abrdn

The view from Asia

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March 2022

abrdn.com

Asian fixed income – too large too ignore, nonetheless under-represented in most portfolios

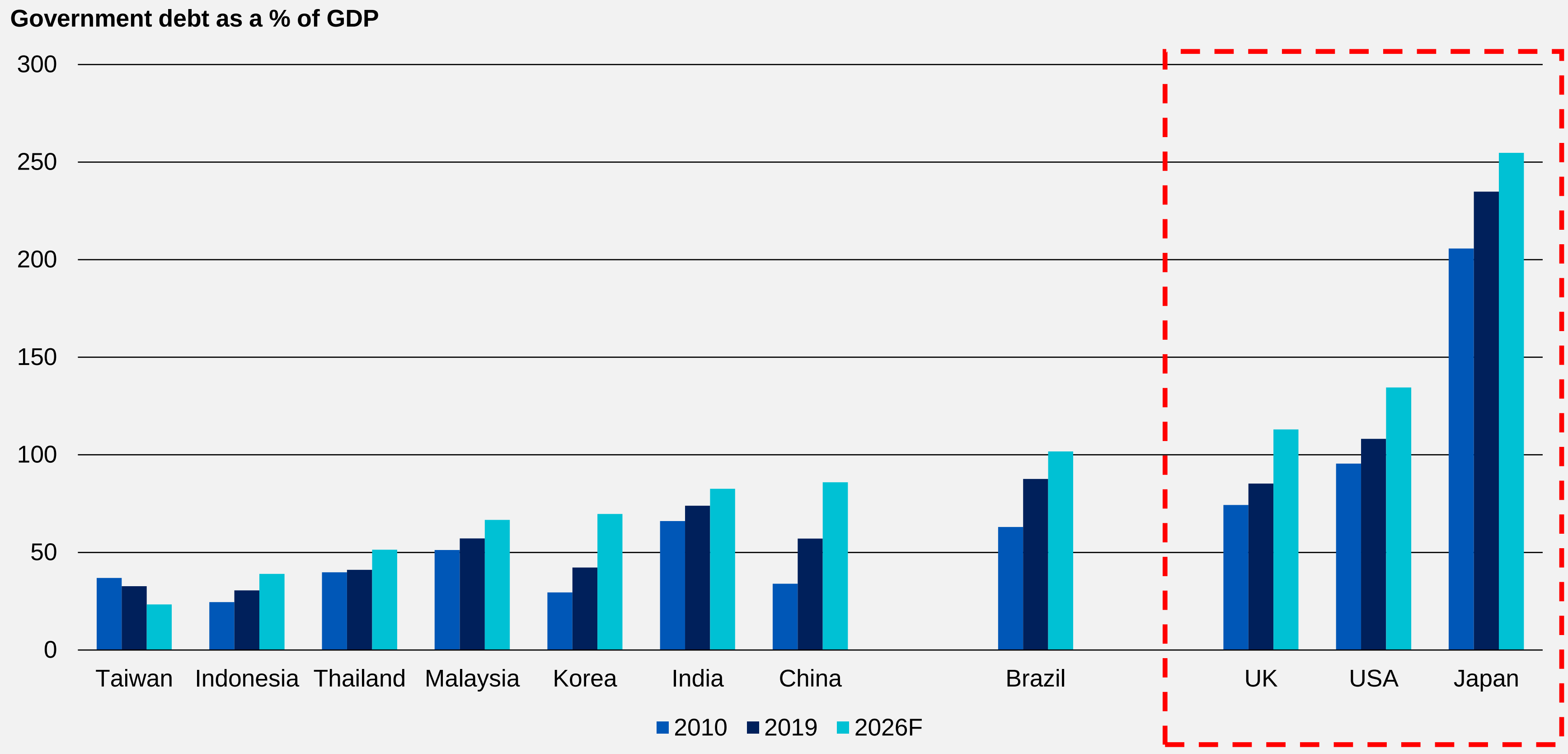
Over 50% of the global population

Approx 30% of global GDP and rising

Approx 50% of the world foreign exchange reserves

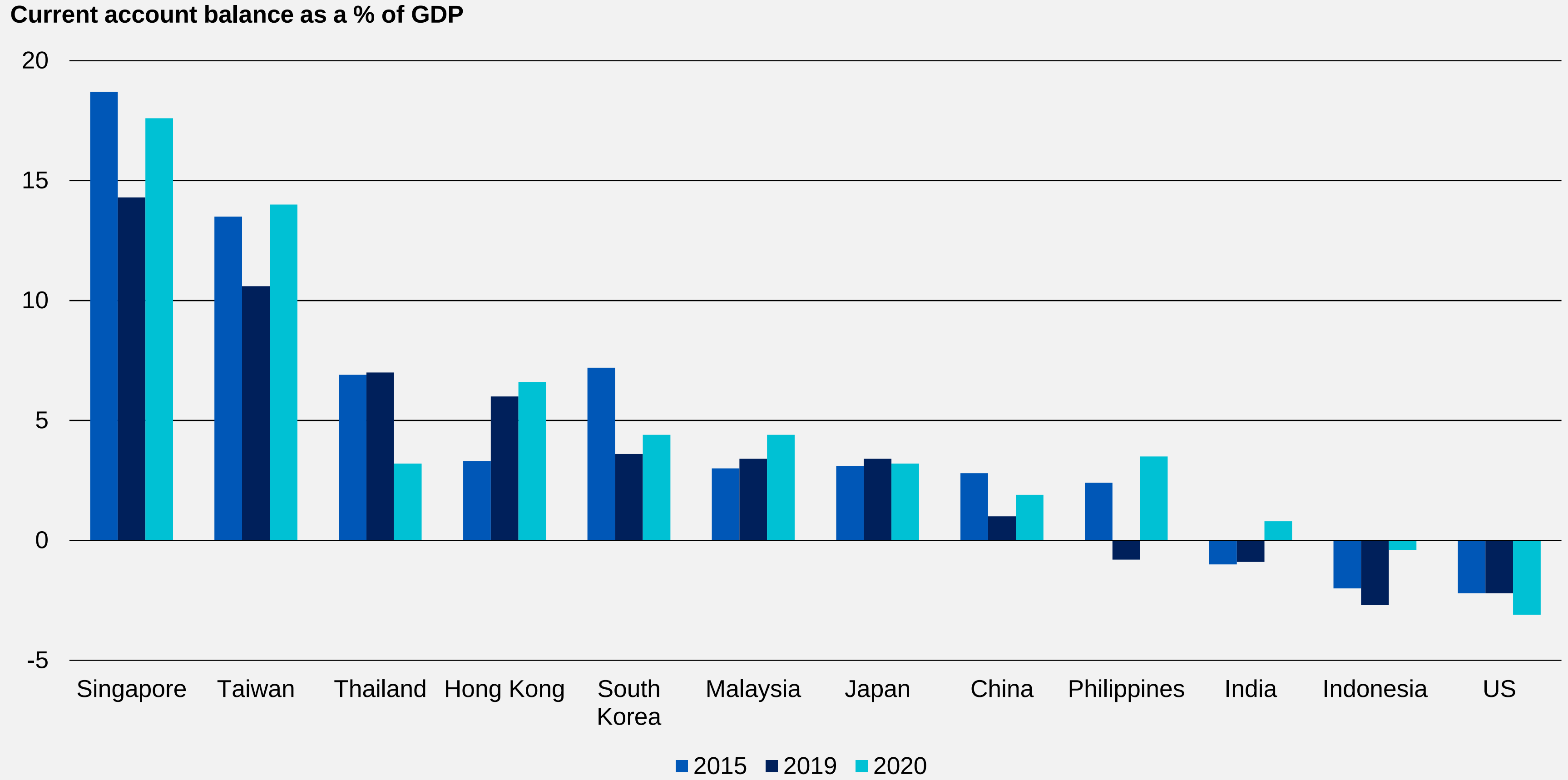
Source: IMF, ADB, Our World in Data, abrdn, 31 December 2020

Fiscal Discipline



* 2026 are IMF forecast figures
Forecast is offered as opinion and is not reflective of potential performance. Forecast is not guaranteed and actual events or results may differ materially.
Source: International Monetary Fund, World Economic Outlook Database, April 2021

