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# MyFolio Due diligence report

Quarter 1 2023

[abrdn.com](https://abrdn.com)

# About abrdn

## **abrdn is dedicated to helping investors around the world reach their desired investment goals and broaden their financial horizons.**

We seek to provide world-class investment expertise across a breadth of markets and asset classes. Our full range of solutions spans equities, multi-asset, fixed income, liquidity, sovereign wealth funds, real estate and private markets. Coupled with a range of investment approaches, from quantitatively-managed 'smart beta' to highly active alpha-seeking strategies, we transform new investment ideas into practical investment products designed to deliver real value for money to investors.

We have a large team of investment professionals with approximately 1,000 portfolio managers, analysts and product, risk and trading specialists located globally ensuring close proximity to our clients and the markets in which we invest. In addition, we have 500 client specialists working closely with investors and professional advisors to understand their goals and aiming to deliver innovative, world class investment solutions. Today, we manage a total of £508 billion of assets on behalf of governments, pension funds, insurers, companies, charities, foundations and individuals operating in over 80 countries worldwide<sup>1</sup>. As a responsible global investor, we look to leverage our scale and market leadership to raise standards in both the companies and industries in which we invest, and drive best practice across the asset management industry.

<sup>1</sup> Figures as at 30 June 2022.

# MyFolio investment process

## The MyFolio funds are managed by the Multi-Manager Strategies Team at abrdn.

The abrdn team is supported in the management of the MyFolio funds by a number of our key investment professionals, in the Strategic and Tactical Asset Allocation, Fund Selection and Governance functions.

### Strategic Asset Allocation

The Strategic Asset Allocation (SAA) for the funds is determined by abrdn and combines both internal and external expertise. The SAA is formally reviewed on a quarterly basis on completion of the analysis of the risk and return of all our MyFolio fund ranges.

The aim of the SAA process is to select the optimal mix of assets for the given risk target of each portfolio, based on a ten year investment horizon. The SAA is founded on sound investment principles – it is focused on the long-term, diversified across a broad range of differentiated asset classes and is valuation-aware.

Unlike many traditional multi-asset strategies, the SAA is not constrained by a formal reference benchmark; rather it is designed to identify the most attractive portfolios based on the expected returns, volatilities and correlations of the underlying assets.

The resulting asset allocations are used to populate the asset mix 'pots' for the abrdn MyFolio Index, Market, Sustainable and Sustainable Index ranges.

### SAA for MyFolio Managed, Multi-Manager and Monthly Income Funds

abrdn believe that there are benefits from exploring additional diversifying assets in the MyFolio Managed, Multi-Manager and Monthly Income ranges.

### Tactical Asset Allocation

Tactical Asset Allocation (TAA) positions for the Market, Managed, Multi-Manager and Monthly Income ranges will be decided by the Multi-Asset and Investment Solutions Team within abrdn. The Multi-Asset and Investment Solutions Team will apply their tactical investment views to fine tune the strategic asset allocation and take advantage of shorter term opportunities to improve

performance or mitigate risk. In practice this will tilt the strategic asset allocation benchmarks in the direction of favoured asset classes over the shorter term. The TAA positions implemented across the multi-asset portfolios are reviewed on a regular basis with any changes being driven by a change in recommendation from the Global Investment Group (GIG), the team that collates our House View or by a change in the benchmark weighting in a specific asset class.

The nature of the five risk based funds requires disciplined strategic risk controls consistently applied across the suite of funds, therefore the maximum TAA positions permissible within each asset class is + /- 5%. An additional risk control is also applied at defensive and growth assets level. This higher level constraint is at the same level of + /- 5%.

### Fund Selection

#### MyFolio Index Funds

This range invests primarily in a range of tracker funds managed by abrdn that replicate the performance of the strategic asset class benchmarks. These underlying funds will, therefore, follow their respective index down as well as up.

#### MyFolio Market Funds

This range invests primarily in a range of trackers funds managed by carefully selected managers that replicate the performance of the strategic asset class benchmarks.

MyFolio Market invests in active real estate and global high yield bonds, with the aim of creating a well diversified basket of assets that can act as a proxy for their respective markets.

#### MyFolio Managed Funds

The funds selected for the Managed range are primarily selected from those managed by abrdn, who manage a distinctive range of active funds across the majority of asset classes. Where there is not a suitable abrdn fund the Fund Manager will seek to invest in funds from the rest of the market. MyFolio Managed includes allocations to diversifying defensive assets which offer a different expected return profile to traditional asset classes, and as such provide further diversification benefits to the range.

# MyFolio investment process

## MyFolio Multi-Manager Funds

This range invests in carefully selected funds from some of the leading managers in the market.

MyFolio Multi-Manager includes allocations to diversifying defensive assets which offer a different expected return profile to traditional asset classes, and as such provide further diversification benefits to the range.

## MyFolio Sustainable Index Funds

This range invests mainly in enhanced passive funds with a particular consideration of sustainability factors.

## MyFolio Sustainable Funds

This range invests mainly in active, passive and enhanced passive sustainable and impact funds focussed on doing more good and less harm.

