

July 2019

# 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 Reserve Bank of Australia (RBA) cash rate as well as capital growth over the medium to long term to help offset inflation.

For the 2018/19 financial year, the Fund achieved an income distribution return of 7.83% (including franking/tax credits of 1.41%) and capital growth of 0.88% for a total return of 8.7% (before fees) and 7.94% (net of fees).

The Fund's income distribution return of 7.83% easily exceeded the RBA cash rate which averaged 1.50% over the period. For comparison, banks' special term deposit rates averaged 2.18%.

The Fund's income distribution yield of 7.83% far exceeded the income estimate of 4.73% for the 2018/2019 financial year (calculated using the 30 June 2018 application unit price). The Fund significantly exceeded its estimated monthly distribution amount of 0.33 cents per unit for the year due to a larger than expected 'income reserve' paid out at the June year end.

The Fund's capital growth of 0.88% was modest over the year, underperforming inflation, which was up 1.80%, as measured by the Consumer Price Index (CPI). Moreover, the growth return over the 5 year measured period is 1.25%pa.

The key drivers of the strong income returns over the 2018/19 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;
- Strong income returns from the Fund's offshore (non-Australian) investments; and
- Participation in several large scale buybacks

### Income estimate for the 2019/2020 Financial Year

The expected monthly cash distribution target for the 2019/20 financial year will remain at 0.33 cents per unit. Given where market yields are across asset classes, and our expectation of income receipts for the next 12 months, we have decided to keep the monthly distribution target unchanged. What this means is that investors are expected to receive a similar amount of monthly income from the Fund, despite the ongoing challenge of low interest rates in Australia, and around the world, which is likely to continue in our view.

Income estimate for  
2019/2020 Financial Year

**4.75%**<sup>1</sup>

The above 2019/2020 income estimate is comprised of the following 3 components:

1

Regular monthly  
payments of 0.33 CPU (3.75%)

2

Financial year end distribution (or  
income reserve) paid in June 2020  
(estimated at 0.42%)

3

Franking credits  
(estimated at 0.58%)

<sup>1</sup>Income estimate is net of fees and based on the application unit price at 30 June 2019. 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 4.75% for the 2019/2020 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 2019).

Our new strategic asset allocation is 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, while introduce a broader universe of higher yielding asset in the mix.

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 2019 the Strategic Asset Allocation weights for the Fund are as follows:

Australian equities	35%
International equities	10%
Property securities	2%
Alternatives	9%
Fixed income	13%
Sub-investment grade credit	29%
Cash and short maturity income	2%

## Performance summary as at 30 June 2019 (%)

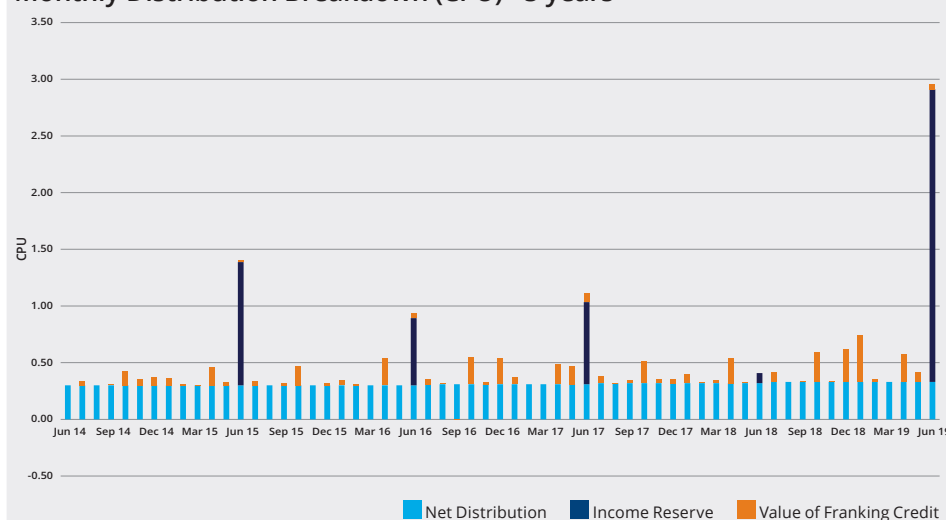
	Financial year returns					to 30 June 2019
	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	5 Years (p.a.)
Distribution return	4.48	4.07	4.24	3.75	6.41%	4.59%
Franking credits	0.56	0.56	0.95	0.63	1.41%	0.82%
<b>Total income return (including franking credits)</b>	<b>5.04</b>	<b>4.63</b>	<b>5.19</b>	<b>4.38</b>	<b>7.83%</b>	<b>5.41%</b>
Growth return (after fees)	2.23	-0.04	2.35	-2.08	0.88%	1.25%
<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>7.94%</b>	<b>5.91%</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

### Multi-Asset Income Fund Monthly Distribution Breakdown (CPU) - 5 years



Source: Aberdeen Standard Investments  
Past performance is not a guide to future results

The Fund provided a consistent monthly distribution of 0.33 cents per unit (CPU) for financial year 2018/2019. The Fund delivered a higher than expected monthly distribution for June 2019 of 2.91 CPU. This compares to the pre-announced amount of 0.33, representing an additional 2.58 CPU for June as the 'income reserve' was distributed at year end. 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 1.25% p.a. capital growth (net of fees) over the last five years to 30 June 2019 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
2018/2019 Financial Year:	7.83	2.18
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

Source: RBA, Aberdeen Standard Investments, 2017.