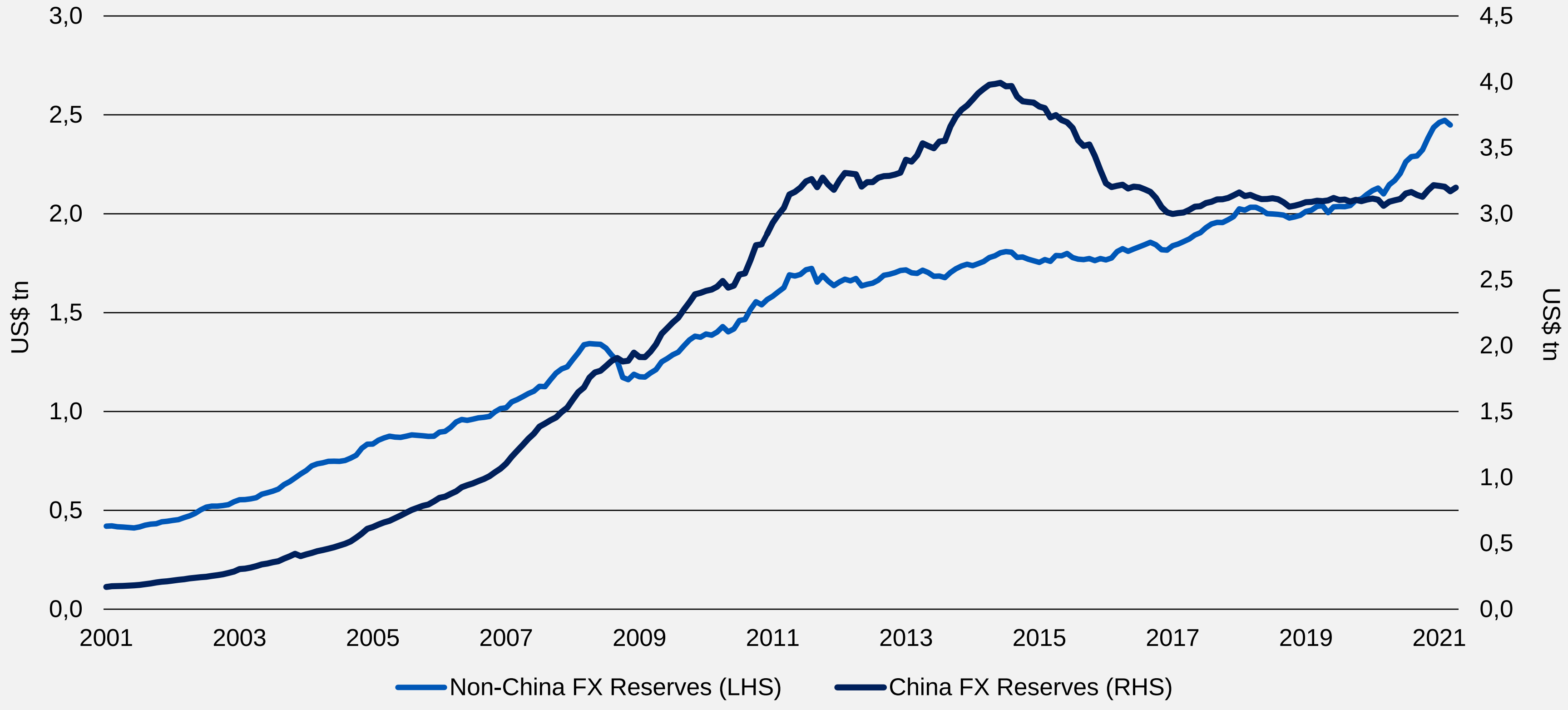
Importance of export sector



Source: Citi, Bloomberg, April 2021

Importance of national savings

Foreign Exchange Reserves



Source: International Monetary Fund, April 2021

Asian Fixed Income: too significant to ignore

- Asian fixed income is often overlooked and not considered as a discreet fixed income asset class which helps you generate superior risk adjusted returns

  - Robust fundamentals and sound policy
  - Brings diversity to any fixed income allocation amid changing risk dynamics
  - Improving accessibility, particular for investors on the ground
  - Attractive valuations despite of strong fundamentals

Source: abrdn, 2022

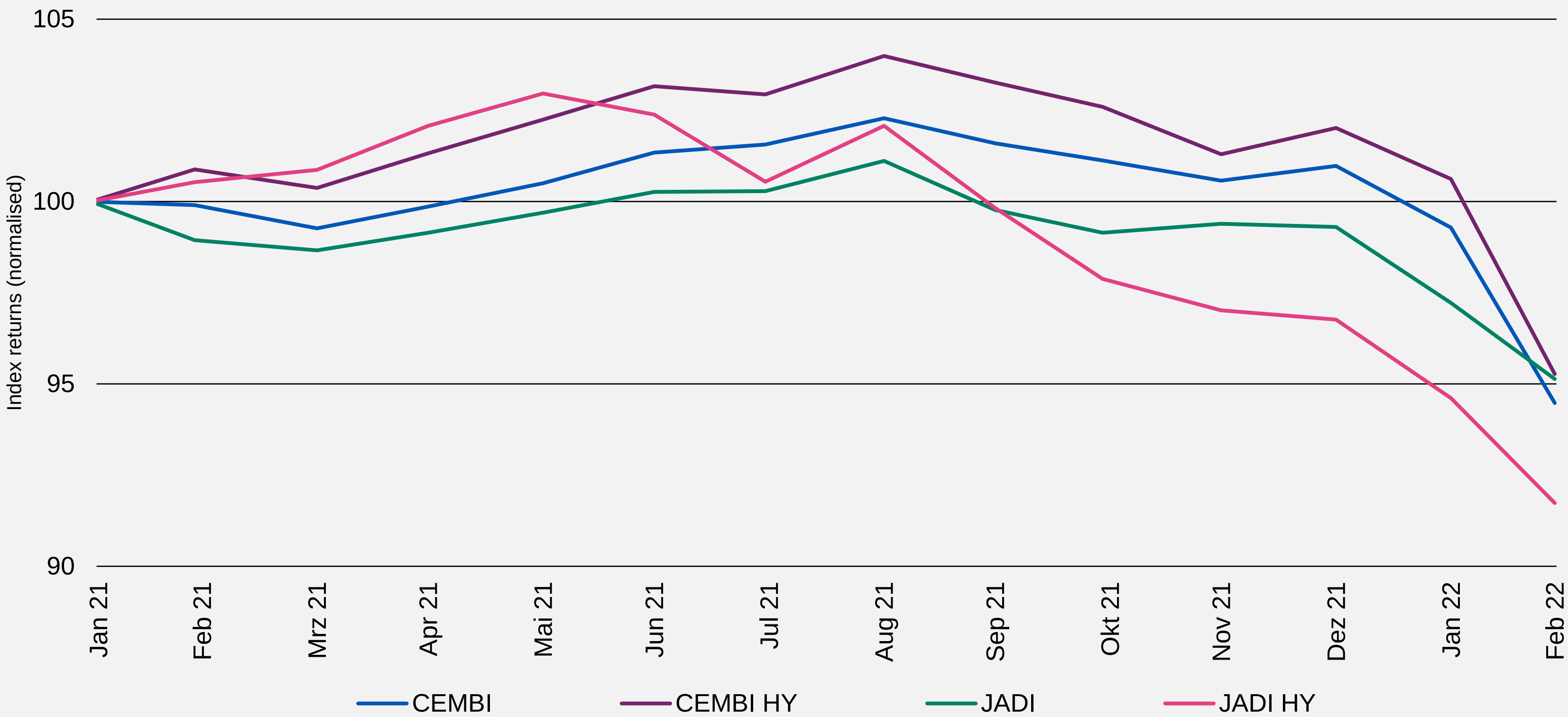
Market review

CEMBI vs JADI

CEMBI: Russia driving IG and Ukraine/Belarus driving HY valuations

JADI: China Real Estate driving Asian HY valuations

Index returns (USD Hedged)