## Portfolio Construction

From a rigorously researched position, we construct efficient, well-diversified, active portfolios with a risk/reward profile appropriate to the fund's stated mandate. In doing so, we will seek to generate superior risk-adjusted returns in a consistent manner throughout the economic cycle.

Once we invest in a fund, it is continuously monitored in order to identify any changes that could impact future returns. We recognise the importance of having a strong sell discipline and therefore consider our monitoring process as important as the initial selection. Monitoring our risk exposures also allows us to highlight any unintended risks that may emerge in our portfolios, so that we can remove them before they begin to impact returns.

The fund managers have ultimate responsibility for ensuring that any fund selected is an appropriate selection for the asset class the fund has been chosen to represent.

## Fund Rebalancing

abrdn aim to always keep trading costs to a minimum whilst ensuring funds remain within their agreed risk parameters.

Fund holdings are reviewed daily to determine what, if any, re-balancing is required as a result of market movements and cash flow. Daily re-balancing back to an exact pre-determined TAA position without any tolerance levels would, we believe, be counter productive from a cost perspective.

As such we consider three key areas on a daily basis, asset allocation tolerance, portfolio tracking error and deal size to determine our dealing strategy for the fund.

**Asset allocation tolerance** – we aim to keep the daily positions of each asset class within +/-1.25% of the TAA position.

**Portfolio Tracking Error** – we aim to have a low daily tracking error relative to the default portfolio position.

**Deal size** – deal sizes are considered to ensure dealing costs are not disproportionately high relative to the cash allocation.

Before any deals are struck we go through an iterative process that determines the most cost effective dealing strategy taking into account the above factors. We believe we add value through this process by keeping dealing costs low whilst ensuring the funds remain within their defined risk parameters.

The MyFolio Index, MyFolio Sustainable and MyFolio Sustainable Index ranges are regularly rebalanced back to their respective risk level SAA.

# MyFolio investment process

## Risk Management & Control

### Portfolio Risk Management

There is an extensive risk management infrastructure to ensure that the Multi-Asset and Investment Solutions Team operate within the investment framework. Risk is monitored and controlled by a combination of organisational structures and processes. There are three distinct groups engaged in the risk management process for MyFolio:

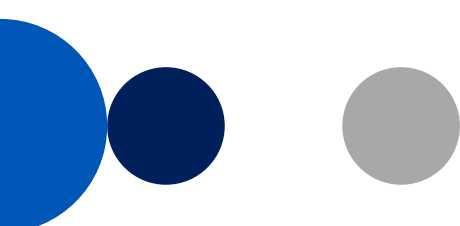
**Multi-Manager Strategies Team** – undertakes risk analysis at portfolio level. On top of backward looking risk measures such as information ratios, monthly underlying holdings are received from fund groups to understand forward looking risk indicators. For all funds we own (and before purchase of a new fund), we insist on monthly portfolio holdings data by the 15th day of every month. For all investment groups that we deal with, we have arranged Non-Disclosure Agreements which are signed-off by both parties' legal teams to ensure confidentiality.

**Investment Risk Team** – our Investment Risk Team works independently and are responsible for monitoring the performance and risk characteristics of the portfolios managed at abrdn. We utilise Industry standard systems – such as RiskMetrics, SunGard APT and UBS Delta to measure and monitor risk.

**Investment Governance Team** – working independently this team is responsible for ensuring the consistency and integrity of the operation of the investment process versus specification/ mandate.

### Risk Management

The Investment Restrictions Control Team's sole responsibility is to monitor positions within funds on a daily basis, and ensure compliance with regulatory and client-driven investment restrictions and guidelines. This team is managed independently from our asset management teams and reports to the Director of Investment Governance.



