abrdn Falcon Fund

(formerly Aberdeen Standard Capital Falcon Fund)

Annual Long Report
For the year ended 28 February 2023

abrdn.com

Contents

* Collectively, these items comprise the Manager's Report for the purposes of the rules contained in the Collective Investment Schemes Sourcebook ('the Sourcebook').

Report of the Authorised Fund Manager

The abrdn Falcon Fund (formerly Aberdeen Standard Capital Falcon Fund) ('the fund') is an authorised unit trust, established under a trust deed dated 2 July 1998 (as amended) (the 'trust deed'). The effective date of the authorisation order for the fund made by the Financial Services Authority (the predecessor of the Financial Conduct Authority) was 9 July 1998. The fund's FCA Product Reference Number is 186703.

Appointments

Fund Information		
Manager	**Registered Office**	**Correspondence Address**
abrdn Fund Managers Limited (formerly Aberdeen Standard Fund Managers Limited)	280 Bishopsgate London EC2M 4AG	PO Box 12233 Chelmsford CM99 2EE
Investment Adviser	**Sub-Adviser**	**Registrar**
abrdn Investment Management Limited 1 George Street Edinburgh EH2 2LL	abrdn Capital Limited 1 George Street Edinburgh EH2 2LL	SS&C Financial Services Europe Limited SS&C House St Nicholas Lane Basildon Essex SS15 5FS
Trustee	**Registered Office**	**Independent Auditor**
Citibank UK Limited	Citigroup Centre Canada Square Canary Wharf London E14 5LB	KPMG LLP 319 St Vincent Street Glasgow G2 5AS

The investment adviser has full authority to make all investment decisions on behalf of the manager concerning the scheme property of the fund which is managed by it. The Investment Management Agreement gives the investment adviser the discretion to appoint specialist asset management companies either from within or out with the abrdn group as investment managers in order to benefit from their expertise and experience. The manager also employs the investment adviser to perform certain activities involving valuation, pricing, dealing and other back office functions. The investment adviser is permitted to sub-delegate these functions to other persons. The investment adviser has subdelegated responsibility for strategic asset allocation, tactical asset allocation, portfolio construction and implementation to abrdn Capital Limited (formerly known as Aberdeen Standard Capital Limited). abrdn Capital Limited is authorised and regulated by the Financial Conduct Authority.

The Manager of the fund is abrdn Fund Managers Limited, which is a private company limited by shares incorporated on 7 November 1962. It's ultimate holding company is abrdn plc.

Financial details and Fund Managers' reviews of the fund for the year ended 28 February 2023 are given in the following pages of this report.

The fund operates as a single priced scheme, calculated with reference to the net asset value of the fund.

The daily price for each fund appears on the Investment Adviser's website at **abrdn.com**.

The investment objective of the fund is disclosed within the Fund Profile and the investment activities are disclosed within the Investment Report.

Unitholders in the fund are not liable for the debts of the fund.

Report of the Authorised Fund Manager

Continued

Significant Events

- On the 24th February 2022 Russia launched a military offensive against Ukraine resulting in widespread sanctions on Russia and heightened security and cyber threats.

Market disruptions associated with the geopolitical event have had a global impact, and uncertainty exists as to the implications. Such disruptions can adversely affect assets of funds and performance thereon, specifically Russian and Ukrainian assets.

The Management Company has delegated various tasks to abrdn's Investor Protection Committee (IPC). The IPC is responsible for ensuring the fair treatment of investors.

The IPC undertakes regular reviews of the following:

- Market liquidity across each asset class and fund;
- Asset class bid-offer spread monitoring;
- Review of fund level dilution rate appropriateness;
- Review of daily subscriptions/redemptions to anticipate any potential concerns to meet redemption proceeds;
- Any requirement to gate or defer redemptions;
- Any requirement to suspend a fund(s);
- Any fair value price adjustments at a fund level.

abrdn's Valuation and Pricing Committee (VPC) also continue to review the valuation of assets and the recoverability of income from those assets making appropriate adjustments where necessary. The VPC is made up of a wide range of specialists across abrdn with a wide range of experience in asset pricing.

The Management Company has also evaluated, and will continue to evaluate, the operational resilience of all service providers. The Company's key suppliers do not have operations pertaining to the Company in Ukraine or Russia.

- On 26th February 2023, abrdn agreed the sale of abrdn Capital Limited business and funds to LGT Group (a Liechtenstein based Private Banking and Asset Management Group). This sale will result in the Manager and suppliers to the Fund changing. These changes are expected to occur during the second half of 2023. A full client communication will be issued prior to the change.

Developments and Prospectus Updates Since 1 March 2022

- On 1 August 2022, the prospectus and trust deed were updated to allow the authorised fund manager to make a mandatory conversion of units to a different unit class without instruction, in accordance with applicable Financial Conduct Authority regulation. Investors will be given prior notice of any exercise of such mandatory conversion rights in accordance with applicable regulation and guidance.
- On 1 August 2022, the Trust changed its name from Aberdeen Standard Capital Falcon Fund to abrdn Falcon Fund. Additionally, the Manager of the Trust changed its name from "Aberdeen Standard Fund Managers Limited" to "abrdn Fund Managers Limited". Further details and a list of the renaming can be found at **https://www.abrdn.com/en/uk/investor/fund-centre/investor-communications.**
- On 28 September 2022, the abrdn Falcon Fund Institutional "M" Accumulation share class was closed.
- On 14 December 2022, any references to the address Bow Bells House, 1 Bread Street, London, EC4M 9HH were replaced with 280 Bishopsgate, London, EC2M 4AG.
- On 31 December 2022, Mrs. Rowan McNay resigned as a director of abrdn Fund Managers Limited.
- The list of funds managed by the Manager was updated, where appropriate.
- Performance and dilution figures were refreshed, where appropriate.
- The list of sub-delegates was refreshed, where appropriate.
- The list of eligible markets was refreshed, where appropriate.
- The list of sub-investment advisors to the funds was refreshed, where appropriate.
- The risk disclosures in relation to the funds were refreshed, where appropriate.

Assessment of Value

In 2017 the Financial Conduct Authority (FCA) published the final Asset Management Market Study. This introduced (among other reforms) new governance rules with the aim of enhancing duty of care and ensuring the industry acts in investors' best interests. The rules were outlined in the FCA policy statement PS18/8 and came into effect from 30 September 2019. As a result, abrdn Fund Managers Limited is required to perform a detailed annual assessment, determining whether our funds are "providing value to investors". The resulting findings will be published on a composite basis throughout the year, and can be found on the 'Literature' pages of our website.

Statement of Manager's Responsibilities

The Collective Investment Schemes sourcebook published by the FCA, ("the COLL Rules") require the Manager to prepare financial statements for each interim and annual accounting period which give a true and fair view of the financial position of the fund and of the net revenue and net capital gains or losses on the property of the fund for the period.

In preparing the financial statements the Manager is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the fund or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The Manager is responsible for the management of the fund in accordance with its Trust Deed, the Prospectus and the COLL Rules.

The Manager is responsible for the maintenance and integrity of the corporate and financial information included on the fund's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Manager's Statement

In accordance with the requirements of the COLL Rules as issued and amended by the Financial Conduct Authority, we hereby certify the report on behalf of abrdn Fund Managers Limited, the Authorised Fund Manager.

Aron Mitchell
Director
22 May 2023

Denise Thomas
Director
22 May 2023

Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of abrdn Falcon Fund for the year ended 28 February 2023

The Trustee is responsible for the safekeeping of all property of the fund which is entrusted to it and ensuring proper registration of tangible moveable property, and for the collection of income arising from all such scheme property.

It is the duty of the Trustee to take reasonable care to ensure that the fund is managed and operated in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("the Sourcebook"), the Financial Services and Markets Act 2000, as amended, and the Trust Deed and the Prospectus of the fund, concerning: the pricing of and dealing in fund Units; the application of income of the scheme; and the fund investment portfolio and borrowing activities.

Having carried out procedures and enquiries considered duly necessary to discharge our responsibilities as Trustee of the scheme, based on information and explanations provided to us, we believe that, in all material respects, the Manager:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the scheme's income in accordance with the Sourcebook, the Trust Deed and Prospectus;

(ii) has observed the investment and borrowing powers and restrictions applicable to the scheme; and

(iii) has, otherwise, ensured the proper operation of the fund.

Citibank UK Limited

22 May 2023

Independent Auditor's Report to the Unitholders of abrdn Falcon Fund ('the fund')

Opinion

We have audited the financial statements of the fund for the year ended 28 February 2023 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the Related Notes and Distribution Tables for the fund and the accounting policies set out on pages 26 to 27.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the financial position of the fund as at 28 February 2023 and of the net revenue and the net capital gains on the property of the fund for the year then ended; and
- have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the fund in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Manager has prepared the financial statements on the going concern basis as they do not intend to liquidate the fund or to cease their operations, and as they have concluded that the fund's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Manager's conclusions, we considered the inherent risks to the fund's business model and analysed how those risks might affect the fund's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Manager's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the fund's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the fund will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the fund's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Assessing the segregation of duties in place between the Manager, the Trustee, the Administrator and the Investment Adviser;
- Reading board minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is principally non-judgemental and based on publicly available information, with limited opportunity for manipulation. We did not identify any additional fraud risks.

