

Jun
2020

Absolute Return Global Bond Strategies Fund

AberdeenStandard
Investments

30 June 2020

The fund aims to provide positive investment returns in the form of income and capital growth in all market conditions over the medium to long term. The fund is actively managed, with a wide investment remit to target a level of return over rolling three-year periods equivalent to cash plus three per-cent a year, gross of fees. It exploits market inefficiencies through active allocation to a diverse range of market positions. The fund uses a combination of traditional assets (such as bonds, cash and money market instruments) and investment strategies based on advanced derivative techniques, resulting in a highly diversified portfolio. The fund can take long and short positions in markets, securities and groups of securities through derivative contracts.

Past performance is not a guide to future returns and future returns are not guaranteed. 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. The fund will use derivatives extensively to reduce risk or cost, or to generate additional capital or income at low risk, or to meet its investment objective. Usage of derivatives is monitored to ensure that the fund is not exposed to excessive or unintended risks. The value of assets held within the fund may rise and fall as a result of exchange rate fluctuations.

SICAV Fund

Absolute Return Fund

Monthly

Fund Manager Absolute Return Bond Team

Launch Date 29 Mar 2011

Current Fund Size £1299.9m

Base Currency GBP

Benchmark 3 Month Sterling LIBOR

Duration 3.2 Years

This document is intended for use by individuals who are familiar with investment terminology. To help you understand this fund and for a full explanation of specific risks and the overall risk profile of this fund and the shareclasses within it, please refer to the Key Investor Information Documents and Prospectus which are available on our website – www.aberdeenstandard.com. Please note that the fund information tables are only updated on a quarterly basis (31 March, 30 June, 30 September and 31 December).

Due to rounding, the underlying sections may not sum to the total.

Aberdeen Standard Investments has not considered the suitability of investment against your individual needs and risk tolerance. If you are in any doubt as to whether this fund is suitable for you, you should seek advice. An adviser is likely to charge for advice. We are unable to provide investment advice.

Fund Information *

Stand-alone risk contribution by strategy type

| | Stand-alone Vol % |
|-------------------------------|-------------------|
| Credit | 1.85 |
| Curve | 0.41 |
| Duration | 1.23 |
| FX | 0.47 |
| Inflation | 0.94 |
| Total stand-alone vol: | 4.89 |
| Diversification: | 2.04 |
| Overall Volatility: | 2.86 |

Top ten risk contributions by strategy

| | Stand-alone Vol % |
|---|-------------------|
| Long US Inflation | 0.73 |
| Short UK Inflation | 0.72 |
| Australian Duration | 0.71 |
| Short-Dated Credit | 0.45 |
| Contingent Capital Bonds | 0.44 |
| European Steepener | 0.41 |
| Australian Forward-Start Interest Rates | 0.40 |
| EM FX Relative Value | 0.32 |
| High Yield Credit | 0.25 |
| Global Short-Dated Credit | 0.25 |

Return contribution by strategy type

| | Q2 Contribution (%) |
|---------------|---------------------|
| Credit | 3.26 |
| Cross Market | -0.01 |
| Duration | 0.01 |
| FX | -0.38 |
| Inflation | 0.76 |
| Cash | 0.01 |
| Residual | 0.44 |
| Total: | 4.09 |

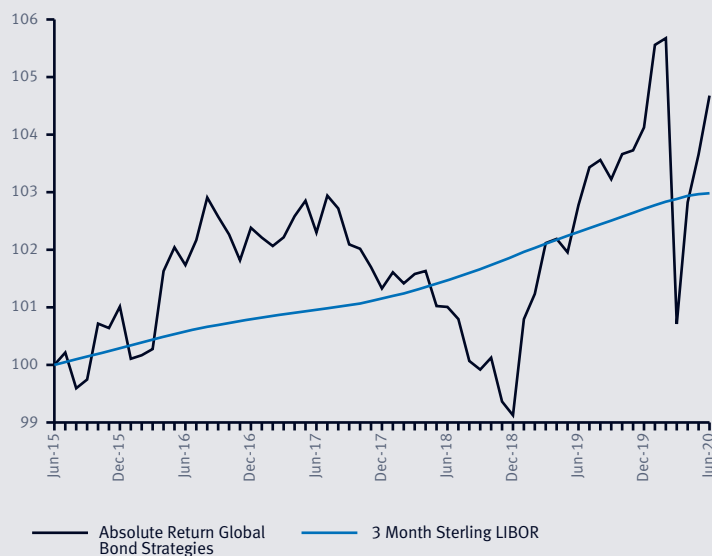
Top 5 Return Contributors by strategy

| Top Contributors | Q2 Contribution (%) |
|---------------------------------|---------------------|
| Contingent Capital Bonds | 0.82 |
| Short-Dated Credit | 0.79 |
| Short-Dated EM Corporate Credit | 0.74 |
| Short UK Inflation | 0.30 |
| South African Government Bonds | 0.29 |

