good quality private equity/debt portfolio at a discount to NAV and with positive fee income.

We increased our exposure to infrastructure as we reinitiated a small position in Greencoat UK Wind via an attractively priced placing.

We reduced our equity exposure as we trimmed our Eurostoxx 50 Dividend Futures position as prices rose towards expected settlement value.

Risk factors should be read in conjunction with all warnings and comments given in the prospectus for the fund. Please visit the attached link to our Jargon Buster which contains a glossary of terms used in this document > <http://glossary.aberdeen-asset.com/jargonbuster/>



Top ten holdings (excluding cash)	%
Prytania Diversified Asset Backed Securities Fund	3.0
TwentyFour Asset Backed Opportunities Fund	3.0
Alternative Risk Premia	2.4
P2P Global Investments*	2.3
HICL Infrastructure*	2.3
Intl Public Partner*	2.1
Fair Oaks Dynamic Credit Fund	2.0
John Laing Group	1.9
Aberdeen Diversified Income and Growth Trust*	1.8
Burford Capital	1.8
<b>Total</b>	<b>22.6</b>
<b>Total number of holdings</b>	<b>340</b>

\*Closed-ended Investment Company.  
Top 10 holdings may exclude investments in cash funds.  
Where the Fund invests in an open-ended collective investment scheme which is operated or managed by the ACD/the Manager or an associate of the ACD/the Manager, no additional annual management charge will be incurred by the Fund on such an investment.

Asset allocation	%
Emerging Market Bonds	26.6
Listed Equity	19.4
Asset Backed Securities	13.1
Special Opportunities	11.1
Infrastructure	8.8
Property	7.5
Absolute Return	3.6
Insurance Linked	1.9
Private Equity	1.0
<b>Cash</b>	<b>6.9</b>
<b>Total</b>	<b>100.0</b>

### Key information

Target	1 Month GBP LIBOR + 5% gross
Sector	IA Mixed Investment 20-60% Shares
Fund size	£ 115.3 m
Date of launch	1 October 2012
Investment team	Diversified Multi-Asset Team
Fund advisory company	Aberdeen Asset Managers Limited
Historic Yield	5.07% (I Acc) <sup>a</sup>

<sup>a</sup>The Historic Yield reflects distributions declared over the past twelve months as a percentage of the mid-market share price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions. The fund charges 100% of the annual management charge to capital. This has the effect of increasing distributions for the year and constraining the fund's capital performance to an equivalent extent.

[www.aberdeenstandard.co.uk](http://www.aberdeenstandard.co.uk)

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Codes (I Acc)	
SEDOL	B1C4277
ISIN	GB00B1C42779
BLOOMBERG	ABMDI2A LN
REUTERS	LP68175040
VALOREN	2725835
Additional information	
Fund type	OEIC
Domicile	United Kingdom
Currency	GBP
Registered for sale	Please refer to <a href="http://www.aberdeenstandard.com">www.aberdeenstandard.com</a>
Minimum investment	£500,000
Charges	Current initial 0.00%
Ongoing Charges Figure (OCF) <sup>c</sup>	0.78%
Price as at 28/02/19	136.54p
Deal closing time	12.00 noon (UK)
Daily valuation point	12.00 noon (UK)

Source: Simulated Ongoing charges Aberdeen Standard Investments as at 1 December 2018.

<sup>c</sup>The Ongoing Charge Figure (OCF), is the overall cost shown as a percentage of the value of the assets of the Funds. It is made up of the Annual Management Charge (AMC) of 0.60% and other charges. It does not include any initial charges or the cost of buying and selling stocks for the Funds. The Ongoing Charges figure can help you compare the annual operating expenses of different Funds.

## Important information

### Risk factors you should consider before investing:

- 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.
- Bonds: Bond valuations are affected by changes in interest rates, inflation and the creditworthiness of the bond issuer. There is a risk that a bond issuer may not be able to repay the money they borrowed nor make their required interest payments. This risk increases for bonds with lower credit ratings. Where a bond market has a low number of buyers and/or a high number of sellers, it may be harder to sell particular bonds at an anticipated price and/or in a timely manner.
- Derivatives: This Fund can use derivatives in order to meet its investment objective. The use of derivatives may result in greater fluctuations in the value of the Fund, and may increase the magnitude of any losses.
- Emerging Markets: Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries and this may mean your money is at greater risk.
- Exchange Rates: The Fund may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of the Fund's investments and the income from them may rise or fall in line with exchange rates.
- REITs: The Fund may invest in real estate investment trusts (REITs) which themselves invest directly in real estate. Under adverse market or economic conditions, such assets may become difficult to buy or sell or experience a drop in value.
- A full list of risks applicable to this Fund can be found in the Prospectus.

### Other important information:

The Fund is a sub-fund of Aberdeen Investment Funds ICVC, an authorised open-ended investment company (OEIC). The Authorised Corporate Director is Aberdeen Standard Fund Managers Limited. Nothing herein constitutes investment, legal, tax or other advice and is not to be relied upon in making an investment or other decision. No recommendation is made, positive or otherwise, regarding individual securities mentioned. This is not an invitation to subscribe for shares in the Fund and is by way of information only. Subscriptions will only be received and shares issued on the basis of the current Prospectus, relevant Key Investor Information Document (KIID) and Supplementary Information Document (SID) for the Fund. These can be obtained free of charge from Aberdeen Standard Fund Managers Limited, PO Box 9029, Chelmsford, CM99 2WJ.

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All sources (unless indicated): Aberdeen Standard Investments  
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[www.aberdeenstandard.co.uk](http://www.aberdeenstandard.co.uk)