

Sustainable Investment Approach

MyFolio Sustainable fund range

August 2023

This approach applies to the following funds:

- MyFolio Sustainable I
- MyFolio Sustainable II
- MyFolio Sustainable III
- MyFolio Sustainable IV
- MyFolio Sustainable V

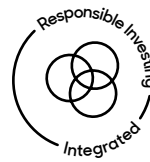
MyFolio Sustainable funds let customers access investments which aim to do more good and less harm¹ whilst retaining all the benefits of a multi-asset portfolio, at a level of risk they are comfortable with. It does this by investing in a range of carefully chosen funds which meet our rigorous sustainability standards.

The objective of the funds is to generate growth over the long term (five years or more) while being managed to a defined level of risk. The MyFolio Sustainable range offers five funds with different expected combinations of investment risk and return that follow the MyFolio Sustainable Investment Approach.



What type of investor is MyFolio Sustainable designed for?

abrdrn categorises its funds by looking at the types of needs which the fund has been designed to meet. MyFolio Sustainable is targeted at a mainstream customer audience and whilst it may appeal to some ESG-integrated, Values, Thematic, or Impactful investors due to the approach taken, it has been designed to most closely align to the needs of Sustainable Investors, as described below.



ESG-integrated investors want to know that their investments incorporate environment, social and governance (ESG) risks and opportunities as standard.



Values investors want their portfolio to accurately reflect their personal ethics or sustainability values and are often keen to avoid and/or select certain industries or companies based on their beliefs.



Sustainable investors want their investments to consider and manage risks to people and planet more proactively than traditional investments, typically expecting links to certain industries and behaviours to be reduced or removed, and to support better business practices.



Thematic investors typically want to invest in companies that have a specific ESG theme alongside a strong financial return.

