



Fund guide abrdn SICAV I – Emerging Markets Smaller Companies Fund

October 2024



Osamu Yamagata
Investment Director

Key features

USD 189.4m	2007	55	17	11.67%pa
Fund size	Fund launch	Number of holdings	Fund managers years of experience	5 years return (gross)

Source: abrdn 31 August 2024, I Acc USD.

Why consider the Fund?

01	Diversification benefits – EM SC offer a very different exposure to large cap EM: Unlike the MSCI EM index, China does not run the show. With China at c.8% of the index, the MSCI EM small Cap index offers a very different outcome. Moreover, EM SC is an attractive compliment to an MSCI EM allocation, as the below chart demonstrates over long time periods, by increasing your allocation to smaller companies, even at an index level you can increase risk-adjusted returns. Notably, over the same time period, exposure to our strategy can increase returns and reduce risk.
02	Reducing risk – There is a widely held misconception that emerging market smaller companies represent a highly volatile allocation. However, the universe has lower volatility than large cap EM, global developed market smaller companies and other regions.
03	Growth potential – Over the long-term EM Smaller Companies have been one of the best performing equity asset classes; since 2001 they have delivered >2x the returns of DM equities.

Why invest now?



Smaller companies as rates are cut – Historical data shows that following previous rate cuts, Smaller Companies have outperformed their larger peers.



EM Stars aligning – From a microeconomic perspective we have seen an uptick in global capex spend which historically has been beneficial for EM performance. This is being driven by nearshoring, the green transition and the technological revolution taking place as companies are investing in their supply chains and technology capabilities (i.e. AI and 5G) whilst governments look to their renewable energy supply. From a macro perspective, EM governments and central banks have been far more conservative than their DM counterparts, leaving them more room to manoeuvre looking ahead.

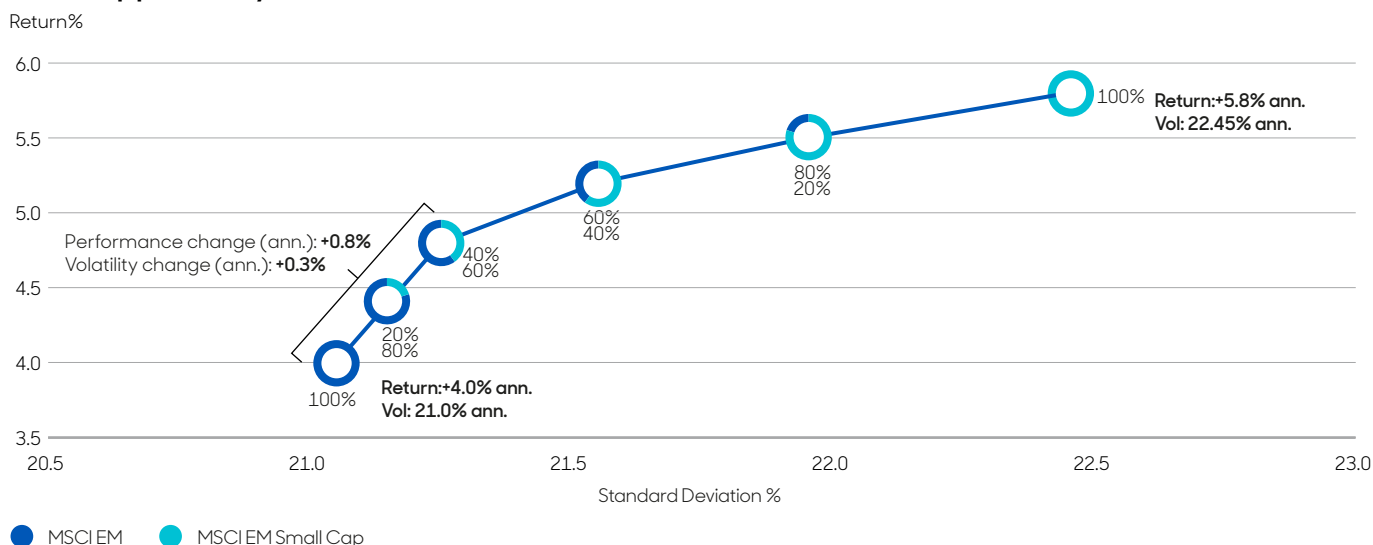


Valuations remain attractive – Currently, EM SC are more expensive relative to EM LC than they have been in the past. Importantly, whilst Relative PE is trading above long-term averages on an aggregate basis, this is not representative of the entire opportunity within the EM SC universe. In fact, most SC markets are trading at a discount to the 10-year average. Thus, we continue to find mispriced, under-researched and enticing opportunities for smaller companies with attractive growth profiles.