# Performance summary

## Growth Funds

	3 months	6 months	1 year	3 years	5 years	7 years	10 years	3 Year Vol - ANN	Performance 30/09/2010 to 31/03/2023
abrdn MyFolio Index I	2.42	5.32	-4.24	7.22	0.00	0.00	0.00		
abrdn MyFolio Index II	2.51	6.01	-4.04	14.61	0.00	0.00	0.00		
abrdn MyFolio Index III	2.66	6.67	-3.15	24.20	0.00	0.00	0.00		
abrdn MyFolio Index IV	2.78	7.32	-2.04	33.28	0.00	0.00	0.00		
abrdn MyFolio Index V	2.98	7.23	-1.10	42.91	0.00	0.00	0.00		
abrdn MyFolio Market I	2.22	4.37	-4.97	7.23	7.04	17.41	29.42	6.15	50.10
abrdn MyFolio Market II	2.14	4.60	-5.39	12.44	9.93	25.92	42.67	7.24	72.53
abrdn MyFolio Market III	2.22	4.76	-4.75	22.66	17.37	40.10	62.11	8.75	98.77
abrdn MyFolio Market IV	2.26	5.01	-3.82	32.03	24.82	55.20	82.73	9.97	124.83
abrdn MyFolio Market V	2.96	6.36	-1.56	45.26	36.86	75.66	109.25	11.64	161.74
abrdn MyFolio Managed I	1.39	3.16	-5.58	5.62	2.19	10.50	21.21	6.07	41.02
abrdn MyFolio Managed II	1.20	3.32	-6.58	9.97	3.44	15.48	31.41	7.42	57.96
abrdn MyFolio Managed III	0.97	3.52	-6.69	19.19	8.36	24.59	46.91	9.10	82.58
abrdn MyFolio Managed IV	0.92	3.87	-6.25	26.57	12.81	33.95	62.33	10.37	101.00
abrdn MyFolio Managed V	1.15	5.35	-4.44	36.70	20.67	46.20	80.81	12.16	128.40
abrdn MyFolio Multi Manager I	1.83	3.27	-4.72	9.14	4.85	13.92	23.60	5.64	40.78
abrdn MyFolio Multi Manager II	2.10	3.92	-4.97	14.56	6.85	20.48	34.92	7.02	60.61
abrdn MyFolio Multi Manager III	2.45	4.54	-4.66	23.67	10.83	29.13	48.50	8.72	80.51
abrdn MyFolio Multi Manager IV	2.72	5.18	-3.75	32.11	16.10	39.92	65.40	9.97	104.83
abrdn MyFolio Multi Manager V	3.45	6.65	-1.47	43.07	23.09	52.12	81.99	11.61	127.10
abrdn MyFolio Sustainable I	2.23	4.07	-5.73						
abrdn MyFolio Sustainable II	2.72	4.66	-4.39						
abrdn MyFolio Sustainable III	3.03	4.89	-4.04						
abrdn MyFolio Sustainable IV	3.12	5.23	-3.14						
abrdn MyFolio Sustainable V	3.50	5.58	-3.11						

Source: FE Analytics to 31 December 2022. Institutional accumulation share class performance shown and does not take account of adviser or platform charges which would reduce the performance shown. Standard deviation based on 36 monthly data points. Longer term performance for MyFolio Market, Managed and Multi-Manager funds refers to period since launch on 30 September 2010. MyFolio Index launched 25 March 2019, MyFolio Sustainable launched 30 November 2020, MyFolio Sustainable Index 30 June 2022.

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. Past performance is not a guide to future results.

# Performance summary

## MyFolio Discrete Annual Performance (%): to end March 2023

<b>abrdn MyFolio Index</b>	<b>0-12m</b>	<b>12-24m</b>	<b>24-36m</b>	<b>36-48m</b>	<b>48-60m</b>
MyFolio Index I	-4.24	0.74	11.14	-2.32	-
Risk I Comparator	2.09	3.12	6.79	-0.66	2.82
MyFolio Index II	-4.04	2.45	16.59	-4.19	-
Risk II Comparator	1.96	5.34	11.92	-1.99	4.38
MyFolio Index III	-3.15	5.33	21.75	-6.45	-
Risk III Comparator	1.90	6.80	15.25	-3.19	5.31
MyFolio Index IV	-2.04	7.46	26.61	-8.43	-
Risk IV Comparator	1.68	9.05	20.66	-4.68	6.85
MyFolio Index V	-1.10	9.76	31.66	-9.24	-
Risk V Comparator	1.57	10.52	24.17	-5.97	7.77

<b>abrdn MyFolio Market</b>	<b>0-12m</b>	<b>12-24m</b>	<b>24-36m</b>	<b>36-48m</b>	<b>48-60m</b>
MyFolio Market I	-4.97	1.01	11.71	-3.82	3.78
Risk I Comparator	2.09	3.12	6.79	-0.66	2.82
MyFolio Market II	-5.39	2.46	16.00	-6.18	4.21
Risk II Comparator	1.96	5.34	11.92	-1.99	4.38
MyFolio Market III	-4.75	5.58	21.97	-9.03	5.19
Risk III Comparator	1.90	6.80	15.25	-3.19	5.31
MyFolio Market IV	-3.82	7.59	27.60	-10.85	6.04
Risk IV Comparator	1.68	9.05	20.66	-4.68	6.85
MyFolio Market V	-1.56	9.19	35.14	-11.62	6.61
Risk V Comparator	1.57	10.52	24.17	-5.97	7.77

<b>abrdn MyFolio Managed</b>	<b>0-12m</b>	<b>12-24m</b>	<b>24-36m</b>	<b>36-48m</b>	<b>48-60m</b>
MyFolio Managed I	-5.58	-0.67	12.61	-5.06	1.91
Risk I Comparator	2.09	3.12	6.79	-0.66	2.82
MyFolio Managed II	-6.58	0.76	16.82	-7.54	1.74
Risk II Comparator	1.96	5.34	11.92	-1.99	4.38
MyFolio Managed III	-6.69	3.16	23.82	-10.52	1.59
Risk III Comparator	1.90	6.80	15.25	-3.19	5.31
MyFolio Managed IV	-6.25	4.69	28.97	-12.27	1.58
Risk IV Comparator	1.68	9.05	20.66	-4.68	6.85
MyFolio Managed V	-4.44	5.29	35.86	-12.92	1.37
Risk V Comparator	1.57	10.52	24.17	-5.97	7.77