We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We identified and selected a sample of journal entries made at the end of the reporting period and tested those substantively including all material post-closing entries. Based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

Independent Auditor's Report to the Unitholders of abrdn Falcon Fund ('the fund')

Continued

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Manager and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the fund is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related authorised fund legislation maintained by the Financial Conduct Authority) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the fund is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection and bribery and corruption legislation recognising the fund's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Manager is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Manager's Report for the financial year is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

- proper accounting records for the fund have not been kept; or
- the financial statements are not in agreement with the accounting records.

Manager's responsibilities

As explained more fully in the statement set out on page 6, the Manager is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the fund or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Unitholders of abrdn Falcon Fund ('the fund')

Continued

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the fund's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Trust's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Archer
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS
22 May 2023

Fund Profile and Investment Report

Manager: John Ewen and John Hair

Launch Date

9 July 1998

Investment Objective

To generate growth over the long term (5 years or more) by investing in global equities (company shares).

Performance target: To exceed the ARC Private Client Indices (PCI) Equity Risk Net Return Index per annum after charges over rolling 3 year periods. The performance target is the level of performance the management team hopes to achieve for the fund. There is however no certainty or promise that they will achieve the performance target.

The manager believes this is an appropriate target for the fund since it reflects the risk and return profile that private clients expect and aligns with the investment policy of the fund.

Investment Policy

Portfolio Securities

- The fund invests at least 70% in equities and equity related securities of companies listed on global stock exchanges.
- The fund may also from time to time adopt temporary defensive positions in response to adverse market conditions and invest up to 10% in bonds (loans to companies or governments).
- The fund may also invest in other funds (including those managed by abrdn), money-market instruments and cash.

Management Process

- The management team use their discretion (active management) to maintain a diverse asset mix at country, sector and stock level.
- Their primary focus is on stock selection using research techniques to select individual holdings. The research process includes identifying companies where the management team have a different view of a company's prospects to that of the market or looking for high quality companies at attractive valuations that can be held for the long term.
- In seeking to achieve the performance target, a composite index, details of which are provided below, is used as a reference point for portfolio construction and as a basis for setting risk constraints. The expected variation ("tracking error") between the returns of the fund and the composite index, is not ordinarily expected to exceed 6%. Due to the fund's risk constraints, the intention is that the fund's performance profile will not deviate significantly from that of the composite index over the longer term.
- Composite Index: 30% FTSE All-Share Index, 70% FTSE World ex UK Index.

Derivatives and Techniques

- The fund may use derivatives to reduce risk, to reduce cost and/or generate additional income or growth consistent with the risk profile of the fund (often referred to as "efficient portfolio management").
- Derivative usage in the fund is expected to be very limited. Where derivatives are used, this would mainly be in response to significant inflows into the fund so that in these instances, cash can be invested while maintaining the fund's existing allocations to company shares.

Reporting dates	
Interim	31 August
Annual	28 February (29 February in a leap year)

Distribution record dates	
Interim	31 August
Annual	28 February (29 February in a leap year)

Payment dates	
Two dealing days before	
Interim	31 October
Annual	30 April

Keeping you Informed

You can keep up to date with the performance of your investments by visiting our website **abrdn.com**.

Alternatively, if you would rather speak to us, please call 0345 113 6966 (+44 (0) 1268 445 488 if outwith the UK) between 8:30am and 5:30pm Monday to Friday.

Market Commentary

Equity markets were buffeted in 2022 by surging inflation, the prospect of higher interest rates, and the shock of the Russia-Ukraine war. Sterling hit a record low of $1.0327 on 28 September, before recovering to $1.14 by the end of the first week of October, following a U-turn from then Chancellor Kwasi Kwarteng. After scrapping the proposed cut to the additional rate of income tax, Kwarteng was relieved of his position shortly afterwards.

Fund Profile and Investment Report

Continued

"We will reverse almost all the tax measures announced in the Growth Plan three weeks ago that had not started parliamentary legislation," announced new Chancellor Jeremy Hunt, in a stellar reversal that was enough to calm investor worries in the short term. Following his announcement, effectively scrapping all of his predecessor's headline measures, yields on 30-year gilts fell by more than 50 basis points (bps) to 4.37%, marking one of its biggest daily drops on record. The pound soared by as much as 140 bps against the US dollar and 80 bps against the euro. Then Prime Minister Liz Truss was forced to resign on 20 October, paving the way for Rishi Sunak to take the reins of power.

The fourth quarter of 2022 brought better fortunes for investors. European shares rose strongly in October, helped by resilient company results and investor hopes that an end to interest-rate rises might be near. Shares surged higher in November on the back of better-than-expected US inflation data, although it proved a short-lived recovery as markets dipped again in December. The new year brought renewed optimism amid falling inflation, lower energy prices and elevated natural gas storage levels in Europe.

Performance

Over the period the abrdn Falcon Fund rose +0.75% (net of the full retail fee). This was behind the benchmark return of +4.11% but ahead of the peer group, as measured by the ARC Equity Risk PCI, which retreated -1.61%.

The weakest sector for the fund was the Industrial sector. Generac accounted for most of the poor performance. The company suffered from the insolvency last year of one of its key distributors, which highlighted reliability issues in its clean tech solutions and caused reputational damage to this business line. The stock lost more than 60% during the period and regrettably we took the hard decision to exit the holding.

The financials sector performed strongly over the period led chiefly by the banks subsector. Banks performed well as rapidly increasing interest rate expectations led markets to factor in the prospect of higher net interest income (the difference between the amount of interest they make on loans and the amount of interest they pay out, for example on deposits). Towards the end of 2022 global banks also benefitted from markets increasing expectations that a deep global recession may be avoided. As a result the fund's significant underweight position in the bank sector had a negative impact on relative performance. On a more positive note, the recently added Singaporean bank DBS performed strongly as a result of these trends. However our long term holding First Republic Bank reported a weaker-than-expected net interest margin as a result of its savvy customer base moving their deposits into higher paying accounts or products, which caused this margin to be narrower than expected. Management guided that the company expected this trend to continue. This blot caused the stock to be weak despite the bank continuing to generate excellent loan growth. Within insurance, AIA and Prudential both rebounded sharply on incrementally positive news surrounding the re-opening of the Hong Kong-China border that will materially boost insurance sales to mainland China visitors, which pre-Covid drove a significant proportion of new business sales.

The fund's holdings in the Utilities sector were weak. Enel retreated as the market focused on its level of debt, although investors were reassured towards the end of 2022 when management announced it would divest some non-core businesses and reduce debt levels. The market continued to worry that Ørsted would need to raise equity to satisfy its large pipeline of global offshore wind projects.

Within the telecommunications sector the Dutch telecoms company KPN rose over 15% but this was offset by weakness in Verizon Communications. Areas of strength were energy, helped by the fund's overweight sector position and the strong returns from our oil major holdings, and basic materials, notably BHP.

The fund's technology stocks outperformed the sector, helped by the modest gain in ASML, the Dutch lithography equipment producer. Within healthcare, the fund benefitted from strong returns in its two largest pharmaceutical holdings, Eli Lilly and AstraZeneca, which rose 40% and 23% respectively.

The consumer Discretionary sector underperformed as consumers were squeezed by the cost of living crisis amidst rising inflation. Luxury goods company Hermes International bucked the trend, gaining over 45%, helped by strong demand from its well healed clients. In a similar vein, Mercedes-Benz benefitted from its focus on the premium end of the vehicle market, gaining over 17%. In contrast, despite continued strong operating performance, Watches of Switzerland fell due to the valuation de-rating along with other small cap growth stocks.

Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use by abrdn**. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, abrdn** or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Neither the Owner nor any other third party sponsors, endorses or promotes the fund or product to which Third Party Data relates.

**abrdn means the relevant member of abrdn group, being abrdn plc together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

Fund Profile and Investment Report

Continued

Please remember that past performance is not a guide to future returns. The price of shares and the revenue from them may fall as well as rise. Investors may not get back the amount originally invested.

Companies selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

Activity

At the very start of the period we added Apax Global Alpha, a closed ended private equity investment company, taking advantage of a widening of the discount to net asset (to 22%) despite the continued strong performance of the fund, which saw the private equity portfolio return over 34% in 2021. However private equity funds subsequently came under pressure as discount rates rose, most notably the Schiehallion Fund which fell sharply over the period, although the impact was limited by the very small weighting in the latter.