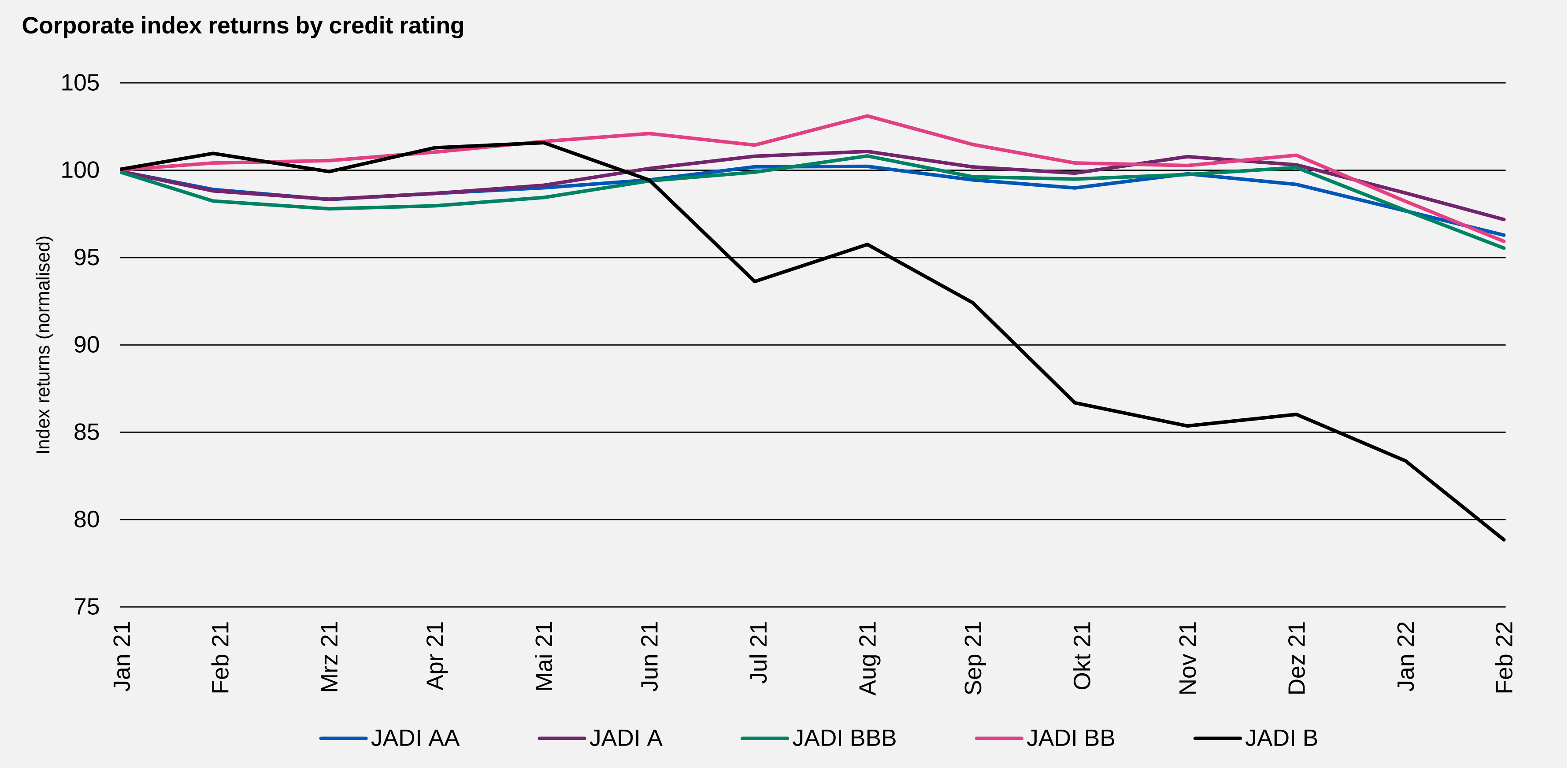


Source: JP Morgan, Bloomberg, 28 February 2022
Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. For illustrative purposes only

Past performance does not predict future returns.

Asian US$ credit market by rating category

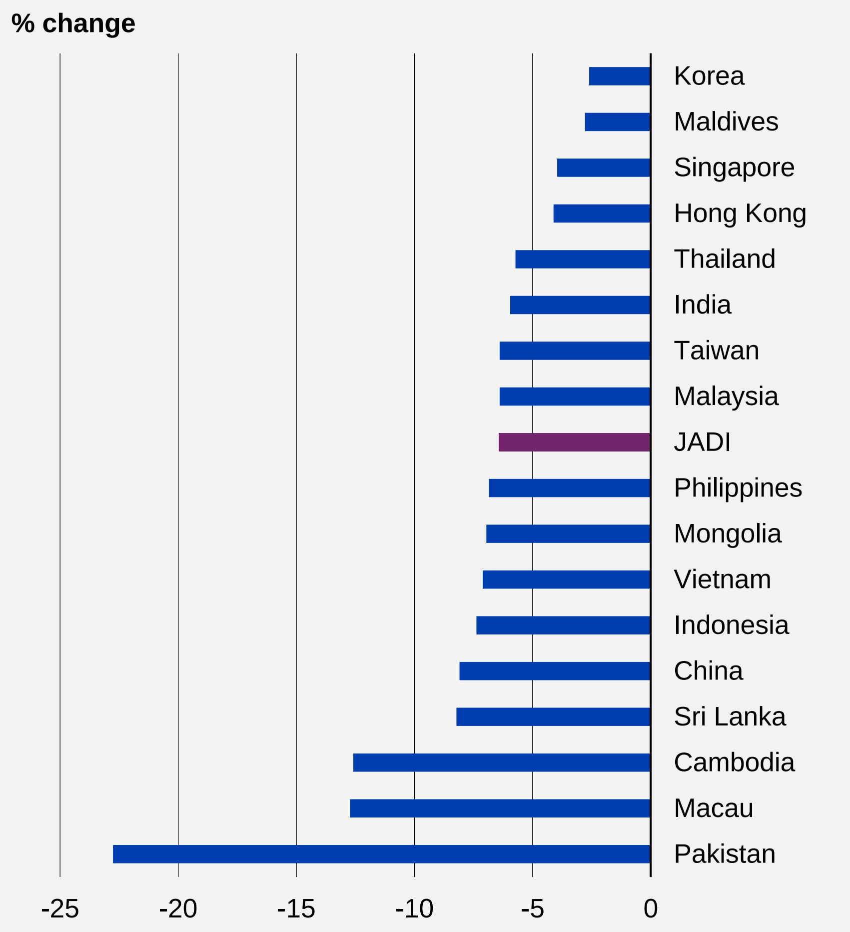
Weakness in lower part of the rating spectrum



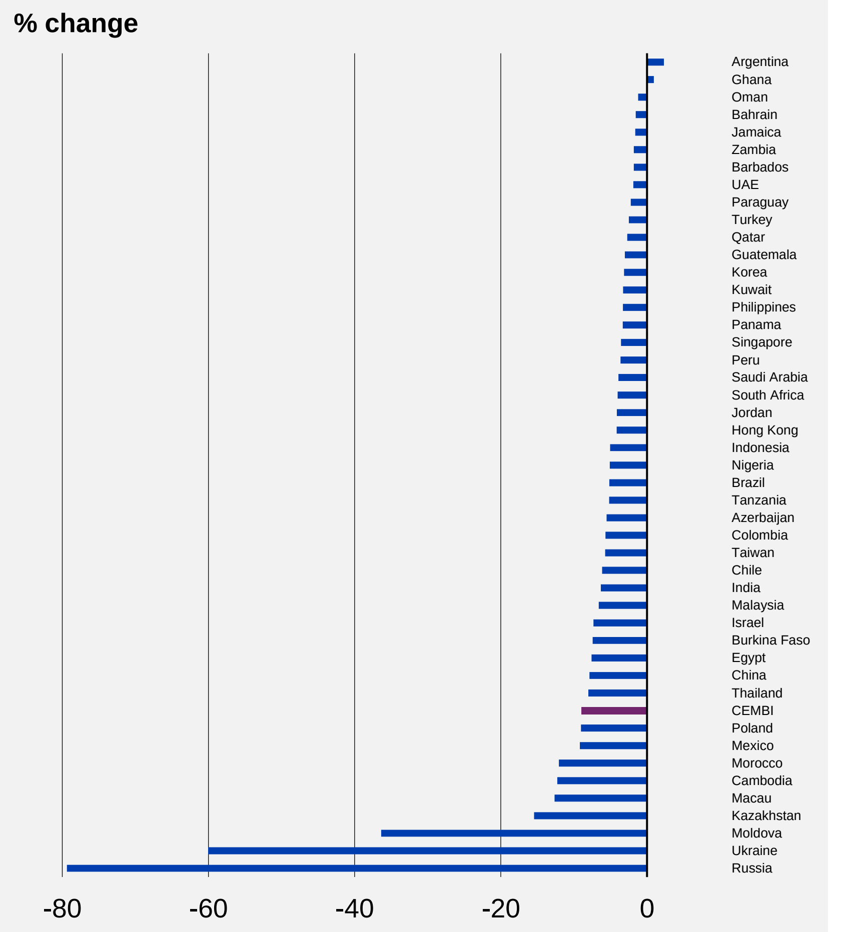
Source: JP Morgan, Bloomberg, USD, 28 February 2022

