Annual Update
abrdn Multi-Asset Income Fund

July 2024

Why abrdn & Why MAIF Multi-Asset Income Fund?

Our Multi-Asset investment process is tried and tested with a strong track record investing in multiple asset classes and sourcing regular, consistent income for investors.

An experienced investment team with diverse skills, dedicated solely to managing multi-asset funds.

A unique approach of sourcing diversified income for investors and adding value through active asset allocation while considering downside risk management.

Annual review

The Fund's investment objective is to invest across a range of asset classes with the aim of delivering stable income each year that exceeds the Reserve Bank of Australia (RBA) cash rate as well as some capital growth over the medium to long term to help offset inflation.

For the 2023/24 financial year, the Fund achieved a total income distribution yield of 6.30% (including franking/tax credits of 0.60%) and capital growth of 2.04% for a total return (including franking) of 8.34% (before fees) and 7.57% (net of fees).[1]

The Fund's income distribution yield of 5.63% (excluding franking credits) very comfortably exceeded the RBA cash rate which averaged 4.27% over the period. For comparison, banks' special term deposit rates averaged 3.59% (source: RBA)

The Fund's income distribution yield of 5.70% was also at a meaningful margin higher than the 2023/24 financial year target of 5.18%[1] (calculated using the 30 June 2023 application unit price).

1 past performance is not a reliable indicator of future results

Income estimate for 2024/25 Financial Year[1]

The Fund's total return of 8.34% over the period was significantly higher than the return of Australian 10 Year bonds over the same period as consecutive increases in the cash rate from the RBA negatively impacted bond prices. Australia equity markets rallied from end Oct23 to end Mar24, and contributed to bulk of the positive 2.04% capital gains in the Fund.

Income estimate for the 2024/2025 Financial Year

The expected monthly cash distribution target for the 2024/25 financial year will be increased from 0.34 cents per unit to 0.35 cents per unit[2]. The cash rate and bond yields are likely close to peak levels and we expect the next move from RBA to be a cut even if it is expected to lag in the global easing cycle given the domestic sticky inflation environment. Equity markets should be supported by resilient global economy and insurance cut from global central banks. We also expect corporate earnings growth to trough in Australia. Given our base case global soft-landing scenario, we have decided to assume a modestly overweight exposure in equities with an eye on income harvesting. We also plan to add to duration gradually, mindful of technical levels before FED and RBA commence the cutting cycle.

1

Regular monthly payments of 0.35 CPU (4.29%)[2]

2

Financial year end distribution (or income reserve) paid in June 2025 (estimated at 0.61%)[2]

3

Franking credits (estimated at 0.50%)

1 past performance is not a reliable indicator of future results
2 target returns are not guaranteed

We expect the Fund to deliver a total income distribution yield of 5.40% for the 2024/25 financial year[2] (which includes the cash distribution, franking credits, an income reserve, and is calculated using the application unit price as at 30 June 2024).

Our strategic asset allocation is based on a recent review conducted by the investment team (see details to the right). As part of this review, we intend to make some minor changes to our strategic asset allocation. Within major asset classes, we will continue to dynamically take advantage of market opportunities as they arise, for example, rotating across different sectors within equities and different currency denominations in emerging market debt The higher allocation to sub-investment grade credit has performed well and we intend to rotate away from this asset class if and when macro developments point to a slowdown.

We are very cognizant of the importance of a competitive income distribution to our investors, but just as mindful of achieving it through a suitably balanced portfolio aimed at delivering both income and some capital appreciation while assuming an appropriate amount of risk.

2 target returns are not guaranteed

Strategic Asset Allocation weights

From 31 July 2024 the Strategic Asset Allocation weights for the Fund are as follows:

30%	Australian equities
9%	International equities
23%	Alternatives
18%	Investment grade credit
18%	Sub-investment grade credit
2%	Cash and short maturity income

The Fund provided a consistent monthly distribution of 0.34 cents per unit (CPU) or more for the entire financial year 2022/2023. The benefit of franking credits is realised on lodgement of an individual's tax return.

