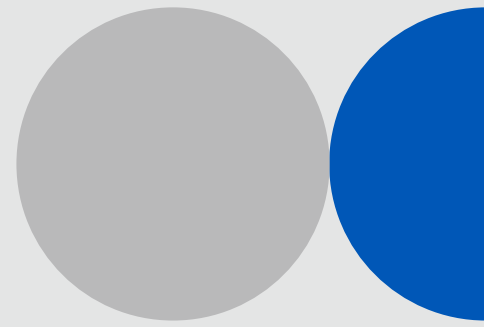




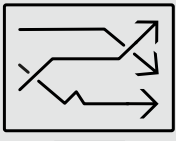
# abrdn Asia-Pacific Income Fund VCC

## Quarterly Commentary

Quarter ended January 31, 2024



### Fund performance



The Fund returned 8.6% on a net asset value<sup>1</sup> basis for the period ended January 31, 2023, versus the 2.7% return of its blended benchmark<sup>2</sup> for the same period. While the performance of the net asset value includes the impact of leverage<sup>3</sup>, the benchmark performance does not.

Lower bond yields, tighter credit spreads and a stronger performance of Australian dollar (against the Canadian dollar) contributed to the positive total return for the period. The Fund's use of leverage magnified the positive impact of the investment returns on the net asset value.

Leverage is used strategically by the Fund to support its income-generating capacity. The Fund continues to benefit from a positive interest rate differential between the interest income on the investment portfolio and the cost of the leverage.

Relative to the Fund's blended benchmark, the investment portfolio outperformed. The principal driver of the outperformance was the overweight positions to US dollar-denominated Asian high yield credit and EM (ex-Asia) sovereign credit. The underweight to better-performing Asian local currency bond markets such as the Korean won market detracted from the relative return, although the overweight exposure to the Indonesian rupiah market offset some of that detraction.

### Top Ten Holdings

Indonesia 10.500% 15-Aug-2030	4.4
India (Govt of) 7.54% 2036	3.7
India (Govt Of) 7.26% 2029	3.6
Indonesia Treasury 9% 2029	3.4
Indonesia (Govt of) 6.5% 2031	3.3
India (Govt of) 7.1% 2029	2.7
Indonesia (Govt of) 8.25% 2029	2.5
Westpac Banking 6.934% 2038	2.5
Nota Do Tesouro Nacional 10% 2029	2.4
Mexico (Govt of) 10% 2024	2.4
Assets in top ten holdings	30.9

Holdings are subject to change and are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities shown.

<sup>1</sup> Net asset value (NAV) – A key measure of the value of a company, fund or trust – the total value of assets less liabilities, divided by the number of shares.

<sup>2</sup> The Fund's blended benchmark is composed of Bloomberg AusBond Composite 10%, JP Morgan Asia Credit Diversified 25%, Markit iBoxx ALBI (CAD) 50%, JP Morgan GBI Emerging Market Global Diversified (CAD) 15%.

<sup>3</sup> Leverage – Usually refers to a fund being exposed by more than 100% of its net asset value to assets or markets; typically resulting from the use of debt or derivatives.



## Cumulative and annualised total return as of January 31, 2024 (%)

	NAV	Market Price
Since inception (p.a.)	6.32	5.66
10 Years (p.a.)	3.80	1.67
5 Years (p.a.)	1.96	1.95
3 Years (p.a.)	0.00	2.38
1 Year	9.10	9.64
Year to date	1.62	4.18
3 months	4.31	8.52
1 month	1.62	4.18

Past performance is no guarantee of future results. Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance data quoted. NAV return data includes investment management fees, custodial charges, bank loan expenses and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions.

The Company is subject to investment risk, including the possible loss of principal. Returns for periods less than one year are not annualized. Total return based on net asset value reflects changes in the Company's net asset value during each period. Total return based on market price reflects changes in market value.

## Market review

### Economic & market overview

Government bonds rallied aggressively as weak data and dovish policymaker comments firmed expectations of US monetary policy easing in the first half of 2024. The 10-year US Treasury yield fell by 102bps to 3.91% while the 2-year yield fell by 88bps to 4.21%. Nevertheless, the Federal Reserve (Fed) maintained its current stance, leaving interest rates unchanged for a fourth meeting in January with officials noting they would need greater confidence that inflation is moving sustainably towards 2% before they cut rates. US inflation continues to trend lower but has remained stickily at or above 3%. The Brent crude oil price fell by 6.5% to \$81.7 a barrel as weak demand offset supply cuts and fears over potential supply disruptions due to attacks in the Red Sea.