In general, as the economic backdrop continued to deteriorate over the year, the main theme in terms of activity was to increase the defensiveness of the portfolio, by adding to areas such as telecommunications and staples and by also selling out of those holdings that we felt were unlikely to flourish amidst such a backdrop. Hence we initiated new positions in Coca- Cola and the US telecommunications operator Verizon, topped up our holding in the Dutch telecom operator KPN, bought the home products manufacturer Reckitt Benckiser and increased the weighting in Apple, taking the holding in the latter closer to a neutral position, although we still remain underweight. As economic conditions become more difficult and company earnings come under increasing pressure, we believe that businesses with the strongest product and service propositions, highest barriers to entry and most robust balance sheets will not only be best placed to weather tougher times but will also be best positioned to prosper when conditions start to improve. When consumers' disposable incomes start to be severely squeezed, there is an incentive for them to trade down from premium labels to cheaper private-label products. This is where the strength of a company's brands comes in to play. As discount chains will testify, there are some products that consumers are simply not willing to replace with cheaper alternatives. Apple and Coca-Cola both fit this mould. We also increased the fund's positions in Microsoft (taking advantage of weakness in the shares), Dechra Pharmaceutical Services and Eli Lilly. Towards the end of the period we added back to names that we felt would benefit from the reopening of China, such as AIA and Estee Lauder.

We took losses in various names such Generac, Yeti, Ashmore and Amundi. These were difficult decisions to make but we felt that the current environment was not supportive of such stocks with pressure on consumer wallets and falling markets. Over the period we sold other names where our conviction had fallen such as Comcast, Alibaba, Alstom, JD.com, Countryside Partnerships (following the bid from Vistry), Woodside Energy, and Daimler Truck. Woodside and JD.com had been spun out of other holdings earlier in the year. We sold Alibaba given the threat of further unpredictable Chinese regulation as the state increasingly takes action to implement its 'prosperity for all' strategy. We bought a holding in Segro, the UK real estate company, after the shares had fallen sharply, but our purchase proved premature as the real estate sector continued to suffer further weakness as interest rates spiked up. Within financials we halved our holding in the US bank First Republic Bank and acquired the Singaporean Bank DBS. The latter is well placed to benefit from rising interest rates, structural growth in SMEs, transaction banking and wealth management, all of which will be driven by a rising middle class and higher income levels as regional economies thrive around Singapore and Greater China.

Outlook

With a difficult few months ahead, especially for the UK and Europe, we expect most western economies to slip into recession in 2023 as the hot labour market we witnessed for much of 2022 begins to cool and central bank rate hikes serve to stymie the global economy. Although central banks appear to be reducing the extent to which they are pushing up borrowing costs, it is possible that stubbornly high inflation will result in many having to raise rates more than expected, subsequently sitting at elevated levels for longer, before even considering a pivot and loosening policy.

Our quality, sustainable growth approach maintains our focus on companies underpinned by long-term structural growth themes. We seek to identify businesses that will benefit from shifting trends while avoiding those where change will be detrimental. Experience has taught us that companies that have strong balance sheets and can create value by generating cash flow exceeding their operational requirements tend to generate stronger and more sustainable returns. They are also usually better positioned to reinvest in their businesses and distribute earnings to shareholders. We believe these types of companies merit long-term positions in portfolios regardless of shorter-term sentiment.

Fund Profile and Investment Report

Continued

Following major central banks' rapid monetary tightening to combat high inflation, certain banks' balance sheets came under severe pressure in March 2023 as the value of their fixed income portfolios fell. US-based Silicon Valley Bank (SVB) – a provider of finance to the technology sector – as well as cryptocurrency-industry lenders Signature Bank and Silvergate Capital, collapsed. SVB's demise was the largest banking failure since the Global Financial Crisis of 2007-08. A consortium of US banks also injected $30 billion into regional lender First Republic Bank. In Europe, UBS mounted a $3.25 billion government-backed takeover of Credit Suisse after the latter ran into financial difficulties. These events, which led to major central banks boosting dollar liquidity to ease strains in funding markets, caused fears of a worldwide banking crisis and deep recession (via a credit crunch).

As a result, investors sought safe-haven assets such as government bonds, with the yield on 10-year US Treasuries falling by nearly 50 basis points over March, to end the month around 3.5%. At the same time, corporate bond spreads initially widened, especially for high-yield instruments, given worries that credit losses could increase as lenders retrenched and the economy slowed.

However, prompt actions by authorities and regulators in the US and Switzerland to help the troubled lenders restored some market confidence, resulting in a rebound in risk appetite later in the month. Investors also lowered their expectations of further monetary tightening given the deteriorating backdrop. As a result, corporate bond spreads narrowed over the second half of March, to end the month only slightly wider. While it is possible that the problems that recently occurred in the banking sector were idiosyncratic in nature, there remains the risk that more banks could report problems going forward. Moreover, the effects of higher interest rates could also become apparent in related areas with high leverage such as the commercial real estate industry (to which many lenders are exposed). Therefore, investors are likely to remain somewhat circumspect for now until there is greater transparency over the stability of the global financial system.

March 2023

Fund Profile and Investment Report

Continued

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the fund. The table below shows the fund's ranking on the Risk and Reward Indicator.

Typically lower rewards, lower risk ← → **Typically higher rewards, higher risk**

1	2	3	4	**5**	6	7

Risk and reward indicator table as at 28 February 2023.

The fund is rated as 5 because of the extent to which the following risk factors apply:

- The fund invests in equity and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.
- 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.
- Investing in China A shares involves special considerations and risks, including greater price volatility, a less developed regulatory and legal framework, exchange rate risk/controls, settlement, tax, quota, liquidity and regulatory risks.
- 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.

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

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.

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. This could affect the fund's ability to meet redemptions in a timely manner.

The fund could lose money as the result of a failure or delay in operational processes and systems including but not limited to third party providers failing or going into administration.

Comparative Tables

Income	2023 pence per unit	2022 pence per unit	2021 pence per unit
Change in net assets per unit			
Opening net asset value per unit	469.76	439.87	368.65
Return before operating charges*	2.80	38.57	78.38
Operating charges	(7.00)	(7.33)	(6.21)
Return after operating charges*	(4.20)	31.24	72.17
Distributions	(4.49)	(1.35)	(0.95)
Closing net asset value per unit	461.07	469.76	439.87
* after direct transaction costs of:	0.18	0.23	0.34
Performance			
Return after charges	(0.89%)	7.10%	19.58%
Other information			
Closing net asset value (£'000)	6,155	6,676	6,446
Closing number of units	1,334,922	1,421,121	1,465,574
Operating charges	1.52%	1.52%	1.53%
Direct transaction costs	0.04%	0.05%	0.08%
Prices			
Highest unit price	492.8	516.2	460.0
Lowest unit price	425.6	439.6	316.3

The closing net asset value (£'000) divided by the closing number of units may not calculate to the closing net asset value per unit (p) due to rounding differences. The published closing net asset value per unit (p) is based on unrounded values and represents the actual price.
The return after charges figures are based on the accounting NAV, as the financial statements are produced at a valuation point that is different from the published daily NAV.
Operating charges are expenses associated with the maintenance and administration of the fund on a day to day basis that are actually borne by the unit class.
Highest and Lowest prices are based on official published daily NAVs.

Comparative Tables

Continued

Accumulation	2023 pence per unit	2022 pence per unit	2021 pence per unit
Change in net assets per unit			
Opening net asset value per unit	555.63	518.41	432.97
Return before operating charges*	6.56	45.86	92.86
Operating charges	(8.30)	(8.64)	(7.42)
Return after operating charges*	(1.74)	37.22	85.44
Distributions	(8.40)	(1.99)	(1.56)
Retained distributions on accumulation units	8.40	1.99	1.56
Closing net asset value per unit	553.89	555.63	518.41
* after direct transaction costs of:	0.21	0.27	0.40
Performance			
Return after charges	(0.31%)	7.18%	19.73%
Other information			
Closing net asset value (£'000)	3,205	4,702	4,779
Closing number of units	578,644	846,175	921,836
Operating charges	1.52%	1.52%	1.53%
Direct transaction costs	0.04%	0.05%	0.08%
Prices			
Highest unit price	583.0	610.5	542.1
Lowest unit price	507.6	518.1	371.7

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Comparative Tables

Continued

M (Net Accumulation)[A]	2023 pence per unit	2022 pence per unit	2021 pence per unit
Change in net assets per unit			
Opening net asset value per unit	98.32	92.17	76.86
Return before operating charges*	(0.34)	6.83	15.89
Operating charges	(0.22)	(0.68)	(0.58)
Return after operating charges*	(0.56)	6.15	15.31
Distributions	(13.05)	(8.30)	(3.53)
Retained distributions on accumulation units	13.05	8.30	3.53
Redemption value as at 28 September 2022	(97.76)	–	–
Closing net asset value per unit	–	98.32	92.17
* after direct transaction costs of:	0.04	0.05	0.07
Performance			
Return after charges	(0.57%)	6.67%	19.92%
Other information			
Closing net asset value (£'000)	–	1	1
Closing number of units	–	1,334	1,334
Operating charges	0.67%	0.67%	0.68%
Direct transaction costs	0.04%	0.05%	0.08%
Prices			
Highest unit price	104.0	108.1	96.44
Lowest unit price	89.74	92.10	66.66

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Highest and Lowest prices are based on official published daily NAVs.
[A] M (Net Accumulation) share class was closed on 28 September 2022.

