

July 2018

# Annual Update

## Aberdeen Standard Multi-Asset Income Fund

### Annual review

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

For the 2017/18 financial year, the Fund achieved an income distribution return of 4.38% (including franking/tax credits of 0.63%) and capital growth of -1.36% for a total return of 3.03% (before fees) and 2.30% (net of fees).

The Fund's income distribution return of 4.38% easily exceeded the RBA cash rate which averaged 1.50% over the period. For comparison, banks' special term deposit rates averaged 2.27%.

The Fund's income distribution yield of 4.38% was approximately in line with the income estimate of 4.44% for the 2017/2018 financial year. The Fund exceeded its estimated monthly distribution amount of 0.32 cents per unit for the year, yet the 'income reserve' component was slightly less than the estimate, both of which are calculated using the 30 June 2016 application unit price.

The Fund's capital growth of -1.36% was slightly negative over the year, underperforming inflation, which was up 1.90%, as measured by the Consumer Price Index (CPI). However, the Fund has achieved 2.17% p.a. capital growth (net of fees) over the last five years more than offsetting inflation over this time.

The key drivers of the strong income returns over the 2017/18 financial year were:

- The Fund's strategic asset allocation across a range of domestic and increasingly offshore markets;
- Strong dividends (and franking credits) from the Fund's Australian equities investments; and
- Strong income returns from the Fund's offshore (non-Australian) investments. Over the course of the financial year the Fund's allocation to offshore investments increased from 27% to 38%.

### Income estimate for the 2018/2019 Financial Year

We are pleased to announce the expected monthly cash distribution target for the 2018/19 financial year will once again increase - this year from 0.32 to 0.33 cents per unit. This means that investors are expected to receive a 3.13% increase in the cash income they receive compared to the 2017/18 financial year (assuming they hold the same number of units). This is the third consecutive year the Fund has been able to offer a higher estimated distribution target.

This is on top of a similar increase from 0.31 to 0.32 cents per unit in the 2017/18 financial year. What this means is that investors are expected to receive an increase in the amount of income from the Fund greater than the increase in CPI or the general cost of living. We are able to offer this expected increase despite the ongoing challenge of low interest rates in Australia, and around the world, which is likely to continue for some time in our view.

### Income estimate for 2018/2019 Financial Year

**4.73%**<sup>1</sup>

The above 2018/2019 income estimate is comprised of the following 3 components:

**1**

Regular monthly  
payment of 0.33 CPU (3.75%)

**2**

Financial year end distribution (or  
income reserve) paid in June 2019  
(estimated at 0.35%)

**3**

Franking credits  
(estimated at 0.63%)

<sup>1</sup>Income estimate is net of fees and based on the application unit price at 30 June 2018. Income estimate is purely from income sources and therefore does not include any potential for distributed capital gain. This income estimate is not a guarantee. Assumes no reinvestment of income.

We expect the Fund to deliver a total income distribution yield of 4.73% for the 2018/2019 financial year (which includes the cash distribution, franking credits, and an income reserve, and is calculated using the application unit price as at 30 June 2018). This represents an increase in the expected yield from last financial year which was 4.44% at the beginning of the 2017/18 period. We are able to offer this expected increase based on various higher market yields as well as a new strategic asset allocation based on a recent review conducted by the investment team (see details below). As part of this review we intend to reduce the allocation to cash and fixed income given the low and rising interest rate environment and increase the allocation to global equities.

We are aware of the importance of a competitive income distribution to our clients, yet are mindful of achieving it through a suitably balanced portfolio which incorporates an appropriate amount of risk.

### Strategic Asset Allocation weights

From 25 July 2018 the Strategic Asset Allocation weights for the Fund are as follows:

Australian equities	35%
International equities	8%
Property securities	3%
Alternatives	15%
Fixed income	10%
Sub-investment grade credit	25%
Cash and short maturity income	4%