### Asian bonds

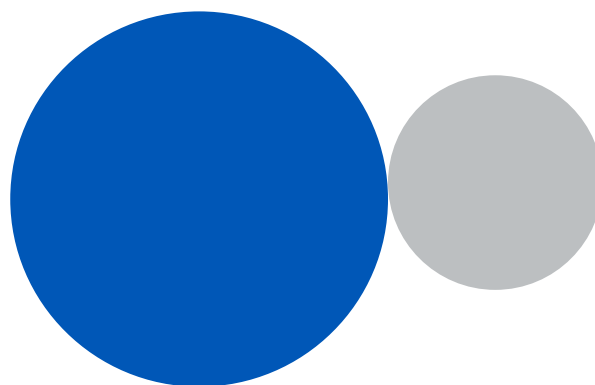
The backdrop for Asian bonds remains positive with inflation generally stable. The greater concern arguably is not rising inflation but China and Thailand falling deeper into deflation. Benchmark bond yields rallied, with 10-year yields falling by 99bps in South Korea, 86-87bps in Hong Kong and Philippines, 57bps in Thailand, 52bps in Indonesia and 47bps in Singapore. Benchmark yields moved more moderately lower in China (-26bps), India (-21bps) and Malaysia (-31bps). Purchasing managers' indices highlighted mixed activity levels. India continues to outperform while Singapore showed solid improvement. However, activity elsewhere remains subdued, with the factory sectors in Thailand, Malaysia and China continuing to contract despite some improvement since the start of 2024.

### Asian currencies

Despite rallying against the US dollar, Asian currencies mostly underperformed the Canadian dollar (CAD), with China's offshore yuan the exception as it strengthened by 1.1%. Developed market currencies such as the Canadian and Australian dollars benefited most from the anticipated Fed pivot as marking the end of the period of "US dollar exceptionalism".

### Asian credit

The Treasury rally boosted the returns from credit allocations, though spreads also narrowed, with the JPMorgan Asian Diversified Credit Index returning 3.4% (in CAD) as all index countries and sectors contributed positively. High-yield (HY) bonds returned 5.8% and outperformed the 2.5% return from investment-grade (IG) bonds. The strong performance in HY was driven mainly by frontier sovereigns, particularly Pakistan which was the best-performing country. Real estate was the best-performing sector, followed by metals & mining and oil & gas.

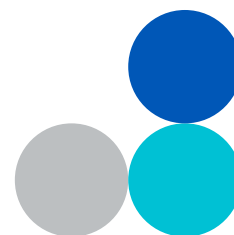


## EM debt & currencies

It was a strong quarter for emerging market debt with the JPMorgan EMBI Global Diversified Index of hard-currency debt returning 5.7%. Pakistan and Argentina led performance as the countries look set to secure their latest tranches of International Monetary Fund (IMF) bailout. Such funding is critical for Pakistan's fiscal recovery and to avoid it defaulting on its debt while Argentina continues to face staggeringly high inflation (200% in December). In local-currency debt the JPMorgan GBI-EM Global Diversified Index (unhedged in CAD terms) returned 3.2% with Egypt the notable contributor. Egypt has particularly weak debt metrics and high exposure to foreign exchange and interest rate risks. Issuance picked up significantly, with sovereigns issuing US\$46.8bn in January.

## Outlook

Asian central banks are shifting from a tightening stance to neutral stances as most expect the Fed to have already concluded its hiking cycle. Inflation in Asia is generally stable and easing in the second half of 2024 is our base case. We favour opportunities to add interest rate exposure in the portfolio as we anticipate a medium-term rollover in the monetary cycle. We expect Asian FX to perform positively against the US dollar, with a pivot from the Fed contributing to anticipated US dollar weakness while general economic resilience bodes well for Asian exporters. Fundamentals are supportive for Asian credit where negative net supply has created a positive tailwind for spreads, especially in investment grade generally. High yield offers selective opportunities to enhance the portfolio yield and our preference remains to take HY risk through subordinated paper from stronger issuers and names that benefit from strong, utility-like cash flow.



## Important Information

### Past performance is no guarantee of future results.

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Company's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the Company's portfolio. The net asset value (NAV) is the value of an entity's assets less the value of its liabilities. The market price is the current price at which an asset can be bought or sold. There is no assurance that the Company will achieve its investment objective. Past performance does not guarantee future results.

Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in the market value of an investment), credit (changes in the financial condition of the issuer, borrower, counterparty, or underlying collateral), prepayment (debt issuers may repay or refinance their loans or obligations earlier than anticipated), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging market investments.

Concentrating investments in the Asia-Pacific region subjects the Company to more volatility and greater risk of loss than geographically diverse funds.

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