For professional investors only - not for use by retail investors. In Switzerland for qualified investors only.

April 2020

InFocus

Emerging Markets Corporate Bond Fund

Investment Objective

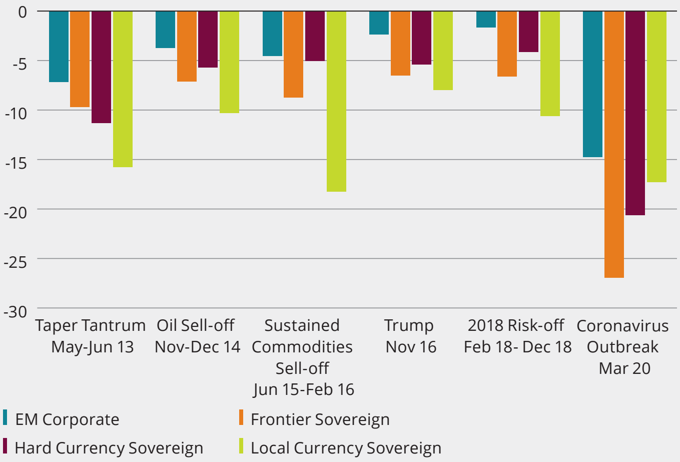
The Fund aims to achieve a combination of income and growth by investing in bonds (which are like loans that can pay a fixed or variable interest rate) issued by companies, governments or other bodies in Emerging Market countries. The Fund aims to outperform the JP Morgan CEMBI Broad Diversified Index (USD) benchmark before charges.

Owing to the unprecedented and worsening coronavirus pandemic, emerging market (EM) debt, including EM corporate debt, plummeted alarmingly in March 2020. You have to go back to late 2008 during the middle of the global financial crisis to find a similar fall. A notable feature of all risk asset markets was the speed of descent, which in most cases was even quicker than the financial crisis period.

With March also being a record month for outflows from EM debt, market liquidity deteriorated very significantly – typical bid/offer spreads of 0.5% surged to 2-2.5%, although they have begun to normalise from this more recently.

In March, the JPM Corporate EMBI Broad Diversified Index dropped by 11.52%. This was a record monthly decline for the index. However, **emerging market corporates still performed relatively better than all the other segments of the wider EM debt asset class**. As shown below, this was consistent with past major crisis periods and underscores the relative defensiveness of EM corporate debt.

Relative performance of EMD asset classes through past market downturns (%)



Indices used: EM Corporate: JP Morgan CEMBI BD; Frontier Sovereign = JP Morgan NEXGEM; Hard Currency Sovereign = JP Morgan EMBI GD; Local Currency Sovereign = JP Morgan GBI-EM GD. Source: Bloomberg, JP Morgan, 31 March 2020. For illustrative purposes only. **Past performance is not a guide to future results.**

The Fund's -7.63% net return in the first quarter underperformed the JPM Corporate EMBI Broad Diversified Index return of -3.39%. In large part this reflected the Fund's higher exposure to riskier high yield EM bonds compared to the index, as well as fewer holdings of less risky A rated bonds compared to the index. For further comparison, the peer group (Lipper Global Bond EM Global Corps) average return for the first quarter was -9.82%.

How have we responded?

As long-term investors, we invest in EM corporate bonds that we believe are undervalued relative to their fundamentals and remain focused on the long-term creditworthiness of our holdings. The market is at its cheapest level in the last 8 years. The spread for the JP Morgan CEMBI Broad Diversified index reached 574bps in 2011, lower than the 650bps peak we saw towards the end of March and we think this is significantly undervaluing the underlying fundamentals of EM companies.

After reviewing the Fund's holdings, we believe the long-term outlook for many of our holdings remains positive. However, we also think that it is precisely in crisis periods such as now where the **scope to both mitigate downside risk and add value through active management can be greatest**. In line with this, we have selectively looked to reduce exposure to the bonds of those companies that are most negatively exposed to the coronavirus pandemic. For example, we sold down some our holdings of the state-owned Emirates Airlines. Our expectation remains that government support will allow it to get through the near-term liquidity shock but we were able to close some of the position at levels above par, not far below pre-crisis prices. We also closed positions in some Russian oil and gas majors that had held up relatively well. In addition, we felt it was prudent to reduce risk by selling some of our less liquid positions that have not moved so much in price. Examples of this were Panama Metro and the unrated Thai petrochemical producer Indorama.