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# Performance summary

## MyFolio Discrete Annual Performance: to end March 2023 (%) (continued)

<b>abrdn MyFolio Multi-Manager</b>	<b>0-12m</b>	<b>12-24m</b>	<b>24-36m</b>	<b>36-48m</b>	<b>48-60m</b>
MyFolio Multi-Manager I	-4.72	0.41	14.08	-5.15	1.29
Risk I Comparator	2.09	3.12	6.79	-0.66	2.82
MyFolio Multi-Manager II	-4.97	1.39	18.89	-7.93	1.31
Risk II Comparator	1.96	5.34	11.92	-1.99	4.38
MyFolio Multi-Manager III	-4.66	3.76	25.01	-11.52	1.29
Risk III Comparator	1.90	6.80	15.25	-3.19	5.31
MyFolio Multi-Manager IV	-3.75	5.13	30.57	-13.34	1.40
Risk IV Comparator	1.68	9.05	20.66	-4.68	6.85
MyFolio Multi-Manager V	-1.47	5.38	37.79	-15.23	1.49
Risk V Comparator	1.57	10.52	24.17	-5.97	7.77

<b>abrdn MyFolio Sustainable <sup>2</sup></b>	<b>0-12m</b>	<b>12-24m</b>	<b>24-36m</b>	<b>36-48m</b>	<b>48-60m</b>
MyFolio Sustainable I	-5.73	-1.03	-	-	-
Risk I Comparator	1.67	2.65	-	-	-
MyFolio Sustainable II	-4.39	-0.56	-	-	-
Risk II Comparator	1.22	4.55	-	-	-
MyFolio Sustainable III	-4.04	1.26	-	-	-
Risk III Comparator	0.91	5.82	-	-	-
MyFolio Sustainable IV	-3.14	4.16	-	-	-
Risk IV Comparator	0.44	7.73	-	-	-
MyFolio Sustainable V	-3.11	6.80	-	-	-
Risk V Comparator	0.11	9.01	-	-	-

Source: FE Analytics; Institutional Acc share class; 31 March 2023; does not take account of adviser or platform charges which would reduce the performance shown. Composite comparator indices (excluding Sustainable) as follows:

Risk I 5% FTSE All-Share Index, 15% MSCI World ex UK Index, 80% SONIA Index.  
 Risk II 10% FTSE All-Share Index, 25% MSCI World ex UK Index, 65% SONIA Index.  
 Risk III 15% FTSE All-Share Index, 30% MSCI World ex UK Index, 55% SONIA Index.  
 Risk IV 20% FTSE All-Share Index, 40% MSCI World ex UK Index, 40% SONIA Index.  
 Risk V 25% FTSE All-Share Index, 45% MSCI World ex UK Index, 30% SONIA Index.

<sup>2</sup> Composite Comparator for the MyFolio Sustainable range as follows:

20% MSCI All Country World, 80% SONIA  
 35% MSCI All Country World, 65% SONIA  
 45% MSCI All Country World 55% SONIA  
 60% MSCI All Country World, 40% SONIA  
 70% MSCI All Country World, 30% SONIA

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# Strategic asset allocation update

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## The Strategic Asset Allocation Committee

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### Mark Lane (Chair)

Senior Investment Manager,  
Multi-Manager Strategies

Mark is responsible for overseeing the SAA process and is Chairman of the SAA Committee. He is integral to the assessment, analysis and suitability of the asset classes utilised within the asset allocation models.

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### Katie Trowsdale

Head of Multi Manager Strategies

Katie is head of the Multi-Manager Strategies team, where she is co-manager of the Flagship abrdn MyFolio Growth and Sustainable fund ranges.

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### David Clancy

QIS Research Director,  
Quantitative Investments

David is QIS Research Director within Quantitative Investments Strategies (QIS) and is responsible for risk, quantitative analytics and portfolio construction as well as directing the QIS research agenda.

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### Christopher Carlton

Head of Research, Multi Manager Strategies

Christopher is Head of Manager Research in the MMS team.

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### Logan Boxall

Investment Specialist,  
Product Strategy & Solutions

Logan is responsible for the development, technical support and promotion of the full range of abrdn's multi-manager funds.

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### Shona Cannon

Investment Director, Fund Governance

Shona is responsible for acting as the voice of the investor, ensuring the investment of a funds are in line with legal documentation (e.g. prospectus and KIIDs) and client expectations of appropriate investment outcomes.

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### Yan Cheung

Senior Manager – Investment Risk

Yan is responsible for the investment risk monitoring of the Multi-Manager strategies within Investment Governance.

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### Max Macmillan

Investment Manager, Research

Max is responsible for generating abrdn's views about long-term investment returns for asset classes, and advising on optimal long-term asset allocation.

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## Standard invitations are open to the following:

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### Jonathan Davies

Senior Investment Risk Manager

We review the Strategic Asset Allocation (SAA) for each of the funds every quarter, with the aim of ensuring that we continue to meet investors' long-term investment expectations. At the most recent quarterly review, the SAA Committee concluded that a change in asset allocation would improve the prospects for long-term, risk-adjusted returns relative to those based on the previous strategic mix.