abrdn SICAV I – Emerging Markets Smaller Companies Fund



Blend opportunity with MSCI EM



Source: Morningstar, net returns, 1 Acc in USD, March 2007 to September 2024. Costs may increase or decrease as a result of currency and exchange rate fluctuations.

Why choose us?



People: Large on the ground footprint in EM: 50 investment professionals across 7 locations from Sao Paulo to Shanghai. We have been investing in EM for 30 years, since which time we have been looking for firms with strong governance credentials and engaging with the companies we invest in. In the first place this makes a difference in a market with less analyst coverage (as per the below table).



Process: We are active, long-term investors and take a quality approach. Furthermore, we have a consistent style footprint, regardless of market conditions. We look for strong businesses with strong returns and future prospects positioned for sustained growth which are less influenced by external market conditions. We benefit from use of strong proprietary quant tools, specifically the matrix. The matrix tool is key during portfolio construction as it helps us identify changing dynamics of stocks within the portfolio in a consistent and objective manner.



Positioning: The best returns are driven by companies we hold over their journey from small caps to large cap as markets often underestimate the long-term return where the largest inefficiencies are.

abrdn SICAV I – Emerging Markets Smaller Companies Fund

An under-researched opportunity set

	No. of companies	Average No. of analysts	Companies with ≤1 analyst
MSCI EM Large Cap	1440	18	106
MSCI EM Small Cap	1978	7	450

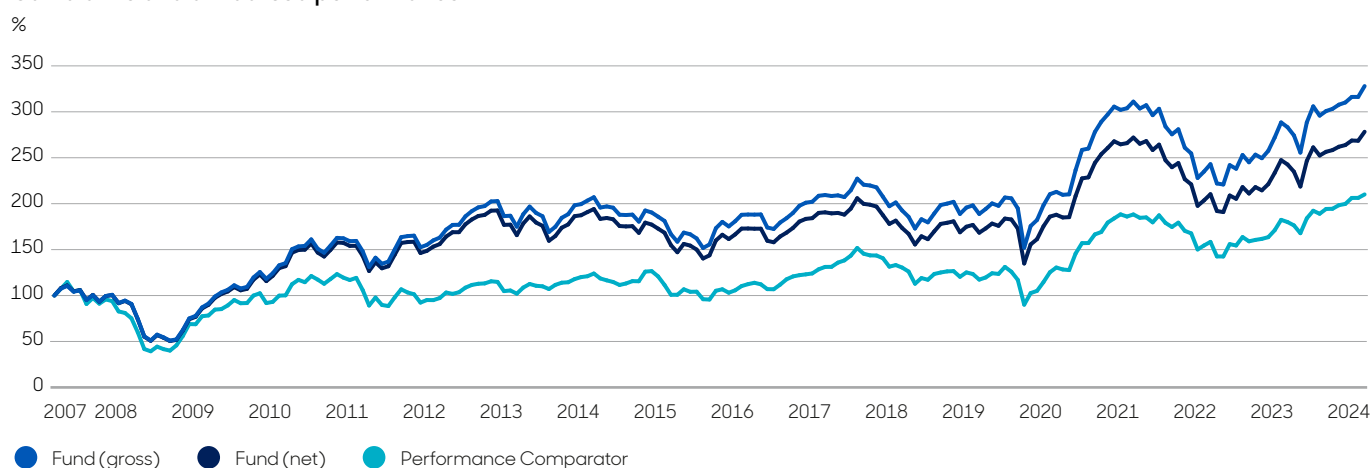
Objective

The Fund aims to achieve a combination of growth and income by investing in smaller capitalisation companies in Emerging Market countries, which adhere to the abrdn Emerging Markets Smaller Companies Promoting ESG Equity Investment Approach (the "Investment Approach"). The Fund aims to outperform the MSCI Emerging Markets Small Cap Index (USD) benchmark before charges.

Structure – SICAV I

How has the Fund performed?