Comparative Tables

Continued

Z (Net Income)	2023 pence per unit	2022 pence per unit	2021 pence per unit
Change in net assets per unit			
Opening net asset value per unit	87.36	81.79	68.38
Return before operating charges*	0.30	7.13	14.55
Operating charges	(0.02)	(0.02)	(0.02)
Return after operating charges*	0.28	7.11	14.53
Distributions	(1.88)	(1.54)	(1.12)
Closing net asset value per unit	85.76	87.36	81.79
* after direct transaction costs of:	0.03	0.04	0.06
Performance			
Return after charges	0.32%	8.69%	21.25%
Other information			
Closing net asset value (£'000)	43,791	46,771	43,167
Closing number of units	51,060,913	53,536,056	52,777,756
Operating charges	0.02%	0.02%	0.03%
Direct transaction costs	0.04%	0.05%	0.08%
Prices			
Highest unit price	92.07	96.33	85.96
Lowest unit price	79.28	81.75	58.71

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Highest and Lowest prices are based on official published daily NAVs.

Comparative Tables

Continued

Z (Accumulation)	2023 pence per unit	2022 pence per unit	2021 pence per unit
Change in net assets per unit			
Opening net asset value per unit	108.41	99.79	82.26
Return before operating charges*	0.34	8.65	17.56
Operating charges	(0.02)	(0.03)	(0.03)
Return after operating charges*	0.32	8.62	17.53
Distributions	(2.33)	(1.88)	(1.34)
Retained distributions on accumulation units	2.33	1.88	1.34
Closing net asset value per unit	108.73	108.41	99.79
* after direct transaction costs of:	0.04	0.05	0.08
Performance			
Return after charges	0.30%	8.64%	21.31%
Other information			
Closing net asset value (£'000)	168,868	162,890	147,326
Closing number of units	155,313,153	150,256,318	147,638,199
Operating charges	0.02%	0.02%	0.03%
Direct transaction costs	0.04%	0.05%	0.08%
Prices			
Highest unit price	114.2	118.6	104.3
Lowest unit price	99.36	99.74	70.65

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Highest and Lowest prices are based on official published daily NAVs.

Portfolio Statement

As at 28 February 2023

Holding	Investment	Market value £'000	Percentage of total net assets
Equities (97.86%)		**204,623**	**92.16**
European Equities (28.40%)		**55,494**	**24.99**
Denmark (2.02%)		**3,500**	**1.58**
48,358	Ørsted	3,500	1.58
France (5.78%)		**8,086**	**3.64**
2,539	Hermes International	3,814	1.72
32,060	Schneider Electric	4,272	1.92
Germany (1.91%)		**4,014**	**1.81**
62,993	Mercedes-Benz	4,014	1.81
Ireland (5.87%)		**13,102**	**5.90**
25,112	Accenture 'A'	5,498	2.48
87,440	CRH	3,416	1.54
144,928	Keywords Studios++	4,188	1.88
Italy (1.52%)		**2,963**	**1.33**
636,377	Enel	2,963	1.33
Israel (1.46%)		**2,198**	**0.99**
8,371	SolarEdge Technologies	2,198	0.99
Netherlands (5.82%)		**13,229**	**5.96**
1,669	Adyen	1,967	0.89
13,100	ASML	6,700	3.02
1,607,339	Koninklijke KPN	4,562	2.05

Portfolio Statement

As at 28 February 2023 continued

Holding	Investment	Market value £'000	Percentage of total net assets
Switzerland (4.02%)		**8,402**	**3.78**
58,651	Nestle	5,483	2.47
12,189	Roche (Participating certificate)	2,919	1.31
Japanese Equities (1.03%)		**1,788**	**0.80**
13,900	Shimano	1,788	0.80
North American Equities (37.46%)		**70,550**	**31.78**
United States (37.46%)		**70,550**	**31.78**
33,801	Activision Blizzard	2,129	0.96
52,106	Alphabet 'A'	3,876	1.75
30,168	Amazon.com	2,348	1.06
52,047	Ameresco 'A'	1,892	0.85
16,164	American Tower REIT	2,643	1.19
41,623	Apple	5,067	2.28
20,510	Autodesk	3,365	1.51
97,092	Boston Scientific	3,746	1.69
66,644	Coca-Cola	3,275	1.47
21,360	Eli Lilly	5,489	2.47
4,793	Equinix REIT	2,725	1.23
19,868	Estee Lauder 'A'	3,988	1.80
18,304	First Republic Bank	1,860	0.84
19,082	Mastercard 'A'	5,592	2.52
41,248	Microsoft	8,497	3.83
81,346	NextEra Energy	4,771	2.15
38,213	Procter & Gamble	4,340	1.95
72,525	Verizon Communications	2,324	1.05
10,017	West Pharmaceutical Services	2,623	1.18
Pacific Basin Equities (8.45%)		**20,825**	**9.38**
Australia (2.59%)		**5,097**	**2.30**
201,719	BHP	5,097	2.30

Portfolio Statement

As at 28 February 2023 continued

Holding	Investment	Market value £'000	Percentage of total net assets
China (0.52%)		**-**	**-**
Hong Kong (1.28%)		**3,632**	**1.64**
414,816	AIA	3,632	1.64
Singapore (0.00%)		**4,361**	**1.96**
208,000	DBS	4,361	1.96
Taiwan (4.06%)		**7,735**	**3.48**
76,503	Taiwan Semiconductor Manufacturing ADR	5,501	2.48
51,500	Voltronic Power Technology	2,234	1.00
UK Equities (22.52%)		**55,966**	**25.21**
Basic Materials (1.62%)		**3,222**	**1.45**
56,420	Rio Tinto	3,222	1.45
Consumer Discretionary (5.01%)		**8,481**	**3.82**
217,034	RELX	5,430	2.45
367,592	Watches of Switzerland	3,051	1.37
Consumer Staples (0.00%)		**2,360**	**1.06**
40,979	Reckitt Benckiser	2,360	1.06
Energy (6.62%)		**19,815**	**8.93**
1,583,477	BP	8,715	3.93
439,413	Shell	11,100	5.00

Portfolio Statement

As at 28 February 2023 continued

Holding	Investment	Market value £'000	Percentage of total net assets
Financials (2.69%)		**6,181**	**2.78**
1,389,033	Apax Global Alpha	2,553	1.15
245,349	Prudential	3,114	1.40
1,352,893	Schiehallion Fund 'C'	514	0.23
Health Care (4.92%)		**9,966**	**4.49**
68,984	AstraZeneca	7,504	3.38
90,118	Dechra Pharmaceuticals	2,462	1.11
Industrials (1.66%)		**3,772**	**1.70**
1,118,562	DS Smith	3,772	1.70
Real Estate (0.00%)		**2,169**	**0.98**
263,423	Segro REIT	2,169	0.98
Total investment assets		204,623	92.16
Net other assets		17,396	7.84
Total Net Assets		**222,019**	**100.00**

All investments are listed on recognised stock exchanges and are approved securities within the meaning of the FCA rules.
The percentage figures in brackets show the comparative holding as at 28 February 2022.
++ AIM listed.

Financial Statements

Statement of Total Return

For the year ended 28 February 2023

		2023		2022	
	Notes	£'000	£'000	£'000	£'000
Income:					
Net capital (losses)/gains	3		(3,675)		13,102
Revenue	4	4,953		4,186	
Expenses	5	(188)		(220)	
Interest payable and similar charges		(2)		(2)	
Net revenue before taxation		4,763		3,964	
Taxation	6	(243)		(263)	
Net revenue after taxation			4,520		3,701
Total return before distributions			**845**		**16,803**
Distributions	7		(4,520)		(3,702)
Change in net assets attributable to unitholders from investment activities			**(3,675)**		**13,101**

Statement of Change in Net Assets Attributable to Unitholders

For the year ended 28 February 2023

	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		**221,040**		**201,719**
Amounts receivable on the issue of units	39,685		39,610	
Amounts payable on the cancellation of units	(38,651)		(36,266)	
		1,034		3,344
Change in net assets attributable to unitholders from investment activities (see above)		(3,675)		13,101
Retained distribution on accumulation units		3,620		2,876
Closing net assets attributable to unitholders		**222,019**		**221,040**

Financial Statements

Continued

Balance Sheet

As at 28 February 2023

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Assets:					
Fixed assets:					
Investment assets			204,623		216,299
Current assets:					
Debtors	8	7,668		2,732	
Cash and bank balances	9	10,277		3,611	
			17,945		6,343
Total assets			**222,568**		**222,642**
Liabilities:					
Creditors	10	(146)		(1,249)	
Distribution payable		(403)		(353)	
			(549)		(1,602)
Total liabilities			**(549)**		**(1,602)**
Net assets attributable to unitholders			**222,019**		**221,040**

Notes to the Financial Statements

For the year ended 28 February 2023

1 Accounting Policies

a. Basis of preparation

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Management Association in May 2014 (IMA SORP 2014), Financial Reporting Standard (FRS) 102 and United Kingdom Generally Accepted Accounting Practice.