Within the defensive assets, we increased duration by reducing the exposure to short-dated sterling and short-dated global corporate bonds in favour of global developed government bonds, global index-linked bonds, global corporate bonds and sterling corporate bonds. In growth assets, a reduction in UK and European equities was matched by an increase in US and Asia Pacific equities. There was also a small switch in the emerging market local-currency bond allocation in favour of global high-yield bonds.

The MyFolio Monthly income range did not participate in these SAA changes.

# Tactical asset allocation update

Within Tactical Asset Allocation (TAA), we made the following changes (where applicable within each risk level).

- Increased our holdings in emerging market equities (moving overweight versus the SAA)
- Increased our holdings in cash (moving to neutral versus the SAA)
- Reduced our holdings in global investment-grade corporate bonds (remaining overweight versus the SAA).

During the quarter, we reduced our holdings in global investment-grade corporate bonds. We believe the upside return from holding corporate bonds is limited and we had concerns regarding the tightness of corporate bond spreads, particularly in the US. Although spreads widened recently due to the news around Silicon Valley Bank and Credit Suisse, the capital gains from the decrease in government bond yields more than offset the losses from widening spreads, and we used this opportunity to reduce our corporate bond position. We believe that the US economy will enter a recession later this year. Therefore, the case for owning duration is

still intact, especially as markets fail to price in the degree of policy loosening that we expect the Federal Reserve to undertake at the end of this year.

We increased our holdings in emerging market equities. China's exit from its zero-Covid policy has been more rapid than initially anticipated, and the reopening of its economy should support its domestic equity market. However, emerging markets will not be immune from a US recession. Therefore, we have introduced this position as a relative-value trade, long emerging market equities versus developed market equities, to exploit economic divergence. At the portfolio level, this leads to a reduction in the aggregate equity underweight. However, the reduction of corporate bond risk, as previously mentioned, offsets part of this equity trade.

The percentages are as followed:

- 0.50%** increase in Emerging market equities
- 0.50%** increase in cash
- 1.00%** decrease in global corporate bonds.

# Risk management and control update

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## Portfolio Risk Management Governance

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Multi-Manager Strategies Team	Nothing to Report
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Investment Risk	Nothing to Report
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Investment Governance	Nothing to Report
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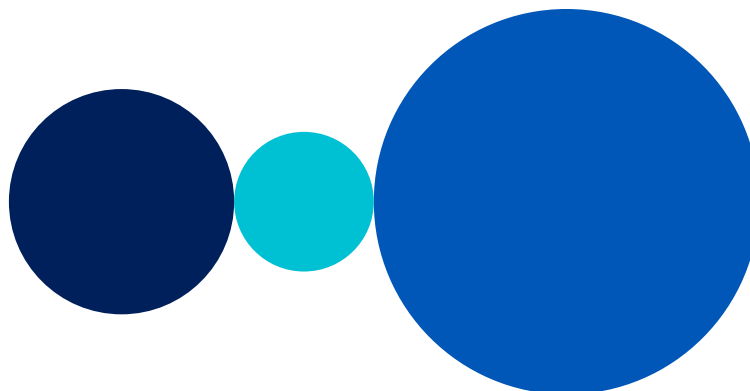
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## Risk Management

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Investment Restrictions Control	Nothing to Report
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# Fund manager meetings

During the quarter, the Multi-Manager Strategies Team met with the following asset managers.

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abrdn

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Artemis

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BlackRock

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BNY Mellon

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Capital Group

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Dodge & Cox Worldwide Funds

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Eaton Vance

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Findlay Park

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First Sentier Investors

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Invesco

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J O Hambro

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JPMorgan

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Jupiter

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Kames Capital

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Lazard

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Livingbridge

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M&G

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Mayfair Capital Investment Mgmt

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Ninety One

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Nordea

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PIMCO

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Prusik

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Robeco

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Savills

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Schroders

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Sparinvest

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T Bailey

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Wellington Management

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# Fund changes

## abrdrn MyFolio Managed

	Buys	Sells
Q1 2023	No significant changes	No significant changes

## abrdrn MyFolio Market

	Buys	Sells
Q1 2023	No significant changes	No significant changes

## abrdrn MyFolio Multi-Manager

	Buys	Sells
Q1 2023	abrdrn American Equity Enhanced Index M&G Global Macro	Artemis US Select Payden Absolute Return Bond

## abrdrn MyFolio Index

	Buys	Sells
Q1 2023	Sparinvest Ethical Value	WHEB Sustainability

## abrdrn MyFolio Sustainable

	Buys	Sells
Q1 2023	No significant changes	No significant changes

Fund changes may not apply at every risk level.

# Market review

Global equity markets were mostly negative over the past 12 months, with the US, China and emerging markets all posting negative returns. UK large-cap companies performed more positively than small and mid-cap companies. European markets were positive in aggregate over the period.

Early in the period, global markets had begun to bounce back after Russia's invasion of Ukraine and the tightening of monetary policy by global central banks. However, the rest of the period was defined by fluctuating market performances, as fears of high inflation and the risk of a global recession caused volatility. Global equities rebounded at the start of the fourth quarter of 2022, as US inflation data and the relaxing of China's strict Covid-19 restrictions gave investors cause for optimism, but then fell in December. Markets rose in January but fell again in February, as higher-than-expected inflation data sparked fresh fears of central bank action. At the end of the period, equity markets rose, as investors shrugged off unrest in the banking sector.