Cumulative and annualised performance



Cumulative and annualised performance

	1 month	6 months	Year to date	1 year	3 years (p.a.)	5 years (p.a.)	10 years (p.a.)
Fund (gross) (%)	3.73	9.05	7.22	15.81	1.78	11.67	4.71
Fund (net) (%)	3.65	8.51	6.50	14.67	0.77	10.55	3.66
Benchmark (%)	1.83	8.16	9.24	16.70	3.72	12.35	5.41

Discrete annual returns – year to 31 August

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fund (gross) (%)	15.81	16.56	-21.89	46.16	12.73	-1.93	-8.06	11.28	12.83	-19.44
Fund (net) (%)	14.67	15.40	-22.68	44.71	11.61	-2.91	-8.98	10.17	11.71	-20.25
Benchmark (%)	16.70	13.63	-15.86	44.27	11.20	-10.05	-0.55	16.68	11.49	-18.67

Performance Data: Share Class I Acc USD

Benchmark history: Benchmark – MSCI Emerging Markets Small Cap Index (USD)

Source: Lipper. Basis: Total Return, NAV to NAV, net of annual charges, gross Income reinvested, (USD).

Costs may increase or decrease as a result of currency and exchange rate fluctuations. This may impact what you might get back. "Fund (Net)" refers to the actual unit price performance of the shareclass shown; "Fund (Gross)" adds back charges such as the annual management charge to present performance on the same basis as the Benchmark / Benchmark / portfolio constraining benchmark. All return data includes investment management fees, operational charges and expenses, and assumes the reinvestment of all distributions. The returns provided do not reflect the initial sales charge and, if included, the performance shown would be lower.

Past performance does not predict future returns.



Want to discuss more?
Contact your local
abrdn representative
by clicking **here**.

For more
information
visit our **website**.

Important Information

The value of investments and the income from them can go down as well as up and investors may get back less than the amount invested. Past performance is not a guide to future results.

The fund invests in equity and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.

Emerging markets are countries generally considered to be relatively less developed or industrialized, and investments in emerging markets countries are subject to a magnification of the risks that apply to foreign investments. These risks are greater for securities of companies in emerging market countries because the countries may have less stable governments, more volatile currencies and less established markets.

The shares of small and mid-cap companies may be less liquid and more volatile than those of larger companies.

The fund may invest in companies with Variable Interest Entity (VIE) structures in order to gain exposure to industries with foreign ownership restrictions. There is a risk that investments in these structures may be adversely affected by changes in the legal and regulatory framework.

Investing in China A shares involves special considerations and risks, including greater price volatility, a less developed regulatory and legal framework, exchange rate risk/controls, settlement, tax, quota, liquidity and regulatory risks.

Applying ESG and sustainability criteria in the investment process may result in the exclusion of securities within the fund's benchmark or universe of potential investments. The interpretation of ESG and sustainability criteria is subjective meaning that the fund may invest in companies which similar funds do not (and thus perform differently) and which do not align with the personal views of any individual investor.

The use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives may result in the fund being leveraged (where market exposure and thus the potential for loss by the fund exceeds the amount it has invested) and in these market conditions the effect of leverage will be to magnify losses.

More details of the risks applicable to this fund can be found in the Key Investor Information Document (KIID) and Prospectus, both of which are available on request or at our website **abrdn.com**.

The fund is a Luxembourg-domiciled UCITS fund, incorporated as a Société Anonyme and organized as a Société d'Investissement à Capital Variable (a "SICAV"). The information contained in this marketing document should not be considered as an offer, investment recommendation or solicitation, to deal in the shares of any securities or financial instruments. It is not intended for distribution or use by any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication or use would be prohibited. No information, opinions or data in this document constitute investment, legal, tax or other advice and are not to be relied upon in making an investment or other decision. Subscriptions for shares in the fund may only be made on the basis of the latest Prospectus and relevant Key Investor Information Document (KIID) which can be obtained free of charge upon request or from **abrdn.com**.

United Kingdom (UK): Issued by abrdn Investments Luxembourg S.A. 35a, Avenue J.F. Kennedy, L-1855 Luxembourg, RCS No.B120637. Authorised in Luxembourg and regulated by CSSF.

For more information visit abrdn.com

AA-190724-180829-1

abrdn.com

STA0724705382-001