Asia vs EM Corporates – YTD performance

YTD 2022



Source: JP Morgan, abrdn
JP Morgan Asia Credit Index Diversified
Returns to 11 March 2022

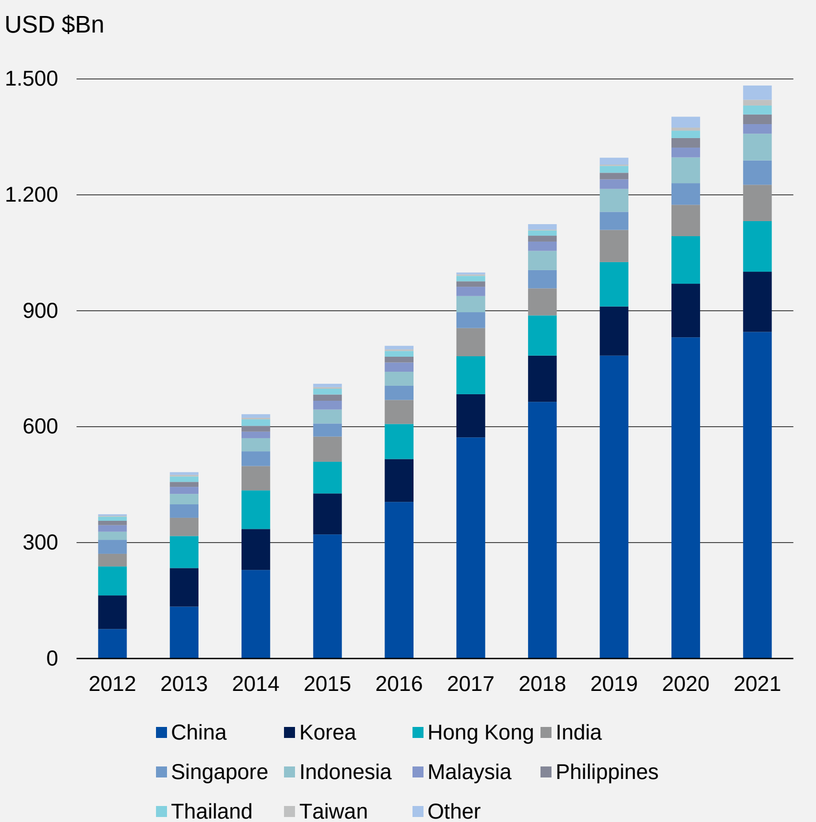


Source: JP Morgan, abrdn
JP Morgan Corporate Emerging Markets Bond Index Diversified
Returns to 11 March 2022

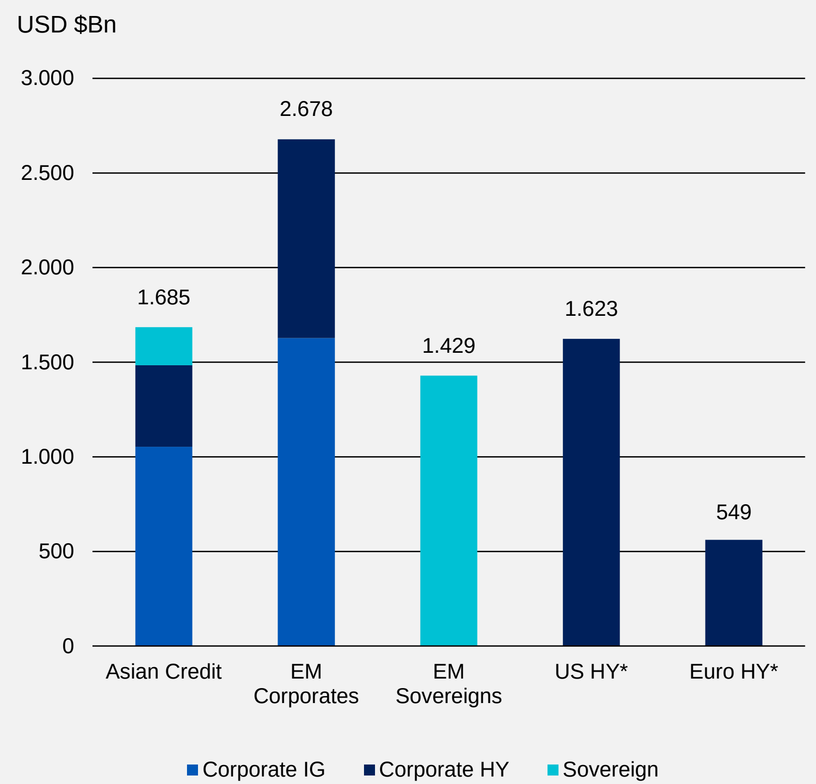
Asian credit:
A large hard currency market you've probably never heard of

Why Asian credit?

The largest USD credit market many have never heard of



Source: JPM, December 2021



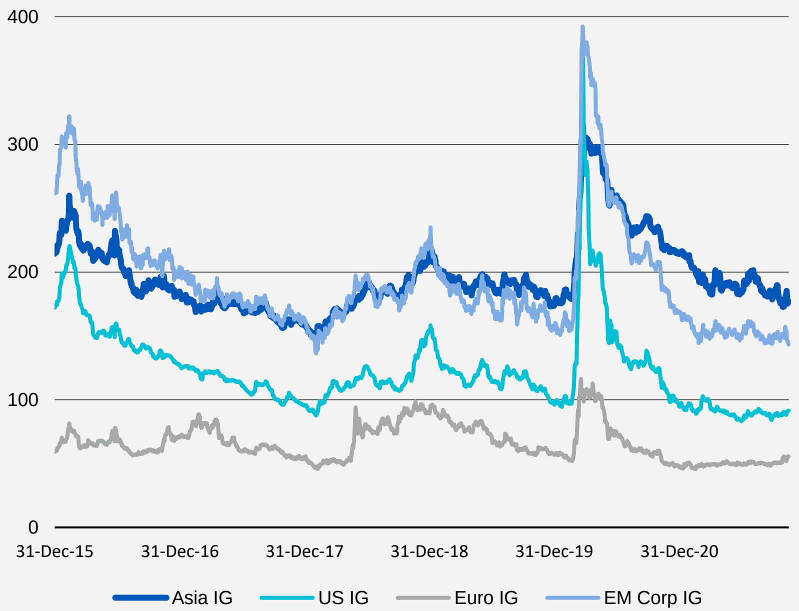
* Index market caps
Source: JPM and BofAML, December 2021

Past performance does not predict future returns.

Why Asian credit?

Priced far from perfection, Asian credit offers a good entry point

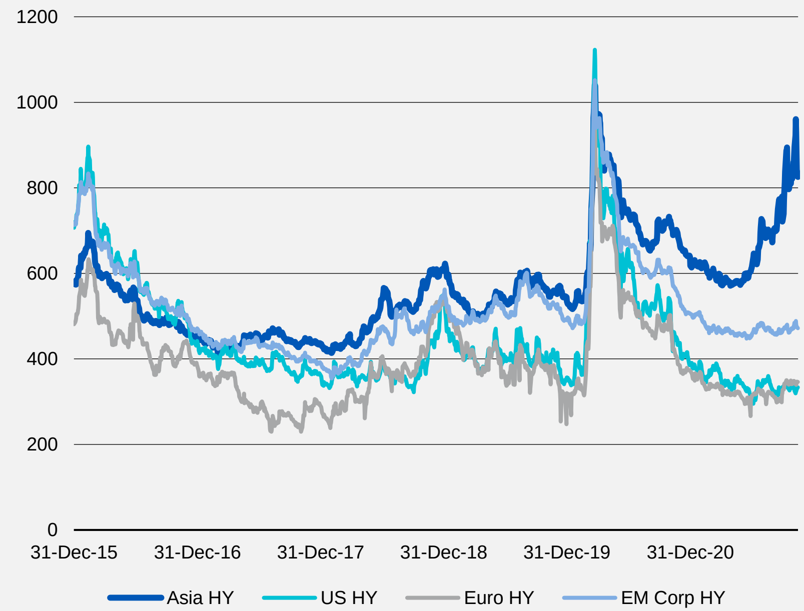
Investment grade spreads



	Asia IG	US IG	Euro IG	EM Corp IG
Current spread vs tight	**+20%**	+10%	+22%	+5%

Source: JPM, Bloomberg, 15 November 2021

High yield spreads



	Asia HY	US HY	Euro HY	EM Corp HY
Current spread vs tight	**+100%**	+13%	+51%	+33%

Source: JPM, Bloomberg, 15 November 2021

Past performance does not predict future returns.