In fixed-income markets, most government bond prices fell during the period. Central banks acted to control

inflation by reducing policy support and hiking interest rates. As a result, investors sold government bonds, pushing yields higher. Corporate bond prices also fell, as investor fears over the withdrawal of central bank support increased. In the UK, September's mini-Budget prompted a wave of selling in bond markets, driving Gilt yields higher and prompting intervention from the Bank of England (BoE). The US Federal Reserve (Fed) raised the federal funds rate by 25 basis points (bps) at its February meeting, with the European Central Bank (ECB) and the BoE both raising rates by 50 bps. In March, the Fed raised rates again by 25 bps, with the BoE also delivering a smaller rate hike of 25 bps. The ECB raised rates by 50 bps in March.

Total returns from UK commercial real estate were -12.8% over the 12 months to the end of February. Industrials were the weakest sector, returning -18.7%, followed by offices, returning -11.9% while the residential sector posted a positive return in challenging conditions, with a return of 3.2%. A broad repricing of UK real estate, driven by the weaker macroeconomic environment and rising debt costs, has been the principal driver of change in real estate fortunes over the period. Capital value declines weighed on performance in the third and fourth quarters of 2022.

# Market outlook

Global equity markets will continue to face challenges in 2023, with investors concerned that entrenched inflation and sustained rate rises could result in an economic downturn. After the Federal Deposit Insurance Corporation rescued Silicon Valley Bank and Signature Bank, then UBS acquired Credit Suisse, the European Central Bank (ECB) in particular will be closely monitoring the unfolding banking crisis.

In fixed-income markets, the US Federal Reserve (Fed), Bank of England (BoE) and ECB all raised rates in March, with a 25 basis point (bp) rise from the Fed and BoE and a 50 bp rise from the ECB. This signalled a deceleration in the pace of interest rate hikes for the Fed and BoE. In the US, we expect that further tightening will be necessary to control inflation, especially if growth and inflation

continue to hold up in the face of tighter policy. In the UK, we expect recession-like conditions to prevail for much of 2023. However, the BoE now forecasts some growth in late 2023, whereas it had previously predicted a recession. The outcome of the BoE's May meeting will depend heavily on inflation and wage growth over the next month. In Europe, although a deep winter recession was avoided, core inflation is still strong, meaning the ECB is expected to hike rates further.

There was initial evidence of price stabilisation in some areas of the UK real estate market in the first quarter of 2023. Performance is likely to be polarised, as the weaker macroeconomic environment weighs on the wider market. High debt costs and gilt yields are likely to limit any capital growth.

## **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. Past performance is not a guide to future results.

This document relates to the range of abrdrn MyFolio OEIC funds. For more information on individual abrdrn MyFolio funds, the risks applicable to them, and their respective benchmarks, please refer to the Key Investor Information Document or the Prospectus.

This material is for informational purposes only. This should not be relied upon as a forecast, research or investment advice. It does not constitute an offer, or solicitation of an offer, to sell or buy any securities or an endorsement with respect to any investment vehicle. The opinions expressed are those of abrdrn and are subject to change at any time due to changes in market or economic conditions.

## **Investment objective**

All abrdrn MyFolio funds aim to generate growth over the long term (5 years or more) while being managed to a defined level of risk.

### **abrdrn MyFolio Index I, II, III, IV and V**

To generate growth over the long term (5 years or more) while being managed to a defined level of risk. The fund is part of the abrdrn MyFolio Index range, which offers five funds with different expected combinations of investment risk and return. Index I is risk level I, which aims to be the lowest risk fund in this range, and the range goes up to Index V which is risk level V, which aims to be the highest risk fund in the range.

### **abrdrn MyFolio Market I, II, III, IV and V**

The fund is part of the abrdrn MyFolio Market range, which offers five funds with different expected combinations of investment risk and return. Market I is risk level I, which aims to be the lowest risk fund in this range, and the range goes up to Market V which is risk level V, which aims to be the highest risk fund in the range.

### **abrdrn MyFolio Managed I, II, III, IV and V**

The fund is part of the abrdrn MyFolio Managed range, which offers five funds with different expected combinations of investment risk and return. Managed I is risk level I, which aims to be the lowest risk fund in this range, and the range goes up to Managed V which is risk level V, which aims to be the highest risk fund in the range.

### **abrdrn MyFolio Multi-Manager I, II, III, IV and V**

The fund is part of the abrdrn MyFolio Multi-Manager range, which offers five funds with different expected combinations of investment risk and return. Multi-Manager I is risk level I, which aims to be the lowest risk fund in this range, and the range goes up to Multi-Manager V which is risk level V, which aims to be the highest risk fund in the range.

### **abrdrn MyFolio Sustainable Index I, II, III, IV and V**

To generate growth over the long term (5 years or more) while being managed to a defined level of risk. The fund is part of the abrdrn MyFolio Sustainable Index range, which offers five funds with different expected combinations of investment risk and return that follow the abrdrn MyFolio Sustainable Index Investment Approach. The fund is risk level I, which aims to be the lowest risk fund in this range.