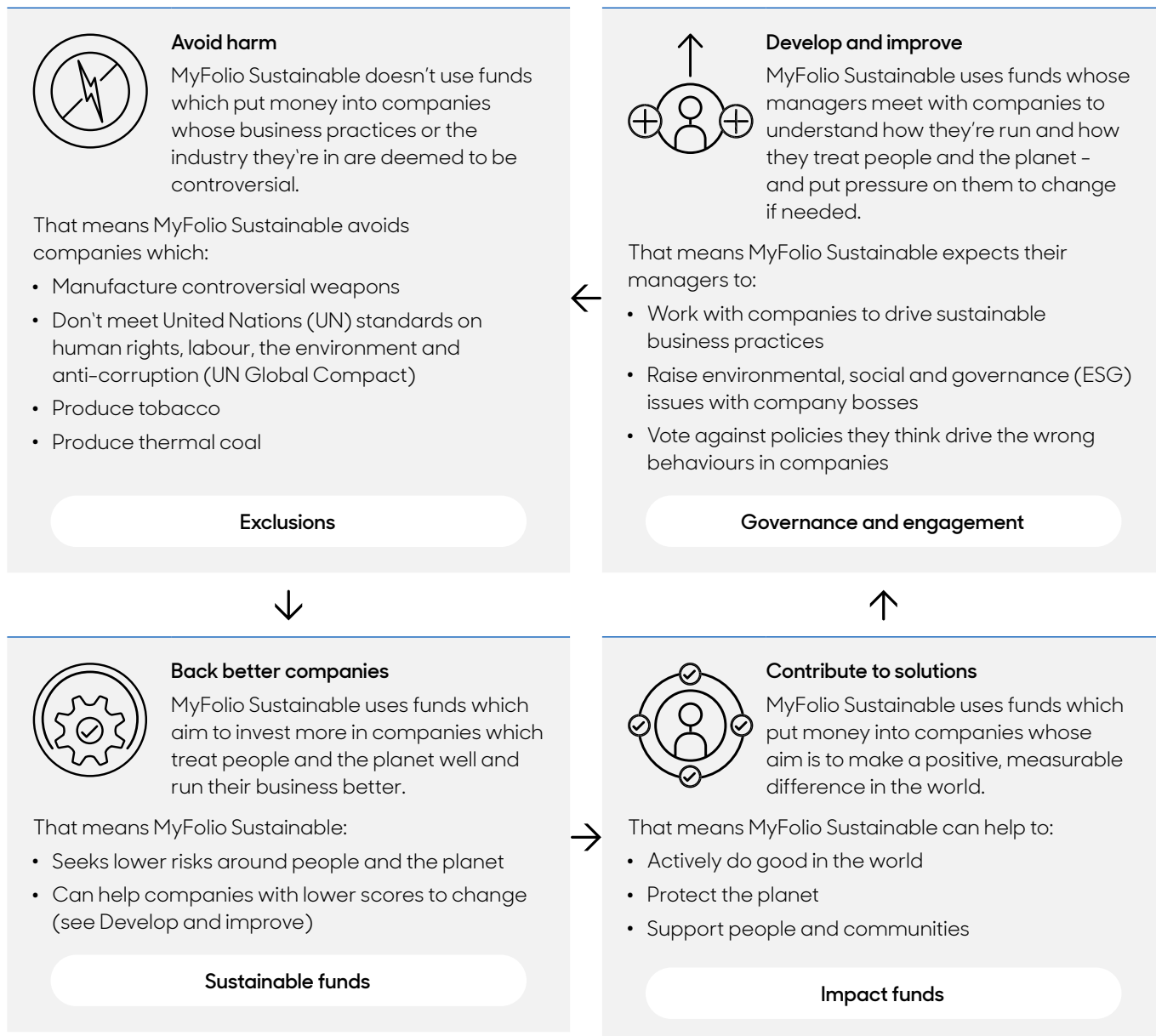


Impact investors want to invest in companies that intentionally deliver products or solutions that have a measurable beneficial social or environment impact, as well as earning a return.

¹ Versus funds without an explicit sustainable mandate.



What is MyFolio Sustainable trying to do?



Applying our sustainable investment criteria

1. Avoiding harm: using exclusions

The MyFolio Sustainable funds seek to avoid companies which are involved in the following activities:

- Manufacture or sell controversial weapons (specifically as a minimum cluster munitions, anti-personnel landmines, chemical and biological weapons).
- Production of tobacco products (specifically deriving more than 5% of their turnover from the manufacture of tobacco products).
- Production of thermal coal (specifically deriving more than 5% of their revenues from either mining of thermal coal or thermal coal based power production).
- In violation of the UN's Global Compact Principles regarding human rights, labour, the environment and anti-corruption (specifically as identified by MSCI ESG global norms screening).

Because MyFolio Sustainable uses funds from a range of managers, we use a two-step process to make sure that we do not breach any of our stated exclusions. Firstly, we perform rigorous due diligence on all the underlying funds we use, which includes surveying managers on their exclusionary policies and any exposure to any of the four categories outlined above. This helps us to understand how effective any underlying managers are likely to be at meeting our exclusions. Then, to ensure these standards are being met, our managers monitor the underlying individual holdings and cross reference these monthly to ensure that the companies held are not involved in any of our excluded activities.

MyFolio Sustainable may occasionally have a small, temporary exposure to investments that do not meet the criteria outlined above, for example, due to technicalities such as changes in categorisation of criteria in the underlying funds. To manage this effectively, we allow a total of 0.5% tolerance across our excluded activities,

in order to accommodate these temporary or small scale exposures. In the event this tolerance is breached, our managers have a process to either address the issue directly with the manager of the underlying fund causing the breach, or to reduce or remove the allocation to the culpable fund in order to bring the MyFolio Sustainable fund or funds back within tolerance.

2. Back better companies: using sustainable funds

The majority of the underlying funds that MyFolio Sustainable uses aim to provide wide-ranging, diversified market access whilst explicitly considering and embedding positive environmental, social, and governance factors. We use a combination of our own in-house funds from , and external managers, and use both active and enhanced passive funds.

Enhanced Passive Sustainable Funds are typically weighted towards companies with higher environmental, social and governance (ESG) scores and/or lower carbon emissions than other companies in the parent index, or they are tracking a parent index which is weighted towards those sorts of companies. This means they usually display positive ESG characteristics versus standard index funds.

Active Sustainable Funds aim to outperform their benchmark and adhere to strategies which the manager believes are likely to offer improved sustainability credentials compared to traditional investments (for example, higher ESG scores, or lower carbon emissions).

These funds are selected to help deliver growth over the long term (five years or more) while being managed to a defined level of risk and the sustainability credentials outlined above.