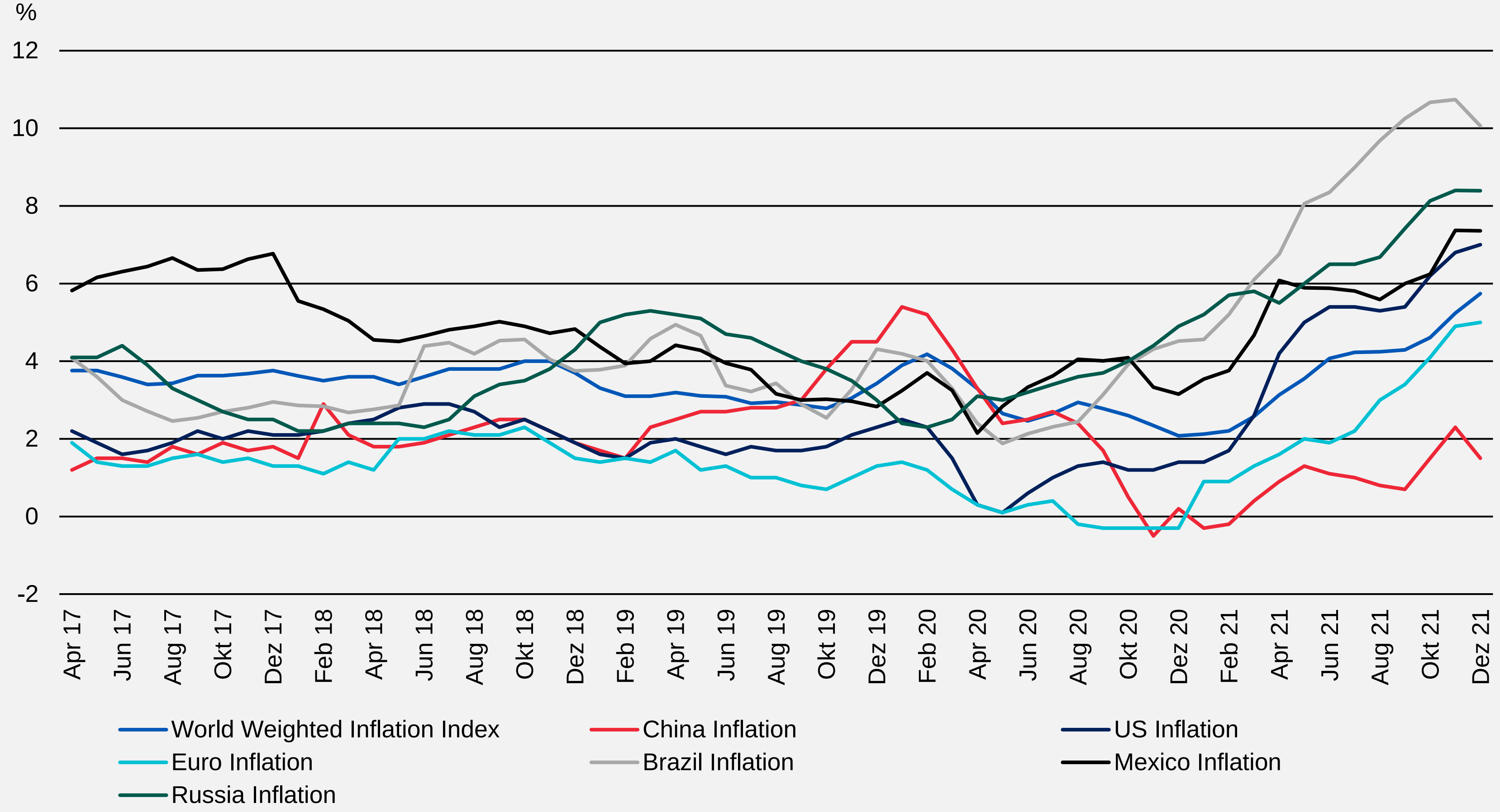
China bond market

Key Themes for 2022

- We expect Chinese GDP growth to print around low 4% in 2022, below market's expectation.
- We expect PboC to deliver further interest rate cuts in China but the rate cuts will not be as aggressive as Fed's rate hikes.
- The government needs to relax macroprudential measures on property and infrastructure sectors.
- We expect bigger fiscal deficits and more favourable tax policies.
- PboC might intervene in the currency market in the short run but RMB trajectory remains positive over the medium to long term.

'Forecasts are offered as opinion and are not reflective of potential performance. Forecasts are not guaranteed and actual events or results may differ materially
Source: abrdn, February 2022

Policy divergence between China and DM markets remain the key theme for 2022



Source: abrdn, Bloomberg, December 2021

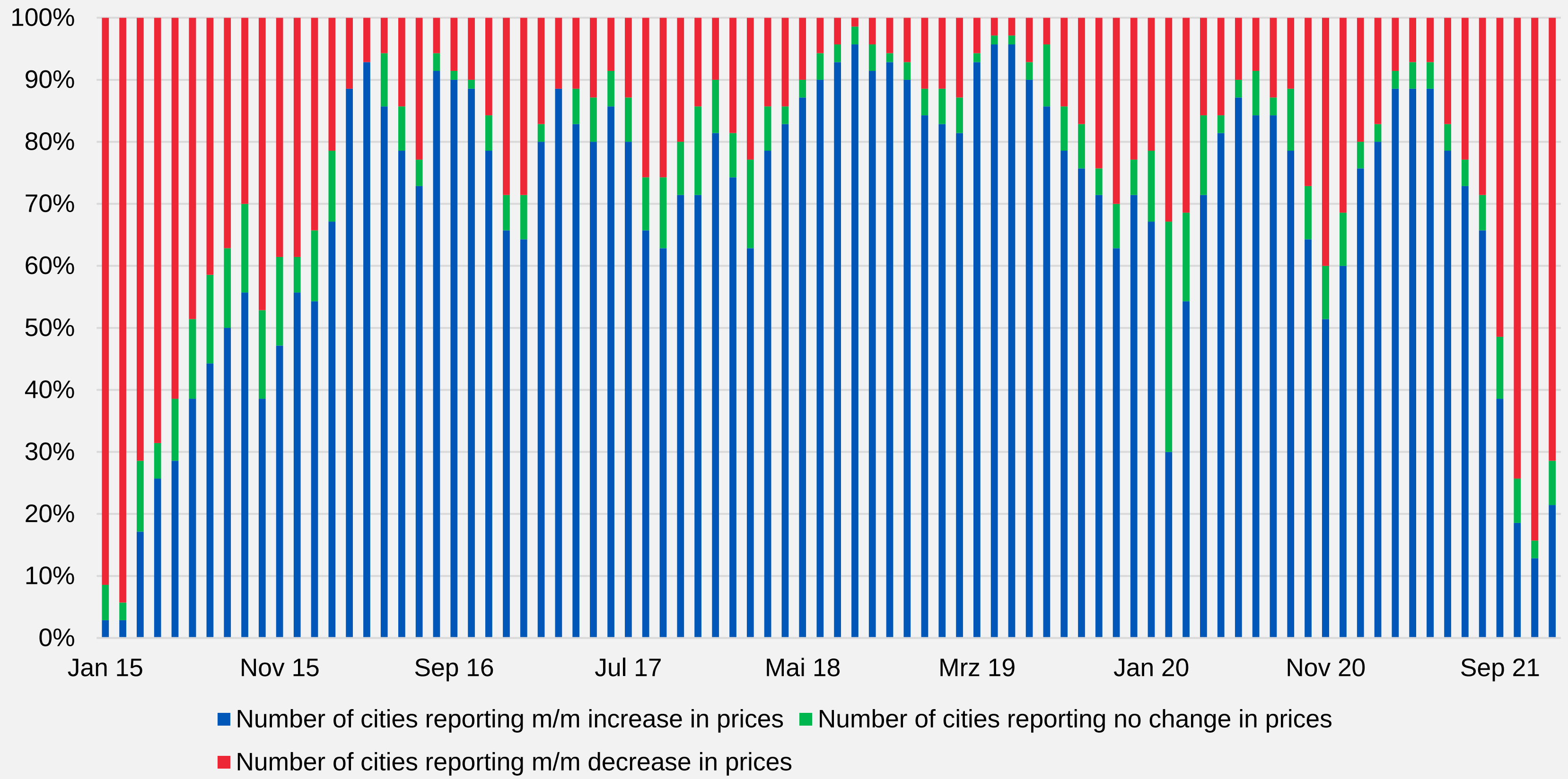
China and US interest rates follow their own path

Source: Bloomberg, 31 December 2021. For illustrative purposes only

Past performance does not predict future returns.