### **abrdrn MyFolio Sustainable I, II, III, IV and V**

To generate growth over the long term (5 years or more) while being managed to a defined level of risk. The fund is part of the abrdrn MyFolio Sustainable range, which offers five funds with different expected combinations of investment risk and return that follow the abrdrn MyFolio Sustainable Investment Approach. Sustainable I is risk level I, which aims to be the lowest risk fund in this range, and the range goes up to Sustainable V which is risk level V, which aims to be the highest risk fund in the range.

### **Risk level I across all abrdn MyFolio ranges**

**Risk Target:** The defined level of risk referred to above that the management team is targeting is within in the range of 20–40% of world stock markets (represented by the MSCI 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% of world stock markets), which the ACD considers appropriate given the investment policy and Risk Target of the fund. This basket is composed of 5% FTSE All-Share Index, 15% MSCI World ex UK Index and 80% SONIA Index. (20% MSCI All Country World for Sustainable I)

### **Risk level II across all ranges**

**Risk Target:** The defined level of risk referred to above that the management team is targeting is within in the range of 35–55% of world stock markets (represented by the MSCI 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. 35% of world stock markets), which the ACD considers appropriate given the investment policy and Risk Target of the fund. This basket is composed 10% FTSE All-Share Index, 25% MSCI World ex UK Index and 65% SONIA Index. (35% MSCI All Country World for Sustainable II)

### **Risk level III across all ranges**

**Risk Target:** The defined level of risk referred to above that the management team is targeting is within in the range of 45–75% of world stock markets (represented by the MSCI 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. 45% of world stock markets), which the ACD considers appropriate given the investment policy and Risk Target of the fund. This basket is composed of 15% FTSE–All Share Index, 30% MSCI World ex UK Index and 55% SONIA Index. (45% MSCI All Country World for Sustainable III)

### **Risk level IV across all ranges**

**Risk Target:** The defined level of risk referred to above that the management team is targeting is within in the range of 60–90% of world stock markets (represented by the MSCI 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. 60% of world stock markets), which the ACD considers appropriate given the investment policy and Risk Target of the fund. This basket is composed 20% FTSE All-Share Index, 40% MSCI World ex UK Index and 40% SONIA Index. (60% MSCI All Country World for Sustainable IV)

### **Risk level V across all ranges**

**Risk Target:** The defined level of risk referred to above that the management team is targeting is within in the range of 70–110% of world stock markets (represented by the MSCI 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. 70% of world stock markets), which the ACD considers appropriate given the investment policy and Risk Target of the fund. This basket is composed 25% FTSE All-Share Index, 45% MSCI World ex UK Index and 30% SONIA Index. (70% MSCI All Country World for Sustainable V)

# Investment policy

## Portfolio Securities (please refer to the table on page 21 to identify which comments apply)

1.1	The fund will invest at least 60% in actively managed abrdn funds to obtain broad exposure to a range of diversified investments.	2.1	It may invest up to 40% in passively managed funds (including those managed by abrdn).	3.1	Typically, 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).	4.1	Typically, at least 80% of the fund will be invested in assets traditionally viewed as being higher risk such as such as equities (company shares), commercial property and emerging market bonds (loans to an emerging market government).
1.2	The fund will invest at least 60% in actively managed funds, including those managed by abrdn, to obtain broad exposure to a range of diversified investments.	2.2	It may invest up to 40% in actively managed funds (including those managed by abrdn).	3.2	Typically, at least 40% 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).	4.2	Typically, at least 60% of the fund will be invested in assets traditionally viewed as being higher risk such as such as equities (company shares), and emerging market bonds (loans to an emerging market government).
1.3	The fund will invest at least 60% in passively managed abrdn funds to obtain broad exposure to a range of diversified investments.	2.3	It may invest up to 20% in actively managed funds (including those managed by abrdn).	3.3	Typically, at least 25% 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).	4.3	Typically, at least 80% of the fund will be invested in assets traditionally viewed as being higher risk such as such as equities (company shares), and emerging market bonds (loans to an emerging market government).
1.4	The fund will invest at least 80% in passively managed funds, including those managed by abrdn, to obtain broad exposure to a range of diversified investments.			3.4	Typically, at least 60% of the fund will be invested in assets traditionally viewed as being higher risk such as such as equities (company shares), commercial property, alternative funds and emerging market bonds (loans to an emerging market government).	4.4	Typically, 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).
1.5	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.			3.5	Typically, at least 80% of the fund will be invested in assets traditionally viewed as being higher risk such as such as equities (company shares), commercial property, alternative funds and emerging market bonds (loans to an emerging market government).	4.5	Typically, at least 80% 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).



