

abrdrn OEIC III

abrdrn MyFolio Sustainable Fund range – Investment Approach

May 2024

This approach applies to the following funds:

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

The objective of the MyFolio Sustainable range is to generate growth over the long term (5 years or more) while being managed to a defined level of risk. The abrdrn MyFolio Sustainable range offers five funds with different expected combinations of investment risk and return that follow the abrdrn MyFolio Sustainable Investment Approach. They do this by investing in a range of carefully chosen funds which meet our sustainability standards.

What type of investor is abrdrn MyFolio Sustainable Investment range 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 portfolios 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.

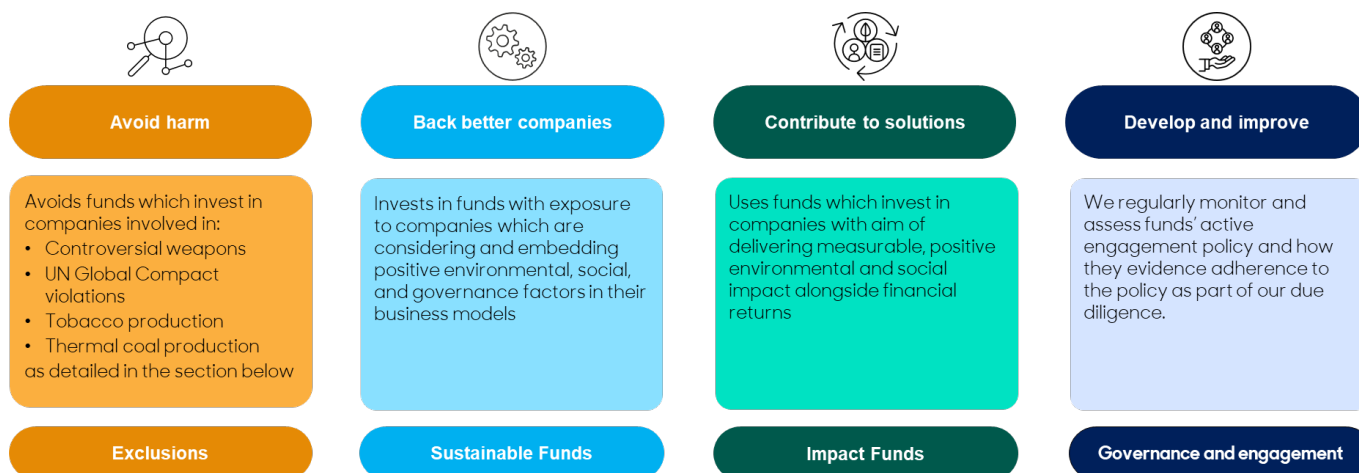


Thematic investors typically want to invest in companies that have a positive impact on a specific ESG theme alongside a strong financial return.



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

What is abrdn MyFolio Sustainable range trying to do?



Applying Our Sustainable Investment Criteria

1. Avoiding harm: using exclusions

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

- Controversial weapons¹** - Have any tie to controversial weapons covering: cluster munitions, anti-personnel landmines, nuclear weapons, chemical and biological weapons, white phosphorus, non-detectable fragments, incendiary devices, depleted uranium ammunition or blinding lasers
- Tobacco¹** - Production of tobacco products (specifically deriving 5% or more of their revenue from the manufacture of tobacco products)
- Thermal coal²** - Production of thermal coal (specifically deriving 5% or more of their revenues from mining thermal coal or thermal coal-based power production)
- UN Global Compact³** - In violation of the UN's Global Compact Principles regarding human rights, labour, the environment, or anticorruption (specifically as identified by MSCI ESG global norms screening)

For more details please visit our website at www.abrdn.com under "Sustainable Investing" where we have position statements on various ESG-related issues.

The above sets out the screens that are applied for this fund range. We cannot exhaustively list screens that are not applied and it is important for investors to be clear that the interpretation of ESG and sustainability criteria is subjective, meaning that the fund may invest in companies which do not align with the personal views of individual investors.

As the exclusions utilised are specific to the MyFolio Sustainable range, not all underlying funds will have identical exclusionary policies. Where an underlying fund applies different exclusion criteria from our own (or applies none), MyFolio Sustainable will only invest where we judge that ownership of the fund in question would not be in contravention of the objectives, process, and philosophy of MyFolio Sustainable. To manage this effectively, we allow an overall 0.5% tolerance across our excluded activities to accommodate these small exposures. If aggregate portfolio exposure to the exclusions outlined above breaches 0.5% for a specific risk level, our managers have a process to address this. This will involve validating the nature of the breach, discussing the breach with its source (underlying fund/manager) and, if required, adjusting exposure to the underlying manager(s) for that specific risk level. We will resolve any issue as soon as is practicably possible following its identification; see divestment approach section below for details.

