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Standard Risk Measures for abrdn Funds - 2023/2024

The Standard Risk Measure (SRM) for each fund is calculated based on industry guidance to allow investors to compare investment options that are expected to deliver a similar number of negative annual returns over any 20 year period.

The SRM is not a complete assessment of all forms of investment risk, for instance it does not detail what the size of a negative return could be or the potential for a positive return to be less than an investor may require to meet their objectives. Further, it does not take into account the impact of administration fees and tax on the likelihood of a negative return.

Investors should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option/s. Investors should regularly review their investment decision with their financial adviser.

The following table is used to determine the risk label that applies to a fund:

Risk band	Risk label	Estimated number of negative annual returns over any 20 year period
1	Very low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to medium	1 to less than 2
4	Medium	2 to less than 3
5	Medium to high	3 to less than 4
6	High	4 to less than 6
7	Very high	6 or greater

The table overleaf details the current SRM that applies to each abrdn fund. The calculations are undertaken by Deloitte based on the *FSC/ASFA Standard Risk Measure Guidance Paper for Trustees, July 2011*. Investors should be aware that the SRM labels used for each fund may differ to similar funds offered by other providers. The differences are generally due to the methodology used in calculating the SRM or differences in timing of the most recent review of a fund's SRM.

Deloitte calculation method

Deloitte has adopted the approach of Monte-Carlo Simulation. The steps in the process are:

1. Generate 40,000 random scenarios of annual returns for each of the 14 asset classes (using the Deloitte Stochastic Investment Model).
2. Determine the annual return for each investment option under each scenario, as the sum of the gross return of each asset class in the portfolio times the proportion allocated into that asset class; minus investment management costs (but gross of tax and administration fees).
3. For each investment option, count the number of scenarios which have negative annual returns, divide this number by 40,000, to arrive at the estimated the probability of a negative return over one year.
4. For each investment option, multiply the probability in Step 3 by 20 to determine the expected number of years with negative returns in 20 years.

No adjustment has been made for the impact of active investment management.

In producing the SRM calculations, Deloitte has supplemented historical data with their survey of major asset consultants, superannuation funds and fund managers. This survey collects data regarding expectations of asset returns looking forward ten years. Deloitte has used this to help form a forward-looking view on the potential investment returns and volatility of various asset classes.

The following table sets out the SRM for each abrdn fund:

Fund	Risk band	Risk label
EQUITIES		
abrdn Sustainable International Equities Fund	7	Very high
abrdn International Equity Fund	7	Very high
abrdn Sustainable Emerging Opportunities Fund	7	Very high
abrdn Sustainable Asian Opportunities Fund	7	Very high
FIXED INCOME		
abrdn Global Corporate Bond Fund	4	Medium
MULTI-ASSET		
abrdn Multi-Asset Real Return Fund	6	High
abrdn Multi-Asset Income Fund	6	High
ALTERNATIVES		
abrdn Global Risk Mitigation Fund	7	Very High

The SRM is generally reviewed each year based on the latest estimates of long-term volatility and correlation data. A significant change to market conditions or refinements to the SRM methodology may alter the SRM from time to time. As a result, the current SRM for a Fund may differ from the SRM ('Risk Level') detailed in the Product Disclosure Statement (PDS). More information on the risks which may affect an investment in each of the above-listed funds are included in the 'Risks of managed investment schemes' section of the relevant PDS, which can be viewed or downloaded from this website.

Further information

If you require further information, please contact our Client Services team on 1800 636 888 (Australian investors toll free) or +61 3 9612 4646 (if calling from outside Australia). Alternatively you may wish to email us at clientservice@sghiscock.com.au