Aberdeen Standard Investments

In terms of adding value, our assessment of the coronavirus pandemic is that this will increasingly be brought under control. As lockdown measures ease (in fact this is already happening in many places), demand will recover progressively, which should support a very strong economic recovery in the second half of the year. As such, f**or many companies, coronavirus will mainly constitute a short-term earnings shock rather than something that endangers their fundamental credit-worthiness**. In the indiscriminate sell-off we saw towards the end of March, this important distinction seemed to be absent. This presented opportunities to selectively increase exposure to the bonds of high quality EM companies at more attractive prices. Names that we have added since quarter-end are all investment grade-rated, including the leading bank in India ICICI, the Malaysian government-owned vertically integrated oil & gas producer Petronas, electricity transmission company Adani Electric Mumbai and global port operator DP World.

What's our short-term view & long-term view now?

While a deep global recession will not be avoided, we are certainly encouraged by the unprecedented level of supportive activity from global central banks and governments. In addition, our base case is that the coronavirus pandemic will increasingly be bought under control over the coming months. This will enable lockdown measures to be eased progressively, which in turn should set up a **very strong global economic and earnings recovery in the second half of the year**. As such, the economic recovery from coronavirus should be far quicker than the financial crisis period, where many of the issues were more structural in nature. If this view is correct, then the recent period of heightened volatility and indiscriminate selling will very likely transpire as **an excellent long-term buying opportunity for EM corporate debt**.

An important factor that provides a measure of reassurance is that in the lead up the 'corona-crisis', the **credit position of EM corporates had been on a generally improving trend**. For example, net leverage (a key measure of indebtedness) had generally been declining for the past few years. This prudence contrasts quite markedly with some other parts of the corporate debt world. For example in the case of US investment grade companies, net leverage was recently at 15-year highs.

Nonetheless, there is little doubt that default rates across the whole corporate debt world, including EM corporate debt will spike very significantly from very low levels. Volatility is also likely to remain elevated with markets remaining particularly sensitive to incoming coronavirus and economic data. As such, we think this really underscores the value of active management that is both responsive to new developments and effective at credit selection. More specifically, our research will continue to focus on finding the corporate bonds of high quality companies with robust balance sheets, coupled with resilient and sustainable growth models, strong ESG credentials and credible management. Not only should companies like this survive the coronavirus pandemic but rewardingly for their investors, many are likely to emerge even stronger.

Summary – Why the ASI EM Corporate Bond Fund?

- Sharp recession unavoidable, but strong economic recovery expected in the second half.
- Coronavirus largely a short-term-earnings rather than a balance-sheet-shock.
- Corporates once again shown to be most defensive segment of EMD during corona-crisis.
- Recent indiscriminate selling has made market generally cheap and selectively very cheap.
- Amid rising default rates effective risk management/careful credit selection will be critical.

Annual returns (%) – year ended 31/03

	2020	2019	2018	2017	2016
Fund	-7.63	3.86	4.81	11.55	2.98
Benchmark (Reference index)[1]	-3.39	4.60	3.66	8.69	2.81
Sector average return[2]	-9.82	-1.47	6.00	6.65	1.82

[1] JP Morgan CEMBI Broad Diversified Index (USD).
[2] Lipper Global Bond EM Global Corps.
Performance Data: Share Class I Acc USD. As at 31.3.2020.
Source: Lipper. Basis: Total return, NAV to NAV, net of annual charges, gross income reinvested, (USD).
The comparator shown may be used for risk monitoring and portfolio construction purposes, as well as to provide a performance comparator; it is not an integral part of the Objective and Investment Policy for the fund and should not be considered as such.
All return data includes investment management fees, performance fees, and 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 is not a guide to future results.**

Important Information

For professional investors only - not for use by retail investors. In Switzerland for qualified investors only.

This report is for use by the client to whom it is addressed only – it is not for use by any other third party.

- Convertible securities are investments that can be changed into another form upon certain triggers. As such, they can exhibit credit, equity and fixed interest risk. Contingent convertible securities (CoCos) are similar to convertible securities but have additional triggers which mean that they are more vulnerable to losses and volatile price movements and hence become less liquid.
- The fund invests in securities which are subject to the risk that the issuer may default on interest or capital payments.
- 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.
- The fund invests in emerging market equities and / or bonds. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- The fund invests in high yielding bonds which carry a greater risk of default than those with lower yields.
- The fund price can go up or down daily for a variety of reasons including changes in interest rates, inflation expectations or the perceived credit quality of individual countries or securities.