| Bottom Contributors | Q2 Contribution (%) |
|-----------------------------|---------------------|
| Long Japanese Yen vs Euro | -0.13 |
| Emerging Markets Income | -0.12 |
| EM FX Relative Value | -0.11 |
| Australian Duration | -0.10 |
| Long US Dollar vs Thai Baht | -0.08 |

Fund Performance *

Price Indexed



Performance has been calculated over the stated period on the share price performance basis, based on the institutional shareclass and net of fees. For your relevant charges please contact your Aberdeen Standard Investments Sales Representative.

Source: Aberdeen Standard Investments (Fund) and Thomson Reuters DataStream (Benchmark)

Cumulative Performance

Source: Aberdeen Standard Investments (Fund) and Thomson Reuters DataStream (Benchmark)

| | YTD (%) | 1 month (%) | 3 months (%) | 6 months (%) | 1 year (%) |
|--------------------------------|---------|-------------|--------------|--------------|------------|
| Retail Fund Performance | 0.2 | 0.9 | 3.8 | 0.2 | 1.1 |
| Institutional Fund Performance | 0.5 | 1.0 | 3.9 | 0.5 | 1.8 |
| 3 Month Sterling LIBOR | 0.3 | 0.0 | 0.1 | 0.3 | 0.7 |

| | 3 years (%) | 5 years (%) | Since launch (%) |
|--------------------------------|-------------|-------------|------------------|
| Retail Fund Performance | 0.2 | 1.1 | 7.8 |
| Institutional Fund Performance | 2.3 | 4.7 | 14.5 |
| 3 Month Sterling LIBOR | 2.0 | 3.0 | 6.0 |

Year on Year Performance

Source: Aberdeen Standard Investments (Fund) and Thomson Reuters DataStream (Benchmark)

| | Year to 30/06/2020 (%) | Year to 30/06/2019 (%) | Year to 30/06/2018 (%) | Year to 30/06/2017 (%) | Year to 30/06/2016 (%) |
|--------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Retail Fund Performance | 1.1 | 1.1 | -1.9 | -0.1 | 1.0 |
| Institutional Fund Performance | 1.8 | 1.8 | -1.3 | 0.6 | 1.7 |
| 3 Month Sterling LIBOR | 0.7 | 0.8 | 0.5 | 0.4 | 0.6 |

Note: Performance has been calculated over the stated period on the share price performance basis, based on the given shareclass and net of fees.

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

Definitions

Duration - gives an indication of a bond's sensitivity to a change in interest rates. It is based on a snapshot of the portfolio on specified date. It does not include any impact from charges.

Investment Review and Outlook

Market review

Ongoing pledges of support from governments and central banks helped lift confidence. Investors also took heart from falling Covid-19 infection and death rates, which allowed further easing of lockdown measures. Optimism was tempered by a resurfacing of US-China tensions in the latter half of the month and by a resurgence of Covid-19 cases in several countries, including the US. Economic news gave reason for cheer. Towards month-end, above-forecast manufacturing activity in China and strong US housing data pointed to a marked pick-up in economic activity.

Despite the optimistic mood, defensive assets generally performed well. These included government bonds, which edged higher (yields fell). This suggested investors remained cautious, mindful of the uncertain outlook for the global economy. Corporate bonds posted positive returns and outperformed government bonds, reflecting the appetite for higher-returning assets.

Activity

Over the period, we adjusted the portfolio's exposures against a backdrop of central banks' accommodative stance and evolving Covid-19 indicators. Following the positive developments related to European stimulus packages, we adjusted our defensive currency exposures. We closed the position preferring the Swiss franc over the euro and reduced our position preferring the Japanese yen over the euro. In addition, we added a position favouring the yen over the US dollar to maintain portfolio protection.

Within our EM exposures, we closed our South African government bonds position after it met its target. We also adjusted our EM income position by

closing the corporate bond hedge and modifying the embedded currency exposures, given the higher value of the US dollar. Additionally, we moved our investment-grade corporate bond exposure to the high-yield corporate bond sector, as central banks broadened the scope of their bond-buying programmes.