3. Contribute to solutions: using impact funds

MyFolio Sustainable has a meaningful allocation of 10-30% of the portfolio to impact investing, which aims to deliver measurable, positive environmental and social impact alongside financial returns². In order to be included in the impact portion of MyFolio Sustainable, a fund has to meet three key measures: Intentionality, Implementation and Quantification.

- **Intentionality:** An Impact fund should have clear and specific objectives with regard to social or environmental issues.
- **Implementation:** The investment process must offer unambiguous evidence of security selection criteria that gives pre-eminence to the environmental and social impact of the target companies.
- **Quantification:** The strategy should be able to provide evidence of the impact delivered by their investments. All Impact funds utilised in MyFolio Sustainable must produce some form of 'Impact' reporting, which must give us enough quality information to allow us to adequately assess their impact outcomes.

² 10-30% allocation means MyFolio Sustainable takes a meaningful stake in impactful companies without changing the characteristics of the portfolio to the extent that it becomes aligned to different investor needs.

³ Nominal and index-linked.

⁴ Between 35% at risk level I down to 5% at risk level V on a sliding scale.

We monitor the impactful nature of these investments through our ongoing dialogue with managers, reviewing their engagement activity, analysing holdings data on a regular basis, and assessing their impact reporting measures, as part of our fund due diligence process.

4. Develop and improve: checking governance and engagement

We believe that good governance and stewardship are vital to safeguard the way in which a company is managed and to ensure that it operates responsibly. We also believe that markets and companies which adopt best practices in corporate governance and risk management – including the management of environmental and social risks – are well-placed to deliver sustainable, long-term investment performance.

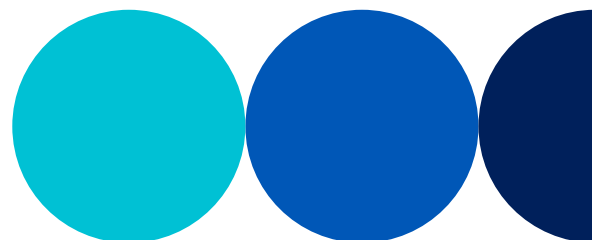
To make sure all funds held within MyFolio Sustainable are using their voices to drive positive change, we regularly monitor and assess funds' active engagement policy and how they evidence adherence to the policy as part of our due diligence.

Any abrdn-managed funds used within MyFolio Sustainable will be subject to the active stewardship policy which abrdn follows across all its assets. You can find out what our policy is in our Stewardship document, and how we're evidencing it on our Voting pages by visiting abrdn.com

5. Neutral funds

In order to make sure the MyFolio Sustainable funds meet their broader objectives around growth, risk, and diversification, we also invest in neutral funds. We define these as funds with no specific ESG or sustainability criteria within their investment objective or process, but which will not breach the exclusionary criteria specified for the MyFolio Sustainable range.

We only use these where suitable sustainable funds are not available (currently developed government bonds³ and cash only) and their use is capped⁴. You can find out the current level of neutral funds being used in each MyFolio Sustainable fund through our regular reporting.



6. Summary

For complete clarity, we have provided a table showing the proportions of different sorts of funds we use to make up MyFolio Sustainable, for different risk levels.

	Risk Level				
	I	II	III	IV	V
Neutral funds	Up to 27.3%	Up to 19.5%	Up to 12.9%	Up to 6.5%	Up to 1.6%
Sustainable	52.6%	61.6%	67.2%	69.4%	71.6%
Impact funds	20.1%	19.0%	19.9%	24.1%	26.9%

All our funds meet our Avoid harm: using exclusions and Develop and improve: checking governance and engagement criteria.

Holdings will be monitored to ensure that they continue to meet the ESG/Sustainability criteria of the MyFolio Sustainable product. Where an investment held in a fund is identified as no longer being in accordance with the Sustainability Policy, the Manager will seek to sell the investment as soon as reasonably possible, normally within 90 days.

Important Information

The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested.

This document relates to the range of abrdn MyFolio Sustainable OEIC funds. For more information on individual abrdn MyFolio Funds, and the risks applicable to them, please refer to the Key Investor Information Document or the Prospectus. The abrdn MyFolio Funds are not managed to a particular benchmark.

