December 2018

Monthly Commentary

Diversified Assets update

Performance Summary % (in denominated currency)

Aberdeen Global - Diversified Growth Fund

A Acc Hedged SGD	1M	3M	6M	YTD	1Y[A]	3Y[A]	5Y[A]	10Y[A]	Launch[AB]
NAV to NAV	-1.0	-2.6	-0.9	-1.6	-0.1	N/A	N/A	N/A	3.0
Charges applied[D]	-5.9	-7.5	-5.9	-6.5	-5.1	N/A	N/A	N/A	0.0

Aberdeen Global - Diversified Income Fund

A Acc Hedged SGD	1M	3M	6M	YTD	1Y[A]	3Y[A]	5Y[A]	10Y[A]	Launch[AB]
NAV to NAV	-0.9	-2.2	-1.0	-2.4	-1.2	N/A	N/A	N/A	1.9
Charges applied[D]	-5.8	-7.1	-5.9	-7.3	-6.1	N/A	N/A	N/A	-1.1

A MInc USD	1M	3M	6M	YTD	1Y[A]	3Y[A]	5Y[A]	10Y[A]	Launch[AC]
NAV to NAV	-0.8	-2.0	-0.5	-1.6	-0.3	4.7	N/A	N/A	3.3
Charges applied[D]	-5.7	-6.9	-5.5	-6.5	-5.3	2.9	N/A	N/A	1.8

Source: Lipper, total return basis, NAV to NAV, gross income reinvested, 30 November 2018

All return data includes investment management fees, performance fees, and operational charges and expenses, and assumes the reinvestment of all distributions. **Past performance is not a guide to future results**

[A] Annualised; [B] Inception date: 15/03/2017; [C] Inception date: 1/06/2015; [D] Includes the effect of initial sales charge and/ or capacity management charge i.e. an assumed 5% of the Gross Investment Amount. NAV to NAV figures are a better reflection of underlying investment performance

Performance background

The Growth and Income funds were down 1.0% and 0.9% respectively in November. The main negative contributor was insurance linked securities, with a smaller negative contribution from absolute return. The largest positive contributor was Emerging Market bonds, with a smaller positive contribution from infrastructure[E]. Further information on developments within these assets classes during the month can be found below.

Portfolio changes

We have made some small increases to property and special opportunities over the month through several specific opportunities. The insurance linked weighting has fallen primarily due to market movements whilst we reduced the senior ABS holding to fund new investments. These, and other, changes are discussed in more detail below.

[E] Note that performance contributions are initial estimates and not official performance attribution output

Aberdeen Standard Investments

	Aberdeen Global - Diversified Growth Fund			Aberdeen Global - Diversified Income Fund		
Asset Name	**Oct 18**	**Nov 18**	**Change**	**Oct 18**	**Nov 18**	**Change**
Listed Equity	20.3%	19.8%	-0.5%	21.1%	20.6%	-0.5%
Private Equity	0.7%	0.6%	0.0%	0.0%	0.0%	0.0%
Property	6.0%	7.7%	1.7%	6.4%	8.0%	1.6%
Infrastructure	9.3%	9.5%	0.1%	9.5%	9.6%	0.1%
Loans	0.6%	0.3%	-0.3%	0.7%	0.3%	-0.3%
Asset Backed Securities	13.2%	12.7%	-0.5%	12.9%	12.5%	-0.4%
Emerging Market Bonds	25.5%	25.4%	-0.1%	25.4%	26.3%	0.8%
Absolute Return	6.9%	6.6%	-0.3%	7.5%	6.9%	-0.6%
Insurance Linked	4.1%	2.6%	-1.5%	3.7%	2.2%	-1.4%
Special Opportunities	10.2%	11.1%	0.9%	10.2%	10.9%	0.7%
Cash	3.3%	3.9%	0.6%	2.6%	2.6%	0.0%
Total	**100%**	**100%**	--	**100%**	**100%**	--

Source: Aberdeen Standard Investments, 30 November 2018. Figures may not add up due to rounding

New investments

Asset-Backed Securities (ABS) - Neuberger Berman CLO Income fund

This UCITS fund invests in US and European mezzanine collateralised loan obligations (CLO). We believe that mezzanine CLO bonds offer a highly attractive risk-adjusted return currently. We view Neuberger Berman as a highly credible and well-resourced manager in this specialist area.

Property - Alstria Office

Alstria is a €2.2bn market cap German REIT specialised in the office sector, with a national footprint focused in Hamburg, Stuttgart and the Rhine-Main urban centres (Frankfurt, Cologne, Düsseldorf etc.). The core of the portfolio is long let inner city assets, many of which are leased to government agencies. The principal tailwinds for the fund are conservative asset valuations, rental growth, and development activity.

