abrdn Global Risk Mitigation Fund

Monthly Factsheet

31 July 2024

Investment objective

The Fund aims to provide investors with a complementary diversifying strategy that delivers strong positive returns when developed equity markets experience material declines and volatility is high.

Portfolio securities

The majority of the Fund's investment exposure will be via a Swap provided by the Swap Counterparty which provides synthetic exposure to the GRM Strategy, consisting of a diverse set of underlying strategies which mainly invest indirectly in fixed interest securities, equities, currencies, commodities and derivatives thereon and cash that provide diversification and so help facilitate the lowering of the investors overall risk profile. These underlying strategies have exposure to instruments with embedded leverage including futures, options, swaps, forwards and other derivatives. In addition the underlying strategies, include a number of relative value strategies that can generate positive returns without taking on directional market risk. These relative value strategies offset the cost of owning hedging (or protection) strategies and in doing so enhance the returns of the Fund. Due to the extensive use of derivatives, the Fund may at times have substantial money market or cash holdings which are held as collateral. The Fund's level of return and risk is expected to differ materially from that of a global equity fund. The Fund is expected to realise negative returns during periods of material rises and low volatility in developed equity markets. Therefore the Fund is intended to mitigate other investment exposures an investor may have in their overall portfolio.

Performance

Cumulative and annualised performance - 31/07

	1 month	3 months	6 months	Year to date	1 year	3 years (p.a.)	5 years (p.a.)	Since Inception (p.a.)
Fund (Net)[1] (%)	0.95	-2.03	-6.82	-8.31	-12.06	N/A	N/A	-10.50
Fund (Gross)[2] (%)	1.05	-1.73	-6.27	-7.67	-11.01	N/A	N/A	-9.44
Benchmark (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

[1]Net performance figures are calculated using end-of-month exit prices, post standard fees, reflect the annual reinvestment of distributions and make no allowance for tax. If investing through an IDPS Provider, the total after fees performance returns of your investment in the Fund may be different from the information we publish due to cash flows specific to your portfolio and any fees charged by the IDPS Provider.
[2]Gross performance figures are calculated using end-of-month exit prices, pre-fees, reflect the annual reinvestment of distributions and make no allowance for tax. These returns are provided for the purpose of wholesale investors only. Retail investors should refer to net returns.

Past performance is not a reliable indicator of future results.

Key Facts

Launch date	Oct 2021
Fund size[1]	AUD 2.6M
Income payable	30 Jun
Management costs	1.20% pa of the net asset value of the Fund comprising: Management Fee 1.20% pa, Indirect costs 0.00% pa
Buy/Sell spread[2]	+0.90%/-0.90%
Minimum initial investment	A$ 50,000
Base currency	AUD
Annualized Volatility (Since Launch)	4.39%
APIR	EQI4297AU
ISIN	AU60EQI42976
Bloomberg	ABGRMAI AU
Fund code	LK6S
Domicile	Australia

[1] The method of calculating the Fund's net asset value is disclosed in our unit pricing policy which can be viewed or downloaded from our website, www.abrdn.com.au
[2] We may vary or waive the buy/sell spreads without notice when it is appropriate to protect the interests of existing investors and if permitted by law.

Key risks

All investments carry risk. The likely investment return and the risk of losing money is different for each managed fund,as different strategies carry different levels of risk based on the underlying mix of assets. Risks specific to the Fund include, but are not limited to, those listed below. Investors should not make investment decisions based on this document alone. More information on the risks of investing in the Fund is contained in the Product Disclosure Statement, which should be considered before deciding to invest in the Fund:

(a) Derivatives risk

(b) Equity risk

(c) Interest rate risk

(d) Commodity Risk

(e) Credit risk

(f) Volatility Risk

Strategy returns – July 2024

Defensive factors	0.68%
First risk	0.46%
Systematic trend following	-2.08%
Tail risk	-0.74%

Strategy contributions – July 2024

Defensive factors	0.30%
First risk	0.14%
Systematic trend following	-0.34%
Tail risk	-0.06%

Strategy returns – since inception

Defensive factors	7.83%
First risk	-35.12%
Systematic trend following	12.41%
Tail risk	-10.62%

Strategy contributions – since inception

Defensive factors	3.49%
First risk	-10.02%
Systematic trend following	1.95%
Tail risk	-1.19%

Notional asset allocation

Defensive factors	44.10%
First risk	30.32%
Systematic trend following	15.95%
Tail risk	7.69%

Risk weighted asset allocation

Defensive factors	40.38%
First risk	44.09%
Systematic trend following	11.23%
Tail risk	4.30%

Source: abrdn, BNP Paribas, 31 July 2024.