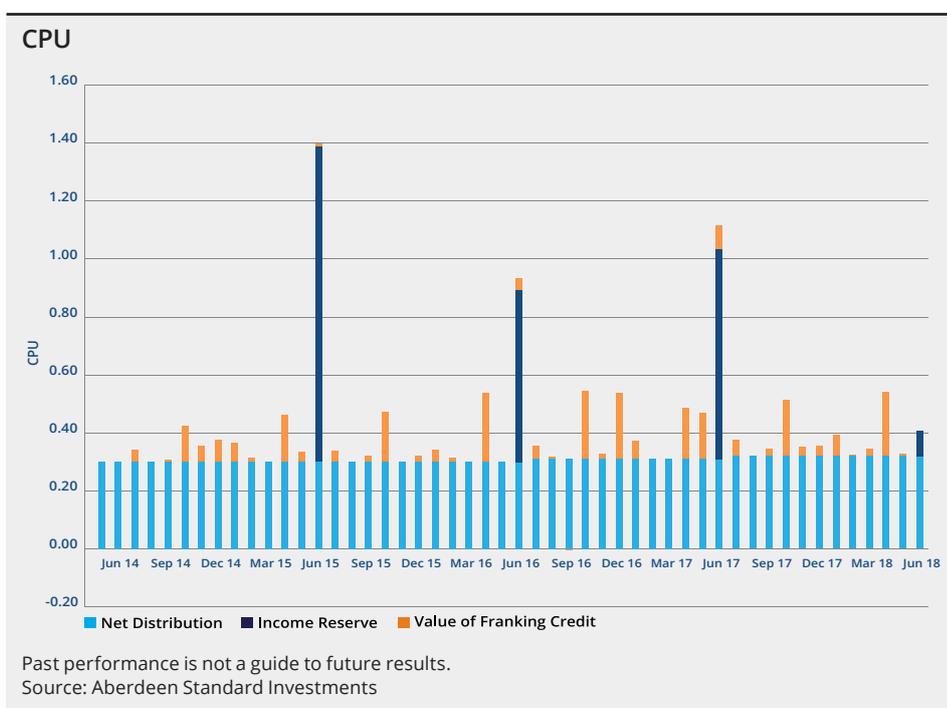
### Performance summary as at 30 June 2018 (%)

	Financial year returns				to 30 June 2018
	FY 14/15	FY 15/16	FY 16/17	FY 17/18	5 Years (pa)
Distribution return	4.48	4.07	4.24	3.75	4.04
Franking credits	0.56	0.56	0.95	0.63	0.61
<b>Total income return (including franking credits)</b>	<b>5.04</b>	<b>4.63</b>	<b>5.19</b>	<b>4.38</b>	<b>4.65</b>
Growth return (after fees)	2.23	-0.04	2.35	-2.08	1.40
<b>Total return (after fees, including franking credits)</b>	<b>7.27</b>	<b>4.59</b>	<b>7.54</b>	<b>2.30</b>	<b>6.05</b>

- Performance summary details the outcome for a client invested for the period shown
- Distribution return combines the 12 monthly distributions + income reserve paid in June distribution
- Total income return is grossed up for franking credits and assumes reinvestment of income
- Total income return may be expressed differently in other client reports
- Performance figures are calculated using end-of-month exit prices, net of fees. Past performance is not a guide to future results.

Source: Aberdeen Standard Investments

### Consistent regular income delivered



The Fund provided a consistent monthly distribution of 0.32 cents per unit (CPU) for financial year 2017/2018. The Fund delivered a higher than expected monthly distribution for June 2018 of 0.41 CPU. This compares to the pre-announced amount of 0.32, representing an additional 0.09 CPU for June. The benefit of franking credits is realised on lodgement of an individual's tax return.

### 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 exceeded the RBA cash rate in each of the last three years and is ahead of what would have been received from average term deposit rates over the period.

### Growth objective

The Fund has achieved 2.17% p.a. capital growth (net of fees) over the last five years to 30 June 2018 which has helped offset the impact of inflation on investors.

## Previous years' distribution yield<sup>2</sup> vs term deposits (%)<sup>3</sup>

	Fund	Term deposits
2017/2018 Financial Year:	4.38	2.27
2016/2017 Financial Year:	5.02	2.66
2015/2016 Financial Year:	4.54	2.57
2014/2015 Financial Year:	5.13	3.07
2013/2014 Financial Year:	4.00	3.70
2012/2013 Financial Year:	5.01	4.35
2011/2012 Financial Year:	6.36	5.40

<sup>2</sup>Based on the 30 June unit price at the beginning of each period, net of fees.  
<sup>3</sup>Based on the average special term deposit rate during the relevant period. Past performance is not a guide to future results.  
Source: RBA, Aberdeen Standard Investments, 2017.