Other important information:

Aberdeen Standard SICAV I is a Luxembourg-domiciled UCITS fund, incorporated as a Société Anonyme and organized as a Société d'Invetissement á Capital Variable (a "SICAV"). The information contained in this marketing document is intended to be of general interest only and should not be considered as an offer, or solicitation, to deal in the shares of any securities or financial instruments. Aberdeen Standard SICAV I has been authorized for public sale in certain jurisdictions and private placement exemptions may be available in others. It is not intended for distribution or use by any person or entity that is a citizen or resident of or located in any jurisdiction where such distribution, publication or use would be prohibited. Aberdeen Standard SICAV I is not registered under the United States Securities Act of 1933, nor the United States Investment Company Act of 1940 and therefore may not directly or indirectly be offered or sold in the United States of America or any of its states, territories, possessions, or other areas subject to its jurisdiction or to or for the benefit of a United States Person. For the definition of United States Person, see the current Aberdeen Standard SICAV I prospectus.

This piece is authorized for use by existing shareholders. A current prospectus, available from **aberdeenstandard.com**, must accompany or precede this material if it is distributed to prospective investors. No information, opinion or data in this document constitutes investment, legal, tax or other advice and are not to be relied upon in making an investment or other decision. This document does not constitute an offer or solicitation to invest in the Fund. The offering of the shares of the Aberdeen Standard SICAV I Funds is restricted in many jurisdictions and must not be marketed or offered in or to residents of any such jurisdictions unless such marketing or offering is made in compliance with applicable exemptions for the private placement of collective investment schemes and other applicable jurisdictional rules and regulations. It is the responsibility of every recipient to inform themselves and observe applicable regulations and restrictions in their jurisdiction.

Before investing, investors should consider carefully the investment objective, risks, charges, and expenses of a fund. This and other important information is contained in the prospectus, which can be obtained from a financial advisor and are also available on **aberdeenstandard.com**. Prospective investors should read the prospectus carefully before investing.

Subscriptions for shares in the Fund may only be made on the basis of the latest prospectus, relevant Key Investor Information Document (KIID) for the fund which provides additional information as well as the risks of investing and may be obtained free of charge from Aberdeen Asset Managers Limited, 10 Queens Terrace, Aberdeen, AB10 1XL, Scotland and are also available on **aberdeenstandard.com**.

In Switzerland these documents along with the Fund's articles of association can be obtained from the Fund's Representative and Paying Agent, BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, CH 8002 Zürich, Switzerland (Tel. 058 212 63 77).

In Germany these documents can be obtained from Aberdeen Asset Managers Limited Deutschland Branch, Bockenheimer Landstraße 25, D-60325 Frankfurt am Main or from the Paying Agent Marcard, Stein & Co. AG, Ballindamm 36, D-20095 Hamburg, in Austria from the Fund's Representative and Paying Agent Raiffeisen Zentralbank ÖsterreichAktiengesellschaft, Am Stadtpark 9, A-1030 Wien.

In Italy these documents can be obtained from Aberdeen Standard Investments Ireland Limited, Italian Branch, Via Dante 16, IT 20121, Milano, or from the Paying Agent, State Street Bank S.p.A, 10 Via Ferrante Aporti, 20125 Milano and are also available on www.**aberdeenstandard.it**.

Aberdeen Standard SICAV l have been registered with the Comisión Nacional del Mercado de Valores under the number 107.

Tax treatment depends on the individual circumstances of each investor and may be subject to change in the future. You should obtain specific professional advice before making any investment decision.

Austria, Belgium, Denmark, Finland, France, Germany, Gibraltar, Iceland, Ireland, Italy, Jersey, Liechtenstein, Luxembourg, Malta, Norway, Spain and Sweden: Issued by Aberdeen Standard Investments Luxembourg S.A. 35a, Avenue J.F. Kennedy, L-1855 Luxembourg. No. S00000822. Authorised in Luxembourg and regulated by CSSF.

Switzerland: Issued by Aberdeen Standard Investments (Switzerland) AG. Registered in Switzerland (CHE-114.943.983) at Schweizergasse 14, 8001 Zürich.

Visit us online

aberdeenstandard.com

121041434 04/20 | DH: GB-020420-114003-1