The Manager has undertaken a detailed assessment, and continues to monitor, the fund's ability to meet its liabilities as they fall due, including liquidity, declines in global capital markets and investor redemption levels. Based on this assessment, the fund continues to be open for trading and the Manager is satisfied the fund has adequate financial resources to continue in operation for at least the next 12 months after the financial statements are signed and accordingly it is appropriate to adopt the going concern basis in preparing the financial statements.

b. Valuation of investments

Listed investments have been valued at fair value as at the close of business on 28 February 2022. The SORP defines fair value as the market value of each security, in an active market, this is generally the quoted bid price.

Unlisted, unapproved, illiquid or suspended securities are valued at the Managers best estimate of the amount that would be received from an immediate transfer at arm's length. The Manager has appointed a Fair Value Pricing committee to review valuations.

Collective Investment Schemes are valued by reference to their net asset value. Dual priced funds have been valued at the bid price. Single priced funds have been valued using the single price.

Any open positions in derivative contracts or forward foreign currency transactions at the year-end are included in the Balance Sheet at their mark to market value.

c. Foreign Exchange

Assets and liabilities denominated in foreign currencies are translated into Sterling at the prevailing exchange rates as at the close of business on the reporting date.

Foreign currency transactions are translated at the rates of exchange ruling on the date of such transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

d. Dilution

In certain circumstances (as detailed in the Prospectus) the Manager may apply a dilution adjustment on the issue or cancellation of units, which is applied to the capital of the fund on an accruals basis. The adjustment is intended to protect existing investors from the costs of buying or selling underlying investments as a result of large inflows or outflows from the fund.

e. Revenue

Dividends on equities and preference stocks are recognised when the securities are quoted ex-dividend, or in the case of unquoted securities when the dividend is declared.

Overseas dividends are grossed up at the appropriate rate of withholding tax and the tax consequences are shown within the tax charge.

Interest on bank deposits is recognised on an accruals basis.

Stock dividends are recognised as revenue when they are quoted ex dividend. In the case of enhanced stock dividends, the value of the enhancement is recognised as capital.

Special dividends may be treated as repayments of capital or as revenue dependent on the facts of the particular case. Where receipt of a special dividend results in a significant reduction in the capital value of the holding, then the special dividend will be recognised as capital so as to ensure that the matching principle is applied to gains and losses. Otherwise, the special dividends are recognised as revenue.

Notes to the Financial Statements

For the year ended 28 February 2023 continued

Underwriting commission is taken to revenue and recognised when the issue takes place, except where the fund is required to take up all or some of the shares underwritten in which case an appropriate proportion of the commission received is deducted from the cost of the relevant shares.

Management fee rebates from collective investment schemes are recognised as revenue or capital on a consistent basis to how the underlying scheme accounts for the management fee. Where such rebates are revenue in nature, the income forms part of the distribution.

For dividends received from US Real Estate Investment Trusts ("REITs"), on receipt of the capital/revenue split from the REITs, the allocation of the dividend is adjusted within the financial statements.

f. Expenses

All expenses other than those relating to the purchase and sale of investments are charged against revenue on an accruals basis in the Statement of Total Return.

Expenses relating to the purchases of investments are charged to the cost of investment and expenses relating to the sales of investments are deducted from the proceeds on sales.

g. Taxation

Provision is made for corporation tax at the current rate on the excess of taxable income over allowable expenses.

Overseas dividends are disclosed gross of any foreign tax suffered and the tax element is separately disclosed in the taxation note.

The tax accounting treatment follows that of the principal amount, with charges or reliefs allocated using the marginal basis regardless of any alternative treatment that may be permitted in determining the distribution.

Any windfall overseas tax reclaims received are netted off against irrecoverable overseas tax and therefore the irrecoverable overseas tax line in the taxation note may be negative.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date other than those differences regarded as permanent. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Deferred tax assets are only recognised to the extent that it is regarded more likely than not that there will be taxable profits against which the reversal of underlying timing differences can be offset.

h. Distributions

All of the net revenue available for distribution at the year end will be distributed. Where the fund has accumulation unitholders, this will be reinvested. Where the fund has income unitholders, this will be paid.

Gains and losses on non-derivative investments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution. Cash flows associated with derivative transactions are allocated between the revenue and capital property of the sub-funds according to the motives and circumstances of the particular derivative strategy. The investment manager articulates the motives and circumstances underlying the derivative strategy and the Manager assesses these in association with financial reporting constraints enshrined within the SORP to allocate the cash flows accordingly.

i. Equalisation

Equalisation appears within the fund report as part of the distribution. This represents the net revenue in the funds unit price attached to the issue and cancellation of units. It will form part of any distributions at the period end attributable to unitholders.

j. Derivatives

The fund may enter into permitted transactions such as derivative contracts or forward foreign currency transactions. Where the transactions are used to protect or enhance revenue, the revenue and expenses are included within net revenue in the Statement of Total Return. Where the transactions are undertaken to protect or enhance investments, the gains/losses are treated as capital and included within gains/losses on investments in the Statement of Total Return.

2 Risk management policies

Generic risks that the abrdn range are exposed to and the risk management techniques employed are disclosed below. Numerical disclosures and specific risks, where relevant, are disclosed within the financial statements.

The Financial Conduct Authority (FCA) Collective Investment Schemes Sourcebook (COLL) and FCA Funds Sourcebook (FUND) rules require the Management Company to establish, implement and maintain an adequate and documented Risk Management Process (RMP) for identifying the risks they manage, or might be, exposed to. The RMP must comprise of such procedures as are necessary to enable abrdn to assess the exposure of each fund it manages to market risk, liquidity risk, counterparty risk, operational risk and all other risks that might be material.

abrdn functionally and hierarchically separates the functions of risk management from the operating units and portfolio management functions, to ensure independence and avoid any potential or actual conflicts of interest. The risk management function has the necessary authority, access to all relevant information, staff and regular contact with senior management and the Board of Directors of the Company. The management of investment risk within abrdn is organised across distinct functions , aligned to the well-established 'three lines of defence' model.

1. Risk ownership, management and control.
2. Oversight of risk, compliance and conduct frameworks.
3. Independent assurance, challenge and advice.

The risk management process involves monitoring funds on a regular and systematic basis to identify, measure and monitor risk and where necessary escalate appropriately, including to the relevant Board, any concerns and proposed mitigating actions.

The risk team, in line with client expectations and the investment process, develops the risk profiles for the funds in order to set appropriate risk limits. Regulatory limits as well as those agreed, are strictly enforced to ensure that abrdn does not inadvertently (or deliberately) breach them and add additional risk exposure. In addition, there is an early warnings system of potential changes in the portfolio risk monitoring triggers. Where possible, these are coded into the front office dealing system, in a pre-trade capacity, preventing exposures or breaching limits before the trade is actually executed.

Risk Definitions & Risk Management Processes

i) **Market Risk** is the risk that economic, market or idiosyncratic events cause a change in the market value of Client assets. Market Risk can be broadly separated into two types:

(1) Systematic risk stems from any factor that causes a change in the valuation of groups of assets. These factors may emerge from a number of sources, including but not limited to economic conditions, political events or actions, the actions of central banks or policy makers, industry events or, indeed, investor behaviour and risk appetite.

(2) Specific or Idiosyncratic Risk, which is the part of risk directly associated with a particular asset, outside the realms of, and not captured by Systematic Risk. In other words, it is the component of risk that is peculiar to a specific asset, and may manifest itself in various guises, for example: corporate actions, fraud or bankruptcy.

Portfolios are subject to many sub-categories of market risk. Many of these risks are interlinked and not mutually exclusive. Examples of these types of investment risk include: Country risk; Sector risk; Asset-class risk; Inflation/deflation risk; Interest rate risk; Currency risk; Derivatives risk; Concentration risk; and Default risk. Factors that cause changes in market risks include: future perceived prospects (i.e. changes in perception regarding the future economic position of countries, companies, sectors, etc.); shifts in demand and supply of products and services; political turmoil, changes in interest rate/inflation/taxation policies; major natural disasters; recessions; and terrorist attacks.

There are several ways in which to review and measure investment risk. The risk team recognises that each method is different and has its own unique insights and limits, and applies the following measurements for each fund, where relevant:

- **Leverage:** has the effect of gearing a fund's expected performance by allowing it to gain greater exposure to underlying investment opportunities (gains and losses). The higher the leverage the greater the risk (potential loss).

Notes to the Financial Statements

For the year ended 28 February 2023 continued

- **Value-at-Risk (VaR) and Conditional VaR (CVaR):** VaR measures with a degree of confidence the maximum the fund could expect to lose in any given time frame. Assuming a normal (Gaussian) distribution, this is a function of the volatility of the fund's returns. The higher the volatility, the higher the VaR, the greater the risk. CVaR calculates the expected tail loss, under the assumption that the VaR has been reached.
- **Volatility, Tracking Error (TE):** Volatility measures the size of variation in returns that a fund is likely to expect. The higher the volatility the higher the risk. TE measures the expected magnitude of divergence of returns between the fund and benchmark over a given time.
- **Risk Decomposition:** Volatility, tracking error and VaR may be broken down to show contribution from market related factors ("Systematic" Risk) and instrument specific (Idiosyncratic Risk). This is not a different measure as such, but is intended to highlight the sources of volatility and VaR.
- **Concentration Risk:** By grouping the portfolio into various different exposures (e.g. country, sector, issuer, asset, etc.), we are able to see where, if any, concentration risk exists.
- **Stress Tests and Scenario Analysis:** This captures how much the current portfolio will make or lose if certain market conditions occur.
- **Back Testing:** This process helps to assess the adequacy of the VaR model and is carried out in line with UCITS regulatory requirements (FCA COLL 6.12). Excessive levels of overshoots and the reasons behind them are reported to the Board.