Income objective

The Fund has strived to meet its income objective while being mindful of trying to capture some capital gains and not just provide income at the expense of capital. For the financial year the fund exceeded the RBA cash rate.

Growth objective

The Fund has achieved 1.60% p.a. capital growth since inception of the strategy to 30 June 2024 which has helped offset the long term impact of inflation on investors.

Previous years' distribution yield[3] vs term deposits (%)[4]

	Fund	Term deposits
2024/2025 Financial Year	6.2	4.3%
2022/2023 Financial Year	4.7	3.0%
2021/2022 Financial Year	5.7	0.2%
2020/2021 Financial Year	5.2	0.2%
2019/2020 Financial Year	4.4	0.6%
2018/2019 Financial Year	7.6	1.5%
2017/2018 Financial Year	4.3	1.5%
2016/2017 Financial Year	5.2	1.5%
2015/2016 Financial Year	4.6	2.0%
2014/2015 Financial Year	5.1	2.3%
2013/2014 Financial Year	4.0	2.5%
2012/2013 Financial Year	5.1	3.1%
2011/2012 Financial Year	6.4	4.3%
2010/2011 Financial Year	6.5	4.7%
2009/2010 Financial Year	6.2	3.7%

Source: RBA, abrdn.

3 Based on the 30 June unit price at the beginning of each period, net of fees.

4 Based on the average special term deposit rate during the relevant period. Past performance is not a guide to future results.

The abrdn Multi-Asset Income Fund has two key objectives:

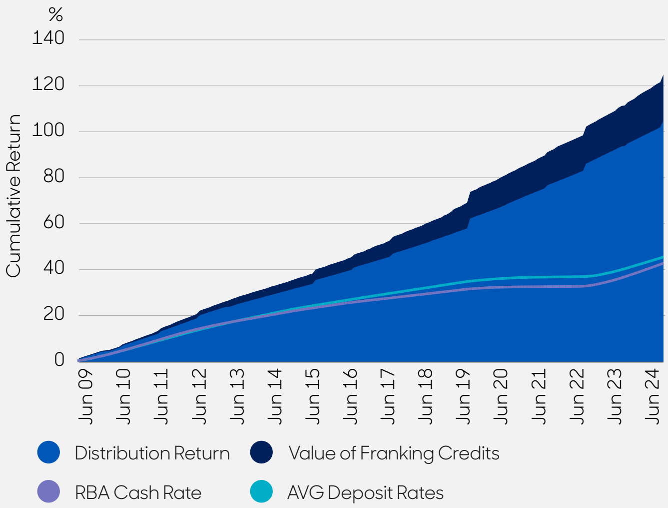
01 Income objective

The Fund has achieved its income objective and exceeded the RBA cash rate. The distribution yield based on the beginning of year unit price has comfortably and consistently exceeded the RBA cash rate and average special term deposit rates.

Long term comparative income return to 30 June 2024

This chart depicts how the Fund has delivered consistent and regular income. It also shows the benefit delivered via franking credits.

Chart 02: Cumulative Income Return



Source: abrdn, gross, 30 June 2024.

Past performance is not a guide to future results.

CPI is defined as the RBA's trimmed mean inflation rate as published by the Australian Bureau of Statistics.

Performance figures are calculated using end-of-month exit prices, net of fees. Past performance is not a guide to future results.