<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.

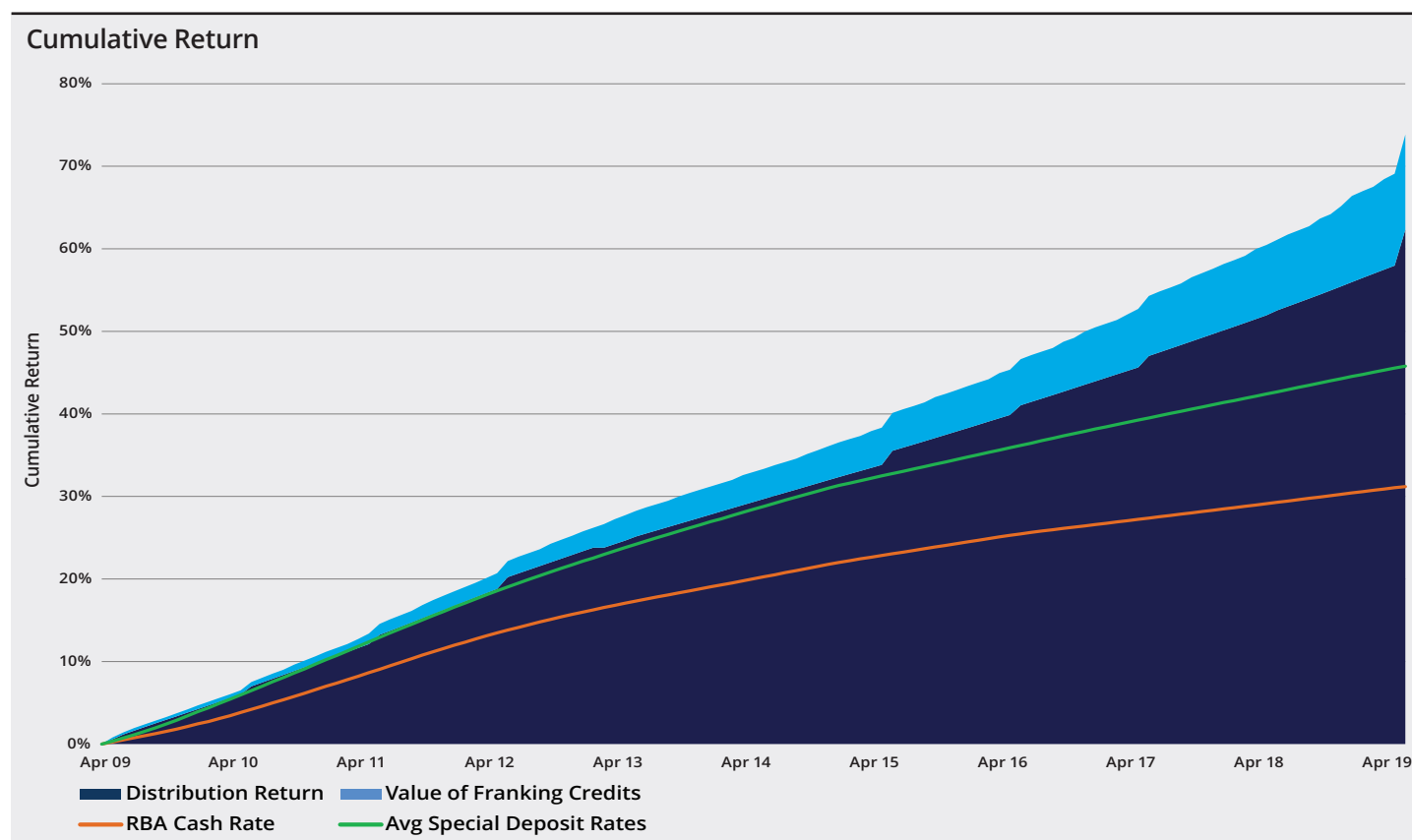
## The Aberdeen Standard Multi-Asset Income Fund has two key objectives:

### 01 Income objective

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

#### Long term comparative income return to 30 June 2019

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



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.