To generate these risk analytics the risk team relies on third party calculation engines, such as APT, Bloomberg PORT+, RiskMetrics and Axioma. Once the data has been processed, it is analysed by the risk team, generally reviewing absolute and relative risks, change on month and internal peer analysis. Any issues or concerns that are raised through the analysis prompt further investigation and escalation if required. Breaches of hard limits are also escalated immediately. All client mandated and regulatory risk limits are monitored on a daily basis.

Stress tests are intended to highlight those areas in which a portfolio would be exposed to risk if the current economic conditions were likely to change. An economic event may be a simple change in the direction of interest rates or return expectations, or may take the form of a more extreme market event such as one caused through military conflict. The stress test itself is intended to highlight any weakness in the current portfolio construction that might deliver unnecessary systematic exposure if the market were to move abruptly.

Stress testing is performed on a regular basis using relevant historical and hypothetical scenarios.

ii) **Liquidity risk** is defined as the risk that a portfolio may need to raise cash or reduce derivative positions on a timely basis either in reaction to market events or to meet client redemption requests and may be obliged to sell long term assets at a price lower than their market value. Liquidity is also an important consideration in the management of portfolios: Portfolio Managers need to pay attention to market liquidity when sizing, entering and exiting trading positions.

Measuring liquidity risk is subject to three main dimensions:

- Asset Liquidity Risk – how quickly can assets be sold.
- Liability Risk - managing redemptions as well as all other obligations arising from the liabilities side of the balance sheet.
- Contingency Arrangements or Liquidity Buffers – utilising credit facilities etc.

Liquidity Risk Management Framework

abrdn has a liquidity risk management framework in place applicable to the funds and set out in accordance with its overall Risk Management Process, relative to the size, scope and complexity of the funds. Liquidity assessment and liquidity stress testing is typically performed monthly, monitoring both the asset and liability sides. Asset side stressed scenarios are considered based on the nature of different asset classes and their liquidity risks to demonstrate the effects of a market stress on the ability to sell-down a fund. Liability side analysis includes stress scenarios on the investor profile as well as liabilities on the balance sheet. Any particular concerns noted or liquidity risk limit breaches are escalated to the relevant Committees and Boards, if material.

Notes to the Financial Statements

For the year ended 28 February 2023 continued

iii) Counterparty credit risk is the risk of loss resulting from the fact that the counterparty to a transaction may default on its obligations prior to the final settlement of the transaction's cash flow. Credit risk falls into both market risk and specific risk categories. Credit risk is the risk that an underlying issuer may be unable (or unwilling) to make a payment or to fulfil their contractual obligations. This may materialise as an actual default or, or to a lesser extent, by a weakening in a counterparty's credit quality. The actual default will result in an immediate loss whereas, the lower credit quality will more likely lead to mark-to-market adjustment.

Transactions involving derivatives are only entered into with counterparties having an appropriate internal credit rating that has been validated by the credit research team and approved by the relevant credit committee. Appropriate counterparty exposure limits will be set and agreed by these committees and the existing credit exposures will be assessed against these limits.

iv) Operational Risk

Operational risk can be defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk also includes the breakdown of processes to comply with laws, regulations or directives.

Operational Risk Management

An Operational Risk Management Framework is in place to identify, manage and monitor appropriate operational risks, including professional liability risks, to which the Management Company and the funds are or could be reasonably exposed. The operational risk management activities are performed independently as part of one of the functions of the Risk Division.

abrdn plc (the "Group") Risk Management Framework is based upon the Basel II definition of operational risk which is "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events".

The Group's management of operational risk is therefore aimed at identifying risks in existing processes and improving existing controls to reduce their likelihood of failure and the impact of losses. The Group has developed a framework that embodies continuous improvement to internal controls and ensures that the management of risk is embedded in the culture of the Group.

The identification, management, monitoring and resolution of events, risks and controls are facilitated via the Group's risk management system, Shield. The system is designed to facilitate the convergence of governance, risk and compliance programmes and automate a comprehensive review and assessment of operational risks.

Notes to the Financial Statements

For the year ended 28 February 2023 continued

3 Net Capital (Losses)/Gains

	2023 £'000	2022 £'000
Non-derivative securities	(3,736)	13,101
Forward currency contracts	-	3
Other gains	67	4
Transaction charges	(6)	(6)
Net capital (losses)/gains	**(3,675)**	**13,102**

4 Revenue

	2023 £'000	2022 £'000
Bank and margin interest	199	6
Overseas dividends	2,437	1,779
Overseas REIT	122	129
UK dividends	2,195	2,272
Total revenue	**4,953**	**4,186**

5 Expenses

	2023 £'000	2022 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge	152	174
General administration charge*	21	12
Registration fees**	-	1
	173	187
Payable to the Trustee or associates of the Trustee, and agents of either of them:		
Safe custody fees	11	12
Trustee fees*	-	13
	11	25
Other:		
Audit fee**	-	5
Professional fees**	4	3
	4	8
Total expenses	**188**	**220**

Irrecoverable VAT is included in the above expenses.
* The fixed general administration charge was introduced from 1 September 2021. The fee is paid to the Manager and covers fees payable to facilitate payment of certain common fund costs inclusive of the ongoing registration and general administration expenses of the fund. This is exclusive of the Manager's periodic charge. The fund may additionally pay out of its scheme property other fees and expenses including those incurred by the Custodian.
The audit fee for the year, including VAT, was £11,940 (2022: £11,100).
** These figures represent the charges to 31 August 2021, which have now been replaced by the fixed general administration charge.

Notes to the Financial Statements

For the year ended 28 February 2023 continued

6 Taxation

	2023 £'000	2022 £'000
(a) Analysis of charge in year		
Overseas taxes	243	263
Total taxation (note 6b)	**243**	**263**

(b) Factors affecting current tax charge for the year

The tax assessed for the year is less than (2022: less than) the standard rate of corporation tax in the UK for authorised unit trusts (20%). The differences are explained below:

	2023 £'000	2022 £'000
Net revenue before taxation	**4,763**	**3,964**
Corporation tax at 20% (2022: 20%)	953	793
Effects of:		
Revenue not subject to taxation	(924)	(810)
Overseas taxes	243	263
Overseas tax expensed	(4)	(4)
Excess allowable expenses	(25)	21
Total tax charge for year (note 6a)	**243**	**263**

Authorised Unit Trusts are exempt from tax on capital gains in the UK. Therefore, any capital gain is not included in the above reconciliation.

(c) Factors that may affect future tax charge

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £2,316,000 (2022: £2,341,000) due to surplus expenses. It is unlikely that the fund will generate sufficient taxable profits to utilise these amounts and therefore no deferred tax asset has been recognised in the current or prior year.

7 Distributions (including the movement between net revenue and distributions)

	2023 £'000	2022 £'000
Interim distribution	2,755	2,125
Final distribution	1,887	1,569
	4,642	3,694
Add: Income deducted on cancellation of units	191	149
Deduct: Income received on issue of units	(313)	(141)
Total distributions for the year	**4,520**	**3,702**
Movement between net revenue and distributions		
Net revenue after taxation	4,520	3,701
Shortfall transfer from capital to revenue	–	1
Total distributions for the year	**4,520**	**3,702**

Details of the distribution per unit are set out in this fund's distribution tables.

Notes to the Financial Statements

For the year ended 28 February 2023 continued

8 Debtors

	2023 £'000	2022 £'000
Accrued revenue	400	569
Amounts receivable from the Manager for the issue of units	6,528	-
Overseas withholding tax recoverable	133	83
Sales awaiting settlement	607	2,080
Total debtors	**7,668**	**2,732**

9 Liquidity

	2023 £'000	2022 £'000
Cash and bank balances		
Cash at bank	557	543
Deposits with original maturity of less than 3 months	9,720	3,068
Net liquidity	**10,277**	**3,611**

10 Creditors

	2023 £'000	2022 £'000
Accrued expenses payable to the Manager	13	14
Accrued expenses payable to the Trustee or associates of the Trustee	4	3
Amounts payable to the Manager for cancellation of units	124	1,227
Other accrued expenses	5	5
Total creditors	**146**	**1,249**

11 Related Party Transactions

abrdn Fund Managers Limited, as Authorised Fund Manager, is a related party and acts as principal in respect of all transactions of shares in the fund.

The aggregate monies received through issue and paid on cancellation of units are disclosed in the statement of change in net assets attributable to unitholders.