The Fund invests in the 3x leveraged GRM strategy. Data of "strategy returns" and "risk weighted asset allocation" are based on the unlevered GRM strategy; data of "strategy contributions" and "notional asset allocation" are based on the 3x levered GRM strategy.

Past performance is not a guide to future results. GRM index ticker is ENHAGRMA.
Risk based on notional allocations weighted by 50 day realised volatility. Category contributions are gross of rebalancing costs and fees, net of trading costs. BNP Paribas is the Index Sponsor and Calculation Agent for ENHAGRMA Excess Return Index.

Derivatives usage

Derivatives are used by the Fund in accordance with the investment objective, investment strategy, and risk profile of the Fund. The majority of the Funds investment exposure will be via a total return swap with the Swap Counterparty to achieve synthetic exposure to the GRM Strategy. The Investment Manager may alter the exposure to the underlying strategies by adjusting their composition within the GRM Strategy. The underlying strategies themselves employ advanced derivative strategies to gain investment exposure.

Market Commentary

July was another good month for global equities, with the MSCI World returning a positive 1.8% and rising to new all-time record highs during the period. However, the month was notable for the elevated cross-sector and cross-market volatility that occurred, seemingly on the back of renewed global growth fears and an expectation of more imminent central bank easing than had been previously anticipated. Despite the second quarter US GDP report showing a re-acceleration of real growth, from 1.4% in Q1 to 2.8% in Q2, employment indicators showed signs of softening with the unemployment rate ticking above 4% for the first time since 2021 and initial jobless claims rising to a 12-month high. Furthermore, the inflation data published in July showed headline MoM CPI in the US to be negative -0.1%, and Core Services Inflation ex-Shelter (excluding housing because of the lagging nature of this data) over the past 3-months has annualised at a rate of just 1.3%, suggesting underlying inflation trends in the economy may already be running below the Federal Reserve's target. The US yield curve "bull-steepened" with 2-year treasury rates dropping by 50 basis points and 30-year Treasury rates dropping by a more modest 26 basis points. The fall in short-term US interest rate expectations had a dramatic impact in a number of areas, with the Russell 2000 (US small cap companies being more sensitive to floating rate funding costs) surging over 10% for the month even as large cap US technology stocks saw modest declines over the month on the back of disappointing earnings results from Google and Tesla. In currency markets there was a violent re-pricing of the Japanese Yen as weakening global growth and the prospect of a reduced interest rate differential between Japan and the rest of the world made short Yen positions less attractive from a carry perspective. The Yen gained 7% versus the US dollar in July and more than 8% versus the Australian Dollar and the Mexican Peso. Commodity markets were generally weak, with the BCOM Energy Index down 8% and the BCOM Industrial Metals Index down 7%, again on concerns of slowing global growth. Gold prices however performed strongly with a gain of 5%.

The GRM strategy had a positive return in July as cross-asset volatility started to rise towards the latter part of the month. In First Risk there were negative contributions from Equity Index Puts but these were offset by gains on long volatility positions and the Treasury futures allocation we added at the start of the month. Defensive Factors had a positive return with Commodity Carry, the US Yield Curve Steepener, and single stock Equity Reversal strategies accounting for the majority of the positive contribution. Other Defensive Factor strategies were broadly flat. Trend Following suffered, particularly in foreign exchange, with the strengthening of the Yen, as well as to a lesser extent the Euro and Swiss Franc, accounting for the bulk of the Trend Following losses in July. Finally, Tail Risk had a modest negative impact with no individual strategy having an impact of more than 10 basis points for the month.

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