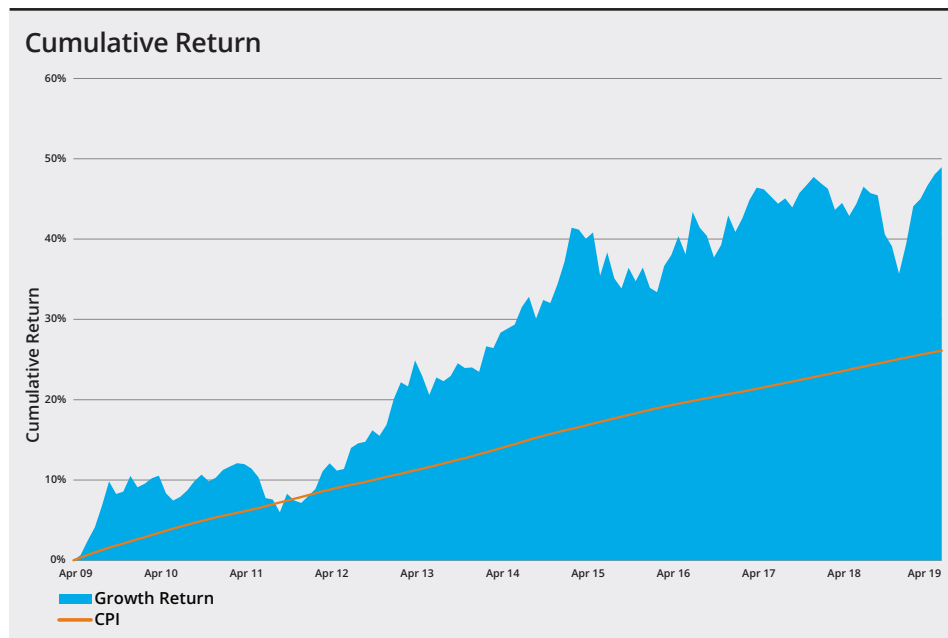
Performance figures are calculated using end-of-month exit prices, net of fees. Past performance is not a guide to future results.

## 02 Growth Objective

To provide capital growth over the medium to long term.

### Long term comparative capital income return to 30 June 2019

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



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.

## Why Aberdeen Standard 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.

## Outlook

In our view, the current global economic expansion has reached a critical juncture. Although global growth picked up in the first quarter of 2019, driven by improvements in the U.S., China and the Eurozone, our proprietary research now suggests that underlying growth was not as strong as the headlines suggested and that the momentum has not carried over into the second quarter.

Manufacturing, trade and investment indicators have been especially subdued of late, weighed down by uncertainty over the geopolitical outlook. Uncertainty over US-China relations also points to further volatility in global markets. Moreover, a prolonged conflict would disrupt regional economies and supply chains. This, in turn, is stifling the expected recovery in demand across various sectors, particularly technology, and dampening corporate earnings outlooks. Companies have become more cautious, delaying capital spending and returns.

That said, central banks have turned more dovish ensuring that domestic conditions remain conducive to growth and liquidity.

The Reserve Bank of Australia has cut the cash rate to a fresh record low of 1.0 per cent, hoping that a second straight monthly reduction in the cost of borrowing will help offset global uncertainty and sluggish domestic wage growth. Elsewhere, we expect the U.S. Federal Reserve (Fed) to kick things off by cutting policy rates twice in the second half of the year with the People's Bank of China (PBOC) also taking further steps to cut policy rates and boost credit demand. We also believe the next European Central Bank (ECB) policy move will be a renewed easing in monetary policy.

Currently, the easing measures from global central banks provide the needed safety net for both sovereign bonds and risk assets. Looking ahead, our focus will be to identify leading signals on fundamentals and investor behaviours, and adjust the portfolio dynamically to reflect changing market conditions.

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

Issued by Aberdeen Standard Investments Australia Limited ABN 59 002 123 364 AFSL No. 240263. Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments. This document has been prepared with care, is based on sources believed to be reliable and opinions expressed are honestly held as at the applicable date. However it is of a general nature only and we accept no liability for any errors or omissions. This is not an offer of securities. A Product Disclosure Statement (PDS) and application form is available for each Fund by calling Aberdeen Standard Investments Client Services on 1800 636 888, at [www.aberdeenstandard.com.au](http://www.aberdeenstandard.com.au), or from your financial adviser. This document has been prepared without taking into account the particular objectives, financial situation or needs of any investor. Investments are subject to investment risk, including possible delays in payment and loss of income and principal invested. It is important that before deciding whether to acquire, hold or redeem an investment in a Fund that investors consider the Fund's PDS, the Fund's appropriateness to their own circumstances, objectives and financial situation and consult financial and tax advisers. Past performance is not a reliable indicator of future results. All dollars are Australian dollars unless otherwise specified. Indices are copyrighted by and proprietary to the issuer.