Any amounts due from or due to abrdn Fund Managers Limited at the end of the accounting year are disclosed in notes 8 and 10.

Amounts payable to abrdn Fund Managers Limited, in respect of expenses are disclosed in note 5 and any amounts due at the year end in note 10.

Notes to the Financial Statements

For the year ended 28 February 2023 continued

12 Portfolio Transaction Costs

	Purchases		Sales	
Trades in the year	**2023 £'000**	**2022 £'000**	**2023 £'000**	**2022 £'000**
Equities	33,859	43,134	41,870	33,992
Trades in the year before transaction costs	**33,859**	**43,134**	**41,870**	**33,992**
Commissions				
Equities	14	23	(20)	(17)
Total commissions	**14**	**23**	**(20)**	**(17)**
Taxes				
Equities	46	56	(2)	(13)
Total taxes	**46**	**56**	**(2)**	**(13)**
Total transaction costs	**60**	**79**	**(22)**	**(30)**
Total net trades in the year after transaction costs	**33,919**	**43,213**	**41,848**	**33,962**

	Purchases		Sales	
	2023 %	**2022 %**	**2023 %**	**2022 %**
Total transaction costs expressed as a percentage of asset type cost				
Commissions				
Equities	0.04	0.05	0.05	0.05
Taxes				
Equities	0.14	0.13	0.01	0.04

	2023 %	**2022 %**
Total transaction costs expressed as a percentage of asset type cost		
Commissions	0.02	0.02
Taxes	0.02	0.03

At the balance sheet date the average portfolio dealing spread (i.e. the spread between bid and offer prices expressed as a percentage of the offer price) was 0.09% (2022: 0.09%), this is representative of the average spread on the assets held during the year.

Notes to the Financial Statements

For the year ended 28 February 2023 continued

13 Units in Issue Reconciliation

	Opening units 2022	Creations during the year	Cancellations during the year	Conversions during the year	Closing units 2023
Income	1,421,121	386	(117,925)	31,340	1,334,922
Accumulation	846,175	704,370	(971,901)	-	578,644
M (Net Accumulation)	1,334	-	(1,334)	-	-
Z (Net Income)	53,536,056	8,333,188	(10,640,035)	(168,296)	51,060,913
Z (Accumulation)	150,256,318	27,536,566	(22,479,731)	-	155,313,153

14 Fair Value Hierarchy

The three levels of the fair value hierarchy under FRS 102 are described below:

Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for the identical unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

Fair value of investment assets	2023 £'000 Level 1	2023 £'000 Level 2	2023 £'000 Level 3	2022 £'000 Level 1	2022 £'000 Level 2	2022 £'000 Level 3
Equities	204,623	-	-	216,299	-	-
Total investment assets	**204,623**	**-**	**-**	**216,299**	**-**	**-**

15 Risk Management Policies and Disclosures

The risks inherent in the fund's investment portfolio are as follows:

Foreign currency risk

Fluctuations in the foreign exchange rates can adversely affect the value of a portfolio. The following table details the net exposure to the principal foreign currencies that the fund is exposed to including any instruments used to hedge against foreign currencies, if applicable.

Currency	Net foreign currency exposure 2023 £'000	Net foreign currency exposure 2022 £'000
Danish Krone	3,550	4,507
Euro	28,340	33,265
Hong Kong Dollar	3,632	4,758
Japanese Yen	1,799	2,296
Singapore Dollar	4,361	-

Currency	Net foreign currency exposure 2023 £'000	Net foreign currency exposure 2022 £'000
Swiss Franc	8,585	9,046
Taiwan Dollar	3,105	2,753
US Dollar	84,675	101,510
Total	**138,047**	**158,135**

At 28 February 2023, if the value of Sterling increased or decreased by 5% against all other currencies, with all other variables remaining constant, then the change in net assets attributable to unitholders from investment activities will increase or decrease by approximately £6,902,000 (2022: £7,907,000).

Interest rate risk

The majority of the fund's financial assets are in non-interest bearing assets. Therefore, the fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the prior year.

Other price risk

The fund's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Adviser in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers mitigate the risk of excessive exposure to any particular type of security or issuer.

An increase or decrease in market values will therefore have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the fund.

As at 28 February 2023, if the prices of investments held by the fund increased or decreased by 5%, with all other variables remaining constant, then net assets attributable to the unitholders would increase or decrease by approximately £10,231,000 (2022: £10,815,000).

Financial derivatives instrument risk

The fund had no exposure to derivatives as at 28 February 2023 (2022: £Nil).

Liquidity risk

All of the fund's financial liabilities are payable on demand or in less than one year, 2023 £549,000 (2022: £1,602,000).

Distribution Tables

For the year ended 28 February 2023 (in pence per unit)

Interim dividend distribution

Group 1 - units purchased prior to 1 March 2022
Group 2 - units purchased between 1 March 2022 and 31 August 2022

	Revenue	Equalisation	Distribution paid 27/10/22	Distribution paid 28/10/21
Income				
Group 1	2.9770	-	2.9770	1.3516
Group 2	0.9945	1.9825	2.9770	1.3516
Accumulation				
Group 1	4.3913	-	4.3913	1.9669
Group 2	1.4791	2.9122	4.3913	1.9669
M (Net Accumulation)				
Group 1	13.0468	-	13.0468	5.4653
Group 2	13.0468	-	13.0468	5.4653
Z (Net Income)				
Group 1	1.1268	-	1.1268	0.8840
Group 2	0.3556	0.7712	1.1268	0.8840
Z (Accumulation)				
Group 1	1.3864	-	1.3864	1.0740
Group 2	0.5439	0.8425	1.3864	1.0740

Distribution Tables

For the year ended 28 February 2023 (in pence per unit) continued

Final dividend distribution

Group 1 – units purchased prior to 1 September 2022
Group 2 – units purchased between 1 September 2022 and 28 February 2023

	Revenue	Equalisation	Distribution paid 26/04/23	Distribution paid 27/04/22
Income				
Group 1	1.5151	–	1.5151	–
Group 2	0.7956	0.7195	1.5151	–
Accumulation				
Group 1	4.0061	–	4.0061	0.0235
Group 2	2.5716	1.4345	4.0061	0.0235
M (Net Accumulation)				
Group 1	–	–	–	2.8383
Group 2	–	–	–	2.8383
Z (Net Income)				
Group 1	0.7487	–	0.7487	0.6591
Group 2	0.4518	0.2969	0.7487	0.6591
Z (Accumulation)				
Group 1	0.9410	–	0.9410	0.8095
Group 2	0.1566	0.7844	0.9410	0.8095

Equalisation

This applies only to units purchased during the distribution period (group 2 units). It is the average amount of revenue included in the purchase price of group 2 units and is refunded to the holders of these units as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

Remuneration

Undertakings for Collective Investment Transferrable Securities V Directive (UCITS V)

Remuneration Disclosure UCITS V Fund Annual Report and Accounts

Remuneration Policy

The abrdn plc Remuneration Policy applies with effect from 1 January 2022. The purpose of the abrdn plc Remuneration Policy (the "Policy") is to document clearly the remuneration policies, practices and procedures of abrdn as approved by the abrdn plc Remuneration Committee (the "Committee"). The Policy is available on request.

The Policy applies to employees of the abrdn group of companies ("Group" or "abrdn") including UCITS V Management Companies ("ManCos") and the UCITS V funds that the ManCo manages.

Remuneration Principles

abrdn applies Group wide principles for remuneration policies, procedures and practices ensuring that:

- Remuneration within the Group is simple, transparent and fair.
- Our Policy supports our long-term strategy by reinforcing a performance-driven culture. It aligns the interests of our employees, shareholders and, importantly, our clients/customers.
- Our remuneration structure recognises the different challenges and priorities of roles and Vectors and Functions across the organisation as appropriate.
- Remuneration policies, procedures and practices promote good conduct, including sound and effective risk management and do not encourage risk taking that exceeds the level of tolerated risk appetite.
- Remuneration extends beyond the provision of fixed and variable pay, with a focus on the retirement provision and the wellbeing needs of our employees, as part of our remuneration philosophy. Total remuneration delivered is affordable for the Group.

Remuneration Framework

Employee remuneration is composed principally of fixed and variable elements of reward as follows:

a) Fixed reward (fixed remuneration: salary and cash allowances, if appropriate); and Benefits (including pension).

b) Variable reward (bonus, a proportion of which may be subject to retention or deferral depending on role and regulatory requirements; and senior employees may also be awarded a long-term incentive award).

Appropriate ratios of fixed: variable remuneration will be set to as to ensure that:

a) Fixed and variable components of total remuneration are appropriately balanced and

b) The fixed component is a sufficiently high proportion of total remuneration to allow abrdn to operate a fully flexible policy on variable remuneration components, including having the ability to award no variable remuneration component in certain circumstances where either individual and/or Group performance does not support such award.