Property - Kojamo Oyg

Kojamo is a €2.3bn market cap Finnish residential landlord, owning c.36,000 residential units, the majority of which are in the Helsinki Metropolitan Area. The fundamentals for Finnish residential look good with a positive economic backdrop, positive demographics and rental growth that has historically exceeded indexation. A notable tailwind for the fund is the expiration of rent restrictions on many of its properties over the coming years. These units are held on balance sheet at depreciated cost, resulting in a positive revaluation once restrictions expire and they move to investment value.

Asset class news

Listed Equity

Global stock markets finished a volatile month slightly up at 1.2% (MSCI World USD terms). Various factors have been cited for this volatility including continued US/China trade tensions and concerns over rising US interest rates.

Property

- We have been working closely with our Global REITs team to identify suitable global property investments to add to our portfolios. This has resulted in the addition of Finnish residential and German office investments, as outlined above.
- Target Healthcare REIT, which invests in portfolio of modern care homes in the UK, raised an additional £50m and we used this opportunity to increase our holding.
- We reinitiated a position in Unite at what we believed to be an attractive valuation, having exited the holding in June at a higher price. Unite are the leading student accommodation provider in the UK, with 125 properties and c.50,000 beds. They have a sector leading service platform; a high quality portfolio and strong relationships with universities, with c.60% of their beds under nomination agreements with Higher Education Institutions.

Infrastructure

- 3i Infrastructure (3iN) and HICL both announced half year results. To the end of September, 3iN generated its strongest ever six month return (+9.3%), ahead of full year targets. The key contributor was an increase in valuation of its holding in Cross London Trains which has substantially de-risked. HICL also announced a good set of results with the portfolio continuing to perform strongly.
- We increased our holding in The Renewables Infrastructure Group, which invests in a portfolio of predominantly operational wind and solar assets in the UK and Northern Europe, through a £79m capital raise that came at an attractive valuation.
- We have reduced or sold out of several other infrastructure investments (BBGI, Foresight Solar, Sequoia Economic Infrastructure and John Laing Environmental Assets) on valuation grounds.

Asset-Backed Securities (ABS)

- During the month we reduced our exposure to our internally managed senior ABS sleeve in order to fund buy ideas elsewhere.
- We initiated a new position in Neuberger Berman CLO Income Fund through a reduction in Fair Oaks Dynamic Credit Fund. Both are UCITS funds investing in mezzanine CLO positions but the NB fund invests primarily in sub-investment grade tranches which we see as particularly attractively priced currently.

Emerging Market bonds

EM Local Currency bonds delivered positive returns in November. Key positive contributors included South Africa, Indonesia, Turkey and India whilst no countries detracted significantly.

Absolute Return

The Alternative Risk Premia strategy exhibited losses during November. These losses largely came from commodity strategies, whilst equites and credit also detracted to a lesser amount and FX had a positive contribution.

Insurance linked securities (ILS)

Wildfires in California have led to tens of fatalities and caused significant property damage. The Camp Fire is the deadliest and most destructive wildfire in California history destroying over 18,000 structures whilst the smaller Woolsey fire take the total structures destroyed to over 20,000. To put this into context the largest previous single fire was the Tubbs fire in October 2017 which destroyed 5,600 structures and prior to that no fire had destroyed more than 3,000 properties. Industry experts are predicting that the insured losses will likely be around $15-20bn. Downed power lines, and poor maintenance of forestry around these power lines, have been cited as the cause of the Camp fire.

Our core ILS holding, CATCo, has guided to a material loss to the portfolio as a result of these wildfires and also confirmed that they have established a loss reserve of 9.8% for Hurricane Michael and Typhoon Jebi. Offsetting the +15% return to end-September it now appears likely that the NAV return will be around -10 to -20% for 2018.

Special opportunities

We added to our holding in BioPharma Credit (BPCR) at the start of the month through a $305m capital raise at an attractive valuation. BPCR provides debt to biotech firms backed by royalty streams for drugs and medicines.