To complement the above changes, we also increased our allocation to the long US inflation strategy, given the remarkable level of stimulus by policymakers. We also modified the implementation of our US interest rate market exposure to reflect the apparent determination of the Federal Reserve to keep short-dated rates pinned down at very low levels. We added a new European yield curve steepener strategy. We expect this position to benefit from economic recovery over the very long term, central bank support and anticipated changes to Dutch pensions regulations.

Performance

The Absolute Return Global Bond Strategies Fund returned 0.99% (net of fees) during the month, compared to the benchmark three-month GBP LIBOR return of 0.02%.

Within fixed income markets, corporate bonds benefited from central banks' accommodative stance. As a result, our short-dated corporate bond strategies and our contingent capital bonds position (also called contingent convertible bonds or 'CoCos') delivered positive returns. However, our emerging markets (EM) income strategy posted a negative return, given we had removed the hedge from the position earlier in the period.

Plummeting oil prices caused inflation expectations to fall. This boosted our short UK inflation position

('short' means we aimed to profit when inflation fell).

Outlook

While improving Covid-19 infection and mortality trends have allowed some countries to start relaxing lockdowns, we view the progress as limited. The pace of normalisation is also likely to be slow, particularly in those parts of the service sector reliant on close interaction with clients. Levels of unemployment have risen at record rates, so the potential knock-on consequences for consumption and therefore businesses are material. Mitigating this are central bank and government stimulus packages of unprecedented scale. This will underpin some assets, and it is in these areas we have aligned our positioning. We see the range of potential outcomes for economies and markets as being extraordinarily wide. They will also differ markedly according to the severity of infections, effectiveness of control measures, scale of stimulus packages and sectoral mix in each economy. Some markets in particular appear to already price in an optimistic recovery scenario, hence our holdings in those are relatively low. These volatile conditions do, however, offer the potential for valuable new opportunities which our team is on the alert to uncover.

Other Fund Information

| | Retail Acc | Retail Dist | Institutional Acc | Institutional Dist | Currency |
|-----------|--------------|-------------|-------------------|--------------------|----------|
| Bloomberg | SLABRBA LX | - | SLABRBD LX | - | GBP |
| ISIN | LU0548156891 | - | LU0548158830 | - | GBP |
| WKN | A1H6U1 | - | A1H6U2 | - | GBP |

| | |
|----------------|--|
| Domicile | Luxembourg |
| Custodian Name | The Bank of New York Mellon SA/NV, Luxembourg Branch, 2-4 Rue Eugene Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg |
| Auditor Name | KPMG Luxembourg, 39, Avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg |

| | Interim | Annual |
|------------------------------|----------------------------|--------|
| Reporting Dates | 30 Jun | 31 Dec |
| Settlement Time | T+3 | |
| Email | LUXMB-ASI-TA@bnymellon.com | |
| Telephone | +352 24 525 716 | |
| Share Price Calculation Time | 15:00 (Luxembourg time) | |
| Dealing Cut Off Time | 13:00 (Luxembourg time) | |

Not all shareclasses displayed may be available in your jurisdiction.

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Risk Factors

The fund invests in securities which are subject to the risk that the issuer may default on interest or capital payments.

The fund price can go up or down daily for a variety of reasons including changes in interest rates, inflation expectations or the perceived credit quality of individual countries or securities.

The fund may invest in emerging market equities and / or bonds. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.

Investing in derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives will result in the fund being leveraged (where economic 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. The fund makes extensive use of derivatives.

The fund invests in high yielding bonds which carry a greater risk of default than those with lower yields.

All investment involves risk. This fund offers no guarantee against loss or that the fund's objective will be attained.

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.

The fund could lose money if an entity (counterparty) with which it does business becomes unwilling or unable to honour its obligations to the fund.

In extreme market conditions some securities may become hard to value or sell at a desired price.

The fund could lose money as the result of a failure or delay in operational processes.

Additional Information for Switzerland : The prospectus, the key investor information documents, the articles of incorporation, the annual and semiannual report in German, and further information can be obtained free of charge from the representative in Switzerland: Carnegie Fund Services S.A., 11, rue du Général-Dufour, CH-1204 Geneva, Switzerland, web: www.carnegie-fund-services.ch. The Swiss paying agent is: Banque Cantonale de Genève, 17, quai de l'île, CH-1204 Geneva. The last share prices can be found on www.fundinfo.com.

To find out more about our fund range, visit our website or alternatively speak to your usual contact at Aberdeen Standard Investments.

www.aberdeenstandard.com