Property sector slowdown has been aggressive since July last year

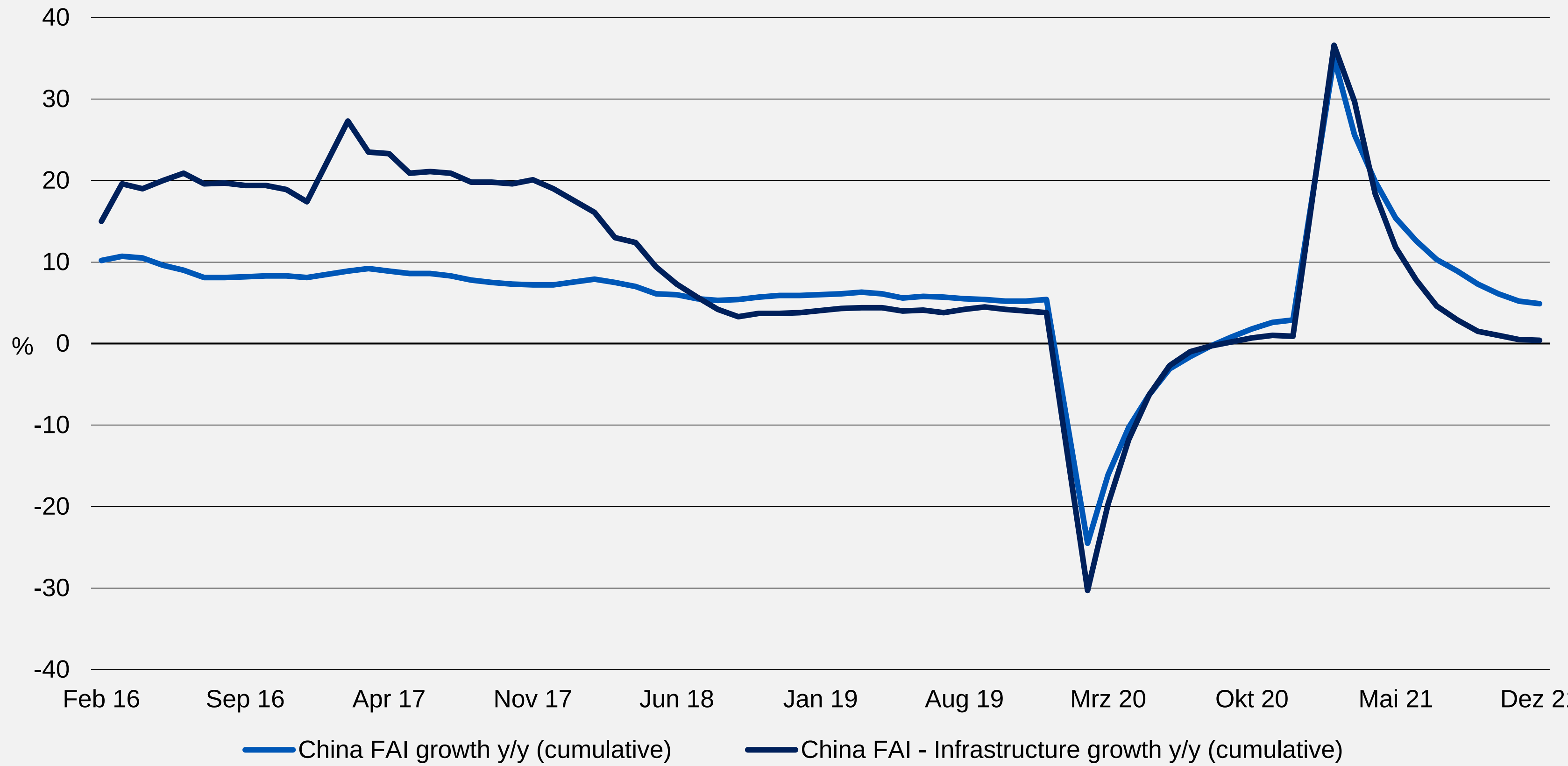
China 70 cities m/m price change



Source: WIND, 31 December 2021

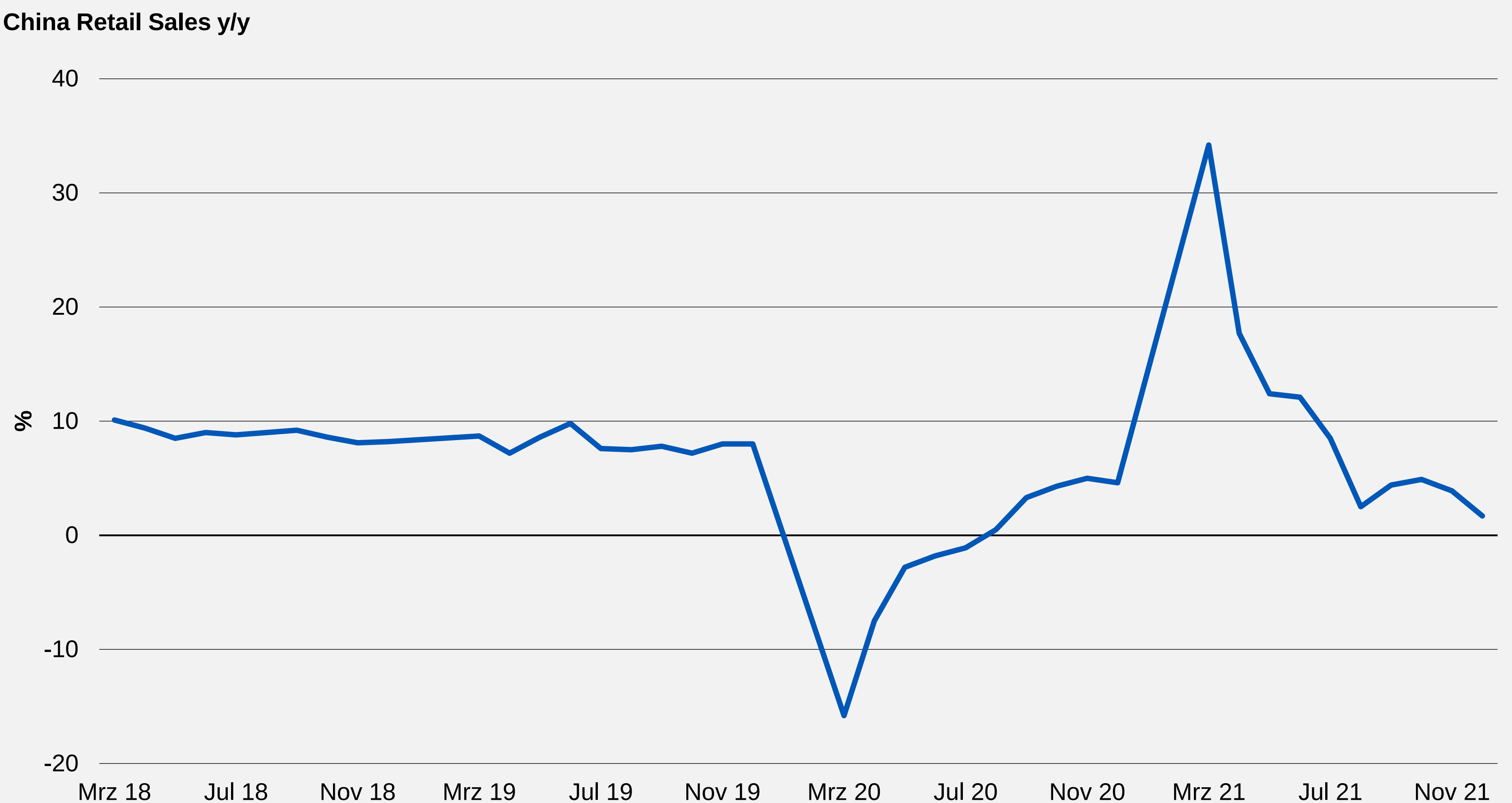
Talk about fiscal support has been loud but actual activity has been slow thus far

Weak momentum in Infrastructure Investments y/y



For illustrative purposes only. No assumptions regarding future performance should be made
Source: Bloomberg, 31 December 2021

Weakness in retail consumption momentum to remain weak without a substantial stimulus



For illustrative purposes only. No assumptions regarding future performance should be made
Source: Bloomberg, 31 December 2021

Why China Onshore Bonds?