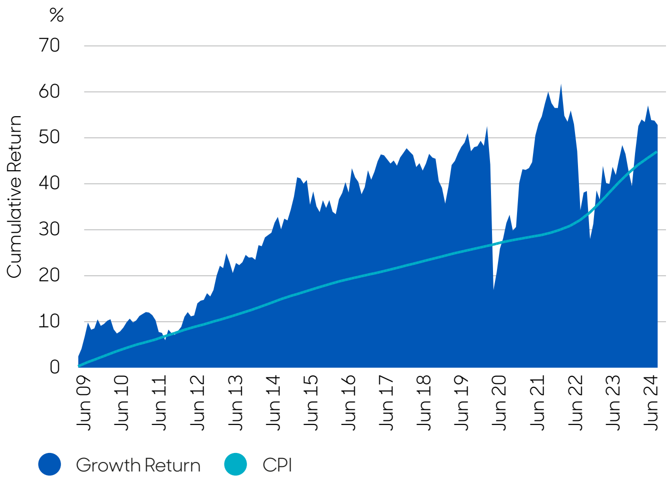
02 Growth objective

To provide capital growth over the medium to long term.

Long term comparative income return to 30 June 2024

This chart depicts how the Fund's capital growth has more than kept pace with inflation.

Chart 03: Cumulative Growth Return



Source: abrdn, gross, 30 June 2024.

Past performance is not a guide to future results.

CPI is defined as the RBA's trimmed mean inflation rate as published by the Australian Bureau of Statistics. Performance figures are calculated using end-of-month exit prices, net of fees. Past performance is not a guide to future results.

Outlook

We expect the re-emergence of inflation pressures over the first half of 2024, in the US and elsewhere, to give way to a resumption of moderating sequential inflation. Leading indicators such as US rental prices suggest shelter inflation should ease. And the underlying loosening in the labour market, despite strong headline payroll growth, is likely to slow wage growth. Already, the April and May inflation data in the US have been more encouraging.

The gradual slowing in pace of US activity growth should also help to cool inflationary pressures. The supports from excess savings and very loose fiscal policy are starting to fade, while the monetary policy stance is restrictive. However, this slowdown looks more consistent with a benign normalisation back to trend-like rates of growth, rather than a sharper drop-off in activity into recession.

We expect the global interest rate cutting cycle to broaden later this year. The baseline expectation is for the US Federal Reserve to cut twice in the second half of this year, although there are enough FOMC members anticipating two rate cuts this year such that a very benign path of inflation would allow for this. The European Central Bank began its rate cutting cycle in June and could cut up to twice more this year, while we expect the Bank of England to cut multiple times during H2. RBA is expected to see an extended hold and start cutting next year.

Overall, our baseline is a "soft landing" economic scenario but skewed towards more inflationary, and more hawkish, outcomes. The probability of an economic "no landing", in which inflation remains sticky, or in which global geopolitical volatility or a Trump re-election in the US pushes up on price pressures, is elevated.

Across asset classes, we are positive on equities and fixed income, given an expectation of moderating global sequential inflation, cooling but still positive US growth, a gradual broadening in the global interest rate cutting cycle, and fundamental supports to company earnings. In equities, we like Japan and Europe, but lacks conviction in EM equities given uncertainties about the Chinese economy. In credit space, we prefer investment grade credit relative to the high yield market on valuation considerations, and have a higher conviction on emerging market debt where the rate cutting cycle can broaden despite recent political risks. That said, high yield credit still offers a more attractive total yield than investment grade and deserve a higher allocation to harvest yield in a soft-landing scenario. Lastly, we are neutral on dollar, with conflicting drivers from US sticky inflation and rate differentials, set against valuations, positioning, and an expectation of a soft landing.

Having said that, there are still a number of risks that could derail the path of the global economy hence our allocations to diversifying strategies that are aimed to cushion any rapid and unexpected market correction. The fund is invested into areas like renewable energy and social infrastructure, asset-backed securities, student accommodation, healthcare royalties and litigation financing companies that exhibit attractive return prospects but tend to be lowly correlated to traditional asset classes.

We believe our clients will continue to benefit from our unique approach to asset allocation with genuine diversification. We remain confident in our ability to continue to meet the Fund's income and capital growth objectives in the new fiscal year.

Important Information

For more information visit abrdn.com/aus

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