# Investment policy

		3.7	Typically, at least 60% of the fund will be invested in assets traditionally viewed as being higher risk such as such as equities (company shares), commercial property and emerging market bonds (loans to an emerging market government).	4.6	Typically, at least 30% 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).
		3.8	Typically, at least 80% of the fund will be invested in assets traditionally viewed as being higher risk such as such as equities (company shares), commercial property and emerging market bonds (loans to an emerging market government).	4.7	Typically, at least 10% 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).
		3.9	Typically, at least 60% of the fund will be invested in assets traditionally viewed as being higher risk such as such as equities (company shares), and emerging market bonds (loans to an emerging market government).	4.8	Typically, at least 50% of the fund will be invested in assets traditionally viewed as being higher risk such as such as equities (company shares), commercial property, alternative funds and emerging market bonds (loans to an emerging market government).
5.1	The rest of the fund will be invested in a selection of other assets such as equities (company shares including property shares), commercial property and funds that can use a combination of traditional assets (such as equities and bonds) and investment strategies based on derivatives.	6.1	All funds selected will adhere to the abrdrn MyFolio Sustainable Investment Approach available on abrdrn.com under "Responsible Investing".	7.1	The use of neutral funds is limited to 35% of the total portfolio.
5.2	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) and funds that can use a combination of traditional assets (such as equities and bonds) and investment strategies based on derivatives.	6.2	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).	7.2	The use of neutral funds is limited to 25% of the total portfolio.

# Investment policy

5.3 The rest of the fund will be invested in a selection of other assets such as equities (company shares including property shares).	6.3 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) 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).	7.3 The use of neutral funds is limited to 15% of the total portfolio.
5.4 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).	6.4 All funds selected will adhere to the abrdrn MyFolio Sustainable Index Investment Approach available on abrdrn.com under "Responsible Investing".	7.4 The use of neutral funds is limited to 10% of the total portfolio.
5.5 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).		7.5 The use of neutral funds is limited to 5% of the total portfolio.
5.6 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).		7.6 The use of neutral funds is limited to 45% of the total portfolio.
		7.7 The use of neutral funds is limited to 30% of the total portfolio.
		7.8 The use of neutral funds is limited to 20% of the portfolio.
		8.1 Investment in neutral funds may not adhere to the abrdrn MyFolio Sustainable Index Investment Approach.

# Key

Fund	Risk Level	Applicable Portfolio Security Comments							
Index	I	1.4	2.3	3.1	5.3				
Index	II	1.4	2.3	3.2	5.3				
Index	III	1.4	2.3	3.3	5.3				
Index	IV	1.4	2.3	3.9	5.4				
Index	V	1.4	2.3	4.1	5.4				
Market	I	1.3	2.2	3.1	5.1				
Market	II	1.3	2.2	3.2	5.1				
Market	III	1.3	2.2	3.3	5.1				
Market	IV	1.3	2.2	3.7	5.2				
Market	V	1.3	2.2	3.8	5.2				
Managed	I	1.1	2.1	3.1	5.1				
Managed	II	1.1	2.1	3.2	5.1				
Managed	III	1.1	2.1	3.3	5.1				
Managed	IV	1.1	2.1	3.4	5.2				
Multi-Manager	I	1.2	2.1	3.1	5.2				
Multi-Manager	II	1.2	2.1	3.2	5.2				
Multi-Manager	III	1.2	2.1	3.3	5.2				
Multi-Manager	IV	1.2	2.1	3.4	5.2				
Multi-Manager	V	1.2	2.1	3.5	5.2				
Sustainable Index	I	1.4	2.3	3.1	5.5	6.3	6.4	7.6	8.1
Sustainable Index	II	1.4	2.3	3.2	5.5	6.3	6.4	7.1	8.1
Sustainable Index	III	1.4	2.3	3.3	5.5	6.3	6.4	7.7	8.1
Sustainable Index	IV	1.4	2.3	4.4	5.4	6.3	6.4	7.2	8.1
Sustainable Index	V	1.4	2.3	4.5	5.4	6.3	6.4	7.8	8.1
Sustainable	I	1.5	2.1	3.1	5.5	6.1	6.2	7.1	
Sustainable	II	1.5	2.1	3.2	5.5	6.1	6.2	7.2	
Sustainable	III	1.5	2.1	3.3	5.5	6.1	6.2	7.3	
Sustainable	IV	1.5		4.2	5.6	6.1	6.2	7.4	
Sustainable	V	1.5		4.3	5.6	6.1	6.2	7.5	

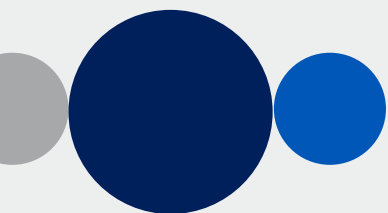
# Management process, derivatives and techniques

## 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.
- In addition, they will take tactical asset allocations (changing short term proportions in each asset class) with the aim of improving returns.
- Please note that the number contained in the fund names are not related to the SRRI contained in the Key Investor Information Document for each fund.

## Derivatives and Techniques

- The fund is not expected to invest in derivatives directly however it may invest in other funds which use derivatives more extensively.
- Investors in the fund may buy and sell shares on any dealing day (as defined in the Prospectus). If you invest in income shares, income from investments in the fund will be paid out to you. If you invest in accumulation shares, income will be added to the value of your shares.
- Recommendation: the fund may not be appropriate for investors who plan to withdraw their money within five years. Investors should satisfy themselves that their attitude to risk aligns with the risk profile of this fund before investing.



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