1. **Too large to ignore**
   - US$14 trn in size, the world's second largest after US
   - FTSE WGBI index will have ~5.5% of China onshore bonds by 2025
   - JPM GBI EM GD included CGBs in the index starting from Feb 2020. 1% increment each month until it reaches 10%
   - The Bloomberg Barclays Global Aggregate Index included CNY bonds in the index starting from April 2019, the weight is now ~6%

2. **Compelling yields**
   - 10-year government bond yields of about 2.72%
   - 10-year development bank bonds at 3.00%
   - ~90 basis point fund yield spread over UST yield

3. **Improving fundamentals**
   - Low currency volatility
   - Low levels of short-term and external debt
   - Strong government balance sheet
   - Bond market proven to have excellent liquidity

4. **Diversification and defensive benefits**
   - Low correlation with global and emerging bond markets
   - Foreigners own around 3% of the total bond market
   - High government nominal yields offer room to compress during a risk-off period

CGBs: China Government Bonds
* Source: Bloomberg, 9 February 2022

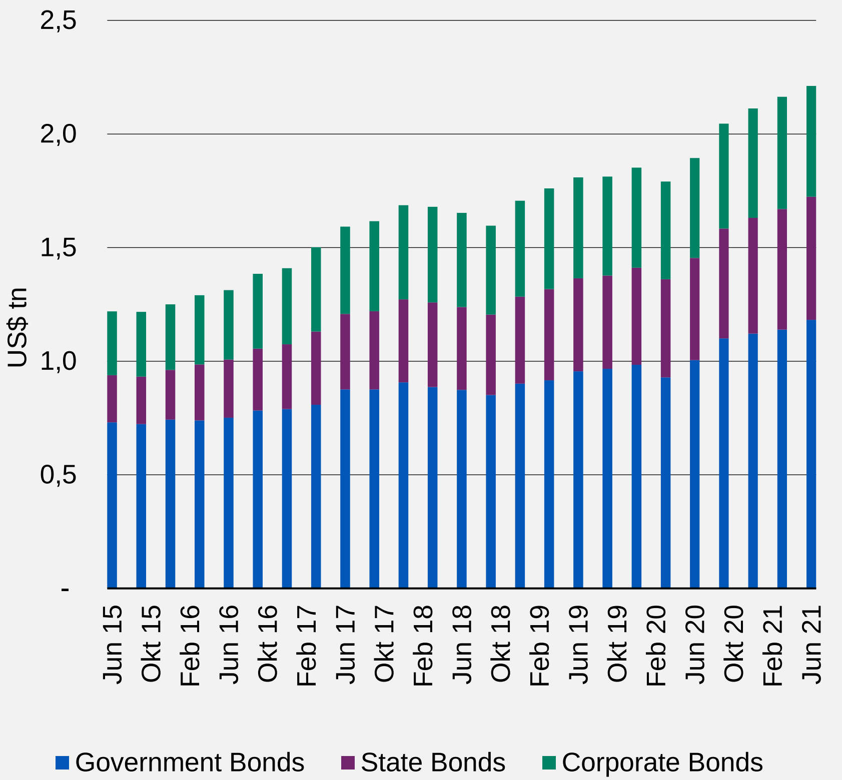
Past performance does not predict future returns.

Indian bond market

Access to a large and liquid bond market

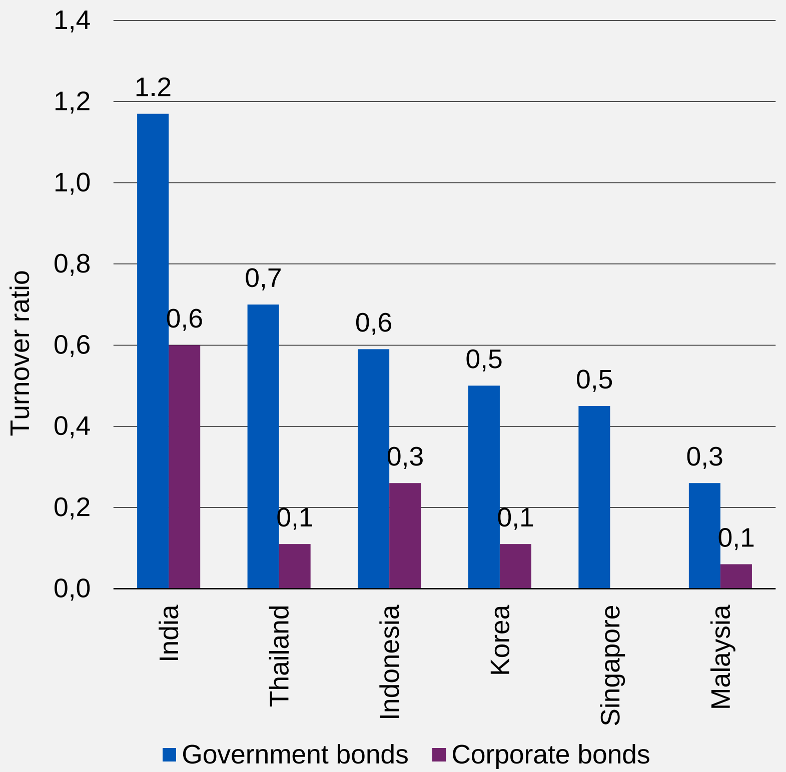
Including one of the largest & most liquid local currency credit markets in EM/Asia

Second largest Asia bond market



Source: Haver, September 2021. Costs may increase or decrease as a result of currency and exchange rate fluctuations. This may impact what you might get back

Highest turnover ratio*



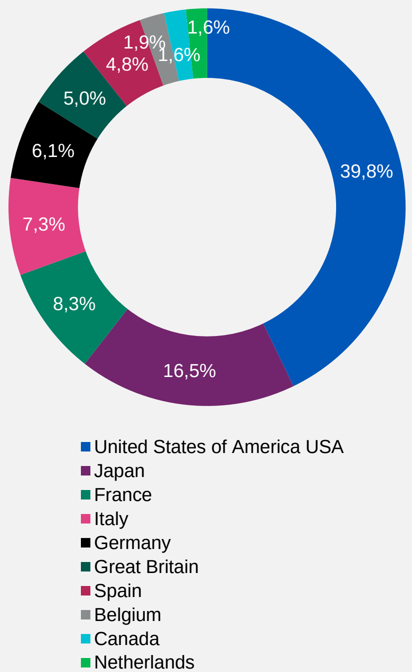
* Turnover ratio = annual trading volume/average Indian local currency corporate bonds outstanding, as of 31 December 2018
Source: Standard Chartered Research, 31 December 2019

Past performance does not predict future returns.