Investment in financial derivative instruments may not adhere to the sustainable investment approach applied by the abrdn MyFolio Sustainable Fund range.

¹ Data Source: MSCI

² Data Source: MSCI and investment research

³ We utilise a combination of external data sources, including MSCI and our own internal research and insights, as well as sustained engagement.

2. Back better companies: using sustainable funds

MyFolio Sustainable aims to provide wide-ranging, diversified market access whilst explicitly considering and embedding positive environmental, social, and governance factors. We use a combination of active and enhanced passive funds from external managers as well as our own in-house funds from abrdn.

Enhanced Passive ESG Funds are designed to have a low tracking error versus a standard benchmark for the relevant asset class. We would expect such holdings to display positive ESG characteristics, relative to a market capitalisation benchmark in areas such as carbon intensity and overall provider ESG score / rating.

Active Sustainable Funds aim to outperform their benchmark and provide improved sustainability credentials compared to traditional investments. For example, investing in clean energy, smart agriculture, health care, or companies with/facilitating lower carbon emissions.

These funds are selected to help to deliver the overall objective of the abrdn MyFolio Sustainable funds.

3. Contribute to solutions: using impact funds

abrdn MyFolio Sustainable Funds seek to have an allocation of 10-30% of the portfolio to impact investing, which aims to deliver measurable, positive environmental and social impact alongside financial returns. In order to be included in the impact portion of abrdn MyFolio Sustainable range, 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 abrdn MyFolio Sustainable range must produce some form of 'Impact' reporting, which must give us enough quality information to allow us to adequately assess their impact outcomes.

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. Neutral funds

The abrdn MyFolio Sustainable Fund range will use vehicles classified as neutral funds; funds which have no specific ESG or sustainability criteria within their investment objective or process. These funds are utilised to ensure that each of the abrdn MyFolio Sustainable funds can be appropriately diversified and meet their long-term volatility objectives. Neutral funds will be employed in asset classes where it is not possible or difficult to identify suitable funds with appropriate sustainable investment approaches, such as funds representing developed government bonds and cash.

5. 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 funds held within MyFolio Sustainable are using their voices to drive positive change, we require underlying fund managers to evidence that they have an active engagement policy in place.

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, which can be found on www.abrdn.com under "Sustainable Investing".

6. Summary

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

	Risk Level				
	I	II	III	IV	V
Neutral funds	Up to 35%	Up to 25%	Up to 15%	Up to 10%	Up to 5%
Sustainable funds	At least 35%	At least 45%	At least 55%	At least 60%	At least 65%
Impact Funds	10-30%	10-30%	10-30%	10-30%	10-30%

7. Disinvestment Approach

Disinvestment from any underlying funds is required

- If they become in breach of any of our excluded activities, where
- Aggregate exposure is more than 0.5% tolerance across our excluded activities

Should the review of a security result in it being deemed non-compliant, the intention would be exit as soon as is practicably possible, but generally never longer than 3 months, allowing for market conditions.

Important Information

The value of an investment is not guaranteed and can go down as well as up. An investor may get back less than they invested.

The information contained in this document should not be considered as an offer, solicitation or investment recommendation 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.

Nothing herein constitutes investment, legal, tax or other advice and is not to be relied upon in making an investment or other decision. No recommendation is made, positive or otherwise, regarding individual securities mentioned. This is not an invitation to subscribe for shares in the fund and is by way of information only.

Subscriptions will only be received and shares issued on the basis of the current Prospectus, relevant Key Investor Information Document (KIID) and Supplementary Information Document (SID) for the fund. For further information about the Fund, including the prospectus, annual report and accounts, half-yearly reports, the latest share prices, or other practical information, please visit www.abrdn.com where documents may be obtained free of charge.

Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use by abrdn*. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, abrdn* or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Neither the Owner nor any other third party sponsors, endorses or promotes the fund or product to which Third Party Data relates.

The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI" Parties) expressly disclaims all warranties (including without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages (www.msci.com).

United Kingdom (UK): Issued by abrdn Fund Managers Limited, registered in England and Wales (740118) at 280 Bishopsgate, London EC2M 4AG . Authorised and regulated by the Financial Conduct Authority in the UK."

For more information visit abrdn.com