Investment objective

To generate growth over the long-term (five years or more) while being managed to a defined level of risk. These funds are part of the abrdn MyFolio Sustainable range, which offers five funds with different expected combinations of investment risk and return that follow the abrdn MyFolio Sustainable Investment Approach. abrdn MyFolio Sustainable I is risk level I, which aims to be the lowest risk fund in this range, and the range goes up to abrdn MyFolio Sustainable V which is risk level V, and aims to be the highest risk fund in the range.

Risk Target: The defined level of risk referred to above that the management team is targeting is within the range of 20–40% for risk level I, 35–55% for risk level II, 45–75% for risk level III, 60–90% for risk level IV and 70–110% for risk level V of world stock markets (represented by the MSCI AC World Index), over 10 years.

There is no certainty or promise that this target will be achieved. The Risk Target has been chosen as it represents a risk range which is appropriate for the fund.

Performance Comparator: For comparison purposes, investors can compare the fund's long-term performance to a basket of assets (before charges) with a risk profile at the lower range of the Risk Target stated above (i.e. 20% for risk level I and 70% for risk level V of world stock markets), which the ACD considers appropriate given the investment policy and Risk Target of the fund.

This basket is composed of 20% MSCI AC World Index and 80% SONIA Index for risk level I, of 35% MSCI AC World Index and 65% SONIA Index for risk level II, of 45% MSCI AC World Index and 55% SONIA Index for risk level III, of 60% MSCI AC World Index and 40% SONIA Index for risk level IV, and of 70% MSCI AC World Index and 30% SONIA Index for risk level V.

Portfolio securities

- The fund will invest its assets in actively and passively managed funds, including those managed by abrdn, to obtain broad exposure to a range of diversified investments.
- Typically for risk level I, at least 50% of the assets will be those traditionally viewed as lower risk, such as cash, money market instruments, government bonds (loans to a government) and investment grade corporate bonds (loans to a company). Typically this will be at least 40% for risk level II and 25% for risk level III.
- For risk level I, II and III, the rest of the fund will be invested in a selection of other assets such as equities (company shares including property shares) high yield corporate bonds (loans to a company) and emerging market bonds (loans to an emerging market government).

- Typically for risk level IV, at least 60% of the fund will be invested in assets traditionally viewed as being higher risk such as equities (company shares), high yield corporate bonds (loans to a company) and emerging market bonds (loans to an emerging market government). Typically this will be at least 80% for risk level V.
- For risk level IV and V, the rest of the fund is invested in a selection of other assets such as money market instruments including cash, government bonds (loans to a government) and investment grade corporate bonds (loans to a company).
- All funds selected will adhere to the abrdrn MyFolio Sustainable Investment Approach available on **abrdrn.com** under "Sustainable Investing".
- This means they must have one of the following characteristics: i) Sustainable funds – funds which explicitly target improved environmental, social and governance or sustainability related outcomes; or ii) Impact funds – funds which aim to make a positive, measurable environmental and/or social impact alongside strong financial returns; or iii) Neutral funds – funds which have no specific ESG or sustainability criteria within their investment objective or process. Neutral funds will include holdings in cash, money market instruments, government bonds (loans to a government).
- The use of neutral funds is limited to 35% of the total portfolio for risk level I, 25% for risk level II, 15% for risk level III, 10% for risk level IV, and 5% for risk level V.

Management process

- The management team use their discretion (active management) to select funds within each asset class and ensure that the strategic asset allocation (long term proportions in each asset class) meets the fund's objectives.
- The management team will analyse the investments within the underlying funds to assess the extent to which the fund aligns with the abrdrn MyFolio Sustainable Investment Approach and meet with the fund managers to discuss the fund's philosophy.
- For Sustainable funds, the team identify funds that explicitly consider and embed positive ESG factors when making investments.
- For Impact funds, analysis will include assessing whether investments are made in assets which focus on aiming to generate net-positive social and environmental impacts alongside positive financial returns.
- With the exception of the neutral funds, the management team will only invest in funds that have an active engagement and voting policy.
- In addition, the fund seeks to avoid investment in companies which manufacture or sell controversial weapons, and/or derive more than 5% of their turnover from i) the manufacturing of tobacco products, ii) thermal coal mining, iii) thermal power production and companies in violation of the UN's Global Compact Principles regarding human rights, labour, the environment and anti-corruption.
- Please note that the number contained in the fund name is not related to the SRRI contained in the Key Investor Information document (NURS-KII).

The fund is not expected to invest in derivatives directly, however it may invest in other funds which use derivatives more extensively.

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