## The Aberdeen Standard Multi-Asset Income Fund has two key objectives:

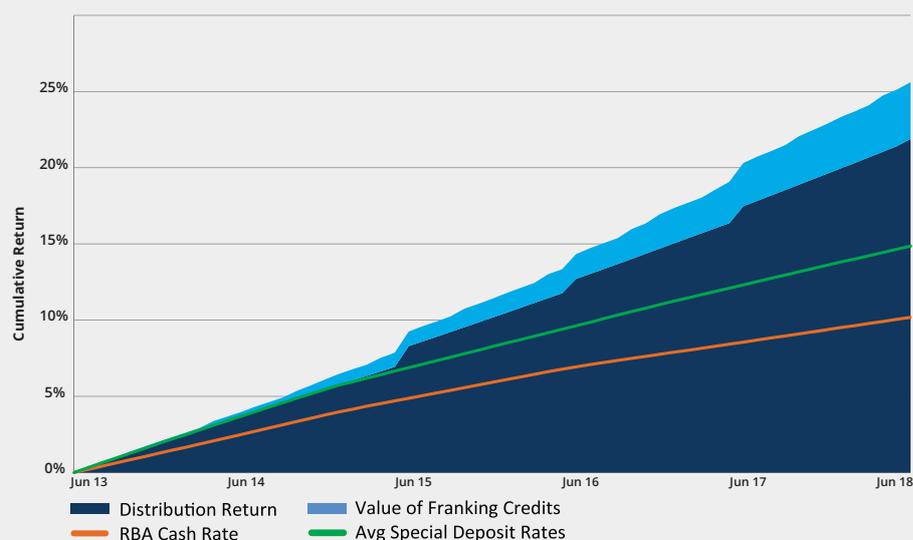
### 01 Income objective

To provide an income yield each year that exceeds the RBA cash rate.

#### 5 year comparative income return: 1 July 2013 - 30 June 2018

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

#### Cumulative Return



Source: ABS, Aberdeen Standard Investments, 2018

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.

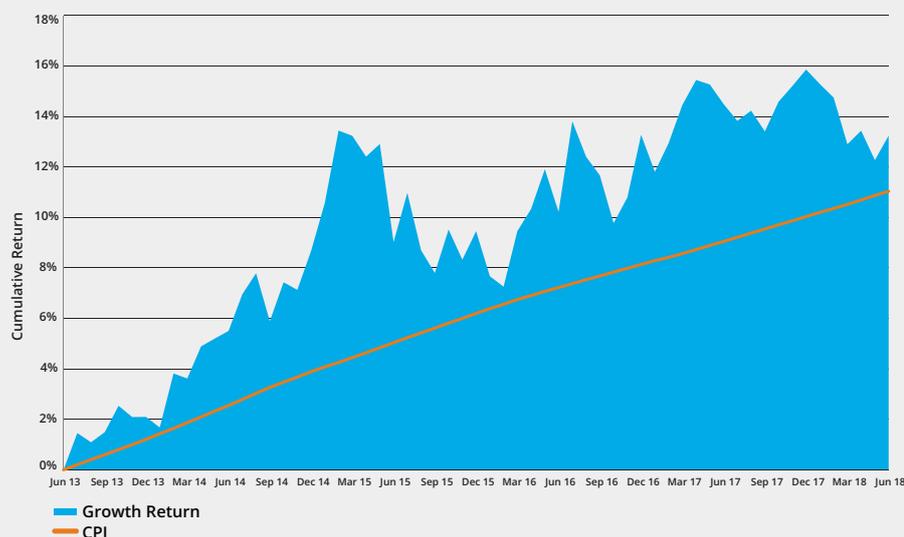
## 02 Growth objective

To provide capital growth over the medium to long term.

### 5 year comparative capital income return: 1 July 2013 - 30 June 2018

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

#### Cumulative Return



Source: ABS, Aberdeen Standard Investments, 2018

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

Our outlook for the global economy remains broadly positive as various indicators appear relatively balanced. We believe the global economy will continue to grow at a reasonable rate, increasingly driven by above average rates of growth from Emerging Markets, particularly Asia. The spectre of higher interest rates in developed markets remain a challenge for investors in fixed income markets. Global inflation has started to increase (although off relatively low levels), yet in Australia inflation remains relatively benign, sitting slightly below the RBA's 2-3% range.

Looking ahead, Australian equities are likely to remain supported by expansionary conditions although volatility will feature amid a persistent raft of concerns. The global economy's positive momentum will bode well for the domestic economy, which should continue expanding this year and next, aided by benign inflation. On the export front, well-run companies that derive the bulk of their earnings from abroad are the obvious beneficiaries of upbeat global growth. In the resources sector, we expect firm commodity prices to keep market conditions buoyant and encourage capital expenditure.

## Why Aberdeen for multi-asset income?

Our multi-asset investment process is tried and true with a strong track record investing in multiple asset classes and sourcing regular, consistent income.



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



A proven track record of sourcing income for investors and adding value through active asset allocation while considering risk management.

Global equity markets are expected to remain on tenterhooks, given geopolitical uncertainties and shifts in monetary policy over the next few months. Trade tensions between the US and its major trading partners, as well as political uncertainty in Europe, will weigh on investors' minds. They will also be keeping a close watch on how major central banks will manage liquidity and currency fluctuations.

Cash rates have started to increase in the US and to a lesser extent in the UK however in most other major economies they remain at or near all-time lows. Again we think any further global cash rate increases are likely to be gradual and well anticipated by investors. In Australia, the cash rate remains at historically low levels and we don't forecast any material change in the immediate future.

We continue to remain focused on positioning the portfolio to ensure that the Fund continues to meet both its income and capital growth objectives, whilst ensuring an appropriate level of risk. We remain confident in being able to continue to meet the Fund's income and capital growth objectives over time.

### Important information

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