Opportunity as India seeks to be included in global fixed income benchmarks

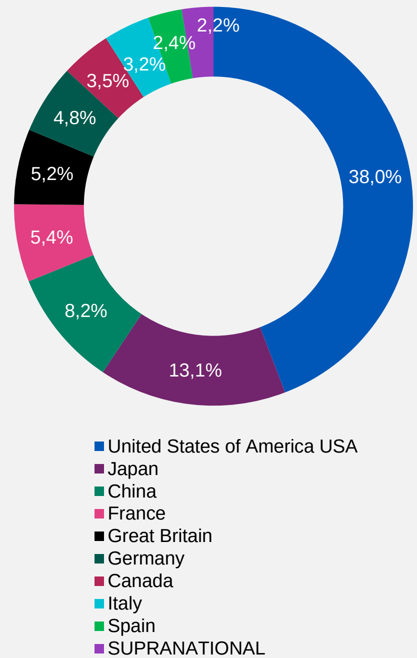
Indian local currency bonds have a zero weight in global bond indices (for now)

FTSE WGBI (top 10)



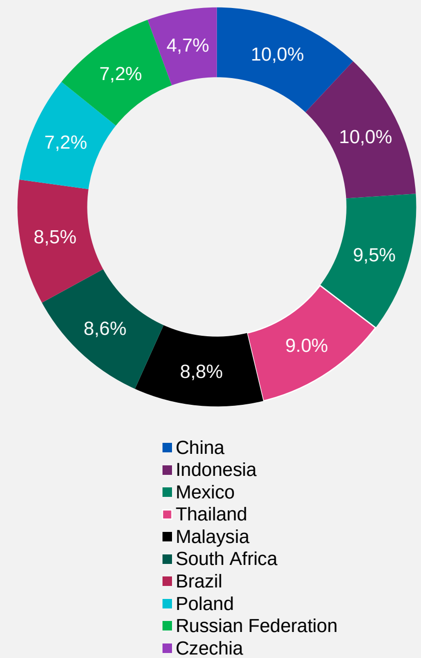
China onshore 5.58%*

Bloomberg Global Aggregate (top 10)



China onshore ~6%

JP Morgan GBI EM Global Diversified (top 10)



China onshore ~10%

India 0 %

Source: Citi, Barclays, JP Morgan, 31 December 2021
Figures may not sum up to 100% due to rounding

FTSE WGBI has announced to follow suit in 2021

Why Indian Onshore Bonds?

Defining the opportunity

1. A necessary diversifier, delivering notable outperformance versus other EM and global markets during a turbulent period
2. Huge, domestically-driven bond market that is ridiculously under owned by global and EM investors
3. Low correlations to other markets, providing invaluable diversification in a volatile environment
4. Lower volatility and superior carry-to-volatility currency characteristics supported by stronger fundamentals and intervention
5. Below potential growth and FY23 inflation forecast of 4.5% will keep policy accommodative, driving policy divergence
6. Recovery in growth driving a faster than expected recovery in fiscal revenues
7. Attractive bond market valuations with a market that is poised to go global (potential GBI-EM & Global Agg inclusion)
8. A focus on quality that avoided the pitfalls in the sub-investment grade sector that has weighed on peer performance
9. Persistent outperformance of Aberdeen Standard SICAV I– Indian Bond Fund versus the Foreign Portfolio Investor (FPI) peer group

Source: abrdn, February 2022

Bringing it all together: abrdn Asian Bond Fund

Superior long term risk-adjusted performance

Supported by robust economic fundamentals and more prudent policy

3 year returns in USD (unhedged)

	Ann. Return (%)	Ann. Volatility (%)	Return/ Volatility
Asian Local Bonds	5.6	7.1	0.8
EM Local Bonds	-0.3	12.6	-0.0
Chinese Local Bonds	3.7	2.9	1.3
Indian Local Bonds	4.5	3.8	1.2

Source: Bloomberg, JPM Bond indices, ICE data indices, September 2020

10 year returns in USD (unhedged)

	Ann. Return (%)	Ann. Volatility (%)	Return/ Volatility
Asian Local Bonds	3.4	7.9	0.4
EM Local Bonds	0.5	12.5	0.0
Chinese Local Bonds	3.6	3.1	1.2
Indian Local Bonds	3.7	3.9	0.9

Source: Bloomberg, JPM Bond indices, ICE data indices, September 2020

Past performance does not predict future returns.

Why abrdn for Asian local currency bonds?

Pulling together the best opportunities in the region

1. **Management Style**
    - Total return mind-set
    - Flexible mandates; local rates, Asian credit, FX, FX/interest rate overlay
    - Positioning driven by scenario-based forecasts not the benchmark
    - Active management of risk across investment universe
2. **Active Asset Allocation**
    - Actively allocate between local interest rates vs Asian credit
    - Active duration management including interest rate overlay
    - Very active positioning within local rates markets
    - Active management of credit sector exposure
    - Off benchmark positioning in local rates and credit markets
3. **Asset class**
    - Higher quality investment grade asset class
    - Lower volatility and VaR than EM & global bond asset classes[1]
    - Exposure to highest conviction strategies: India, frontier, Asian credit
    - Access to restricted markets: Onshore China & Indian Bonds
4. **Performance**
    - Morningstar 5 Stars for overall rating[2]
    - Strong performance versus benchmark and peer group
    - 10+ year track record (same manager)
5. **Team**
    - Highly specialized and stable
    - Senior fund managers with >19 years experience, co-managing fund *>10 years
    - 60% of the team has worked together for >5 years
    - 30% started their ASI careers as graduates
    - Regionally based: China, Singapore, Hong Kong, Malaysia & Thailand

Source: abrdn, March 2021
1 Source: APT, fund vs GBI EM GD & Citi WGBI
2 Class Z Acc USD – Morningstar rating as at March 2021.

Aberdeen Standard SICAV I - Asian Bond Fund

Key Investor Information

Please note that the information shown below relates to the Accumulation USD share class. More information on share classes can be found on the website, www.abrdn.com

The following risk factors apply specifically to this Fund. These are in addition to the generic risks of investing. A full list of the risks applicable to this Fund can be found in the Prospectus which is available on the website or upon request.

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

b) 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.

c) The fund invests 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.

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

e) Investing via Bond Connect involves special considerations and risks, including without limitation a less developed regulatory and legal framework, operational, title and regulatory risks.

f) Convertible securities are investments that can be changed into another form upon certain triggers. As such, they can exhibit credit, equity and fixed interest risk. Contingent convertible securities (CoCos) are similar to convertible securities but have additional triggers which mean that they are more vulnerable to losses and volatile price movements and hence become less liquid.

g) The fund invests in mortgage and asset-backed securities (which may include collateralised loan, debt or mortgage obligations (respectively CLOs, CDOs or CMOs)). These are subject to prepayment and extension risk and additional liquidity and default risk compared to other credit securities.

h) The use of 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 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.

Investment Objectives

The Fund aims to achieve a combination of income and growth by investing in bonds (which are like loans that can pay a fixed or variable interest rate) issued by governments, companies and other large organisations in Asian countries.

The Fund aims to outperform the Markit iBoxx Asian Local Bond Index (USD) benchmark (before charges).

Aberdeen Standard SICAV I – Asian Bond Fund

Comparative gross performance

	Percentage growth (%)				Annualised (%)	
% in USD Gross, Class A Acc USD	**1 Mos**	**6 Mos**	**YTD**	**1 Yr**	**3 yrs**	**5 yrs**
Aberdeen Standard SICAV I – Asian Bond Fund**	-0.71	-0.66	-0.71	-2.19	4.95	5.28
Benchmark*	-0.88	-1.15	-0.88	-3.40	3.98	4.38
Relative Difference	0.17	0.49	0.17	1.21	0.97	0.90

	APT Absolute VaR (99%, 1 month)
Aberdeen Standard SICAV I – Asian Bond Fund	3.66%
JPM GBI-EM Global Diversified	5.96%
FTSE WGBI	3.97%
JPM EMBI Global Diversified IG	4.95%

Launch date: 31 August 2006
* Benchmark was changed to Markit iBoxx Asian Local Bond Index from 1 April 2016. Previous benchmarks were: (i) HSBC Asian Local Bond Index from 1 June 2013 to 31 March 2016 (ii) 50% JPMorgan Asia Credit Index and 50% HSBC Asian Local Bond Index from 1 October 2010 to 31 May 2013 (iii) CGBI USBIG Treasury/Agency prior to 1 October 2010
Performance is shown gross of fees and does not reflect investment management fees. Had such fees been deducted, returns would have been lower
Source: Bloomberg, abrdn, BPSS, Thomson Reuters Datastream, Gross, USD, 31 January 2022
** Source: Lipper, Basis: Gross

Discrete annual returns (%) - year ended 31 January, net of annual charges										
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Fund (Class A Acc USD)	-3.30	8.79	6.21	-3.35	13.03	3.37	-4.90	-4.80	-6.49	5.01

Source: Lipper, Basis: Total Return, NAV to NAV, net of annual charges, gross income reinvested, USD. Costs may increase or decrease as a result of currency and exchange rate fluctuations. This may impact what you might get back.

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