Remuneration

Continued

Base salary	Base salary provides a core reward for undertaking the role and depending on the role, geographical or business market variances or other indicators, additional fixed cash allowances may make up a portion of fixed remuneration. Periodic reviews take into account the employee's role, scope of responsibilities, skills and experience, salary benchmarks (where available) and, where relevant, any local legislative or regulatory requirements.
Benefits (including retirement benefit where appropriate)	Benefits are made up of core benefits which are provided to all employees; and extra voluntary benefits that may be chosen by certain employees which may require contribution through salary sacrifice or other arrangements. Retirement benefits are managed in line with the relevant legislative requirements and governance structures. In certain, very limited circumstances, a cash allowance may be offered in lieu of a retirement arrangement.
Annual Performance Bonus Awards	Employees who have been employed during a performance year (1 January to 31 December) may be eligible to be considered for an annual bonus in respect of that year. Annual bonuses are based upon Group, Vector, Function, Team and Individual performance (with individual performance assessed against agreed goals and behaviours). The variable remuneration pool for all eligible employees, including Identified Staff or Material Risk Takers ("MRTs"), is determined initially by reference to profitability and other quantitative and qualitative financial and non-financial factors including risk considerations (on an ex-post and ex-ante basis). In reaching its final funding decision, the Committee exercises its judgement to ensure that the outcome reflects holistic Company performance considerations. abrdn Fund Managers Limited has specific obligations to act in the best interests of the UCITS funds it manages and its investors. Accordingly, the performance of the underlying funds and the interests of investors (including, where relevant, investment risk) are also taken into account as appropriate. The Risk and Capital Committee and the Audit Committee formally advise the Committee as part of this process. The overall bonus pool is allocated to vectors and functions based on absolute and relative performance for each vector and function, and their alignment with strategic priorities and risk considerations. Allocation by region and subdivision/team is determined on a discretionary basis by the vector, regional and functional heads based on the absolute and relative performance of the constituent teams and alignment with strategic priorities. Individual annual bonus awards are determined at the end of the 12-month performance period with performance assessed against financial and nonfinancial individual objectives, including behaviour and conduct. Individual awards for Identified Staff are reviewed and approved by the Committee (with some individual award approvals delegated, as appropriate, to the Group's Compensation Committee, over which the Committee retains oversight). In carrying out these approvals, the Committee seeks to ensure that outcomes are fair in the context of overall Group performance measures and adjusted, where appropriate, reflect input from the Risk and Capital Committee and the Audit Committee. Variable remuneration awards are subject to deferral for a period of up to three years. A retention period may also be applied as required by the relevant regulatory requirements. Deferral rates and periods comply, at a minimum, with regulatory requirements and may exceed these. In addition to the application of ex-ante adjustments described above, variable remuneration is subject to ex-post adjustment (malus / clawback arrangements).
Other elements of remuneration – selected employees	The following remuneration arrangements may be awarded in certain very limited circumstances: **Carried Interest Plans** – These arrangements are designed to reward performance in roles where a carried interest plan is appropriate. Selected employees are granted carried interest shares in private market funds established by the Group. **Buy-Out Awards/Guaranteed Bonuse**s – These are intended to facilitate/support the recruitment of new employees. Buy-outs are not awarded, paid or provided unless they are in the context of hiring new employees. Guaranteed bonuses are not awarded, paid or provided unless they are exceptional and in the context of hiring new employees and limited to the first year of service. These awards are only made where such a payment or award is permitted under any relevant remuneration regulations and are designed to compensate for actual or expected remuneration foregone from previous employers by virtue of their recruitment. **Retention and Special Performance Awards / LTIP** – Supports retention and/or the delivery of specific performance outcomes. The Company may determine that it is appropriate to grant an exceptional award in limited circumstances. Awards are structured to deliver specific retention and/or performance outcomes. Retention and/or special performance awards comply with all relevant regulatory requirements. **Severance Pay** – Payment made to support an employee whose role is considered to be redundant. Severance payments comply with any legislative and regulatory requirements and any payments are inclusive of any statutory entitlement. In the event of severance, the treatment of any individual elements of an employee's remuneration is governed, as appropriate, by relevant plan or scheme rules.

Remuneration

Continued

Control Functions

The Group ensures that, as appropriate, senior employees engaged in a control function are independent from the business units they oversee and have appropriate authority to undertake their roles and duties. These include, but are not necessarily limited to, Risk, Compliance and Internal Audit function roles. Senior employees engaged in a control function are remunerated in a way that ensures they are independent from the business areas they oversee, have appropriate authority, and have their remuneration directly overseen by the Remuneration Committee.

Conflicts of Interest

The Remuneration Policy is designed to avoid conflicts of interest between the Group and its clients and is designed to adhere to local legislation, regulations or other provisions. In circumstances or jurisdictions where there is any conflict between the Policy and local legislation, regulations or other provisions then the latter prevail. Where the Committee receives input from members of management on the remuneration arrangements in operation across the Group this never relates to their own remuneration.

Personal Investment Strategies

The Company adheres to the regulatory principles and industry best practice on the use of personal hedging strategies which act in restricting the risk alignment embedded in employee remuneration arrangements.

UCITS V Identified Staff / MRTs

The 'Identified Staff' or MRTs of abrdn Fund Managers Limited are those employees who could have a material impact on the risk profile of abrdn Fund Managers Limited or the UCITS V Funds it manages. This broadly includes senior management, decision makers and control functions. For the purposes of this disclosure, 'Identified Staff' includes employees of entities to which activities have been delegated.

Quantitative Remuneration Disclosure

The table below provides an overview of the following:

- Aggregate total remuneration paid by abrdn Fund Managers Limited to its entire staff; and
- Aggregate total remuneration paid by abrdn Fund Managers Limited to its UCITS V 'Identified Staff'.

Amounts shown reflect payments made during the financial reporting period in question. The reporting period runs from **1 January 2022 to 31 December 2022** inclusive.

	Headcount	Total Remuneration £'000
abrdn Fund Managers Limited[1]	**1,101**	**160,808**
of which		
Fixed remuneration		122,073
Variable remuneration		38,735
abrdn Fund Managers Limited 'Identified Staff'[2]	**85**	**52,178**
of which		
Senior Management[3]	46	34,570
Other 'Identified Staff'	39	17,608

[1] As there are a number of individuals indirectly and directly employed by abrdn Fund Managers Limited this figure represents an apportioned amount of abrdn's total remuneration fixed and variable pay, apportioned to the Management Company on an AUM basis, plus any carried interest paid. The Headcount figure provided reflects the number of beneficiaries calculated on a Full Time Equivalent basis.
[2] The Identified Staff disclosure relates to UCITS V MRTs and represents total compensation of those staff of the Management Company who are fully or partly involved in the activities of the Management Company.
[3] Senior management are defined in this table as Management Company Directors and members of the abrdn plc Board, together with its Executive Committee, Investment Management Committee and Group Product Committee.

Further Information

Documentation

Copies of the current Prospectus and Key Investor Information Documents (KIIDs) for the fund, daily prices, together with the latest Annual (and if issued later the interim) Report and Accounts for the fund, are available to download at **www.abrdn.com/discretionary**. A paper copy of the Report and Accounts is available on request from the Manager.

Notices/Correspondence

Please send any notices to abrdn Fund Managers Limited, PO Box 12233, Chelmsford, CM99 2EE. Any notice to the Manager will only be effective when actually received by the Manager. All notices will be sent to the investor at the address set out in the Application form or the latest address which the investor has notified to the Manager, and will be deemed to have been received three days after posting. Events detailed in these terms and conditions will be carried out on the dates specified, unless the dates are a non-business day, when they will be carried out on the next business day.

Complaints and Compensation

If you need to complain about any aspect of our service, you should write to the Complaints Team, abrdn, PO Box 12233, Chelmsford, CM99 2EE, who will initiate our formal complaints procedure. If you prefer, you may call the Complaints Team on 0345 113 6966 or email **complaints@abrdn.com** in the first instance. Alternatively if you have a complaint about the Company or fund you can contact the Trustee directly. A leaflet detailing our complaints procedure is available on request.

We will endeavour to respond to your complaint as soon as possible and will notify you of our outcome within 8 weeks. If the complaint is not resolved by us to your satisfaction then you may have the right take your complaint to the Financial Ombudsman Service (FOS). To contact the FOS Service you should write to The Financial Ombudsman Service, Exchange Tower, London, E14 9SR, email **complaint.info@financial-ombudsman.org.uk** or telephone 0800 023 4567 (free for landlines and mobiles) or 0300 123 9123 (calls cost no more than calls to 01 and 02 numbers) or +44 20 7964 0500 (available from outside the UK - calls will be charged).

We are covered by the Financial Services Compensation Scheme, which means if we become insolvent, you may be entitled to compensation. The level of compensation will depend on the type of business and the circumstances of your claim. Investments are covered up to £85,000 for claims against firms that fail on or after 1 April 2019. Details are available from the FSCS Helpline on 0800 678 1100 or 020 7741 4100 and on the FSCS website: **www.fscs.org.uk**.

UCITS

The fund was certified under the Undertaking for Collective Investment in Transferable Securities (UCITS) directive, which allows the Manager to market the fund in member States of the European Union subject to relevant local laws, specifically marketing laws.

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