Appendix

Aberdeen Global - Diversified Income Fund

Listed Equity	**17.1%**
Equity Futures	0.4%
Low Volatility Equity	16.7%
Private Equity	**0.7%**
Global Energy Opportunities (Riverstone Energy)	0.7%
Property	**5.8%**
Distribution Centres (Warehouse REIT)	0.1%
Student Housing (GCP Student Living REIT)	1.5%
Private Rented Sector (PRS REIT)	1.3%
Social Housing (Civitas REIT)	1.3%
Social Housing (Residential Secure Income REIT)	0.8%
Social Housing (Triple Point REIT)	0.3%
Healthcare (Target Healthcare REIT)	0.5%
Infrastructure	**12.5%**
Diversified Infrastructure (3I Infrastructure)	0.3%
Renewable Infrastructure (Foresight Solar)	0.7%
Renewable Infrastructure (Greencoat Renewables)	0.5%
Renewable Infrastructure (Greencoat UK Wind)	0.3%
Renewable Infrastructure (John Laing Environmental)	0.5%
Renewable Infrastructure (Next Energy)	0.7%
Renewable Infrastructure (The Renewables Infrastructure Group)	1.3%
Social Infrastructure (BBGI)	1.1%
Social Infrastructure (HICL)	2.2%
Social Infrastructure (International Public Partnerships)	2.0%
Social Infrastructure (John Laing Group)	1.8%
Social Infrastructure (John Laing Infrastructure)	1.0%
Loans	0.7%
Global Loans (NB Global Floating Rate Income)	0.7%
Insurance Linked	4.3%
Insurance Linked (Blue Capital)	0.8%
Insurance Linked (Catco Reinsurance)	3.5%

Asset-Backed Securities	**14.6%**
Senior ABS	3.3%
Collateralised Loan Obligations (Blackstone/GSO)	0.5%
Collateralised Loan Obligations (Fair Oaks Dynamic Credit Fund) OEIC	3.2%
Collateralised Loan Obligations (Fair Oaks Income)	1.0%
Collateralised Loan Obligations (Marble Point)	0.4%
Mezzanine ABS (Prytania Diversified ABS Fund) OEIC	2.8%
Mezzanine ABS (TwentyFour Asset Backed Opportunities Fund) OEIC	3.4%
Emerging Market Debt	**25.9%**
Emerging Market Bonds	25.9%
Absolute Return	**7.3%**
Market Neutral Futures Overlay	1.2%
Alternative Risk Premia	6.0%
Special Opportunities	**10.2%**
Diversified Opportunities (Aberdeen Diversified Income & Growth)	2.1%
Healthcare Royalties (BioPharma Credit)	1.0%
Litigation Finance (Burford)	1.6%
Aircraft Leasing (Nimrod Air Three)	0.1%
Aircraft Leasing (Nimrod Air Two)	0.4%
Aircraft Leasing (DP Aircraft)	0.2%
Marketplace Lending (Funding Circle)	0.5%
Marketplace Lending (P2P Global)	2.3%
Asset Financing (GCP Asset Backed Income)	0.7%
Asset Financing (SQN Asset Financing)	1.2%
Cash	**1.0%**
Cash	1.0%
Total	**100.0%**

Aberdeen Global - Diversified Growth Fund

Listed Equity	**18.2%**
Equity Futures	0.6%
Low Volatility Equity	17.6%
Property	**5.6%**
Distribution Centres (Warehouse REIT)	0.1%
Student Housing (GCP Student Living REIT)	**1.5%**
Private Rented Sector (PRS REIT)	1.2%
Social Housing (Civitas REIT)	1.2%
Social Housing (Residential Secure Income REIT)	0.7%
Social Housing (Triple Point REIT)	0.4%
Healthcare (Target Healthcare REIT)	0.5%
Infrastructure	**12.0%**
Diversified Infrastructure (3I Infrastructure)	0.3%
Renewable Infrastructure (Foresight Solar)	0.7%
Renewable Infrastructure (Greencoat Renewables)	0.5%
Renewable Infrastructure (Greencoat UK Wind)	0.3%
Renewable Infrastructure (John Laing Environmental)	0.4%
Renewable Infrastructure (Next Energy)	0.6%
Renewable Infrastructure (The Renewables Infrastructure Group)	1.2%
Social Infrastructure (BBGI)	1.0%
Social Infrastructure (HICL)	2.4%
Social Infrastructure (International Public Partnerships)	1.9%
Social Infrastructure (John Laing Group)	1.8%
Social Infrastructure (John Laing Infrastructure)	0.9%
Loans	**0.7%**
Global Loans (NB Global Floating Rate Income)	0.7%
Insurance Linked	4.1%
Insurance Linked (Blue Capital)	0.7%
Insurance Linked (Catco Reinsurance)	3.4%

Asset-Backed Securities	**13.6%**
Senior ABS	3.3%
Collateralised Loan Obligations (Blackstone/GSO)	0.5%
Collateralised Loan Obligations (Fair Oaks Dynamic Credit Fund) OEIC	2.8%
Collateralised Loan Obligations (Fair Oaks Income)	1.0%
Collateralised Loan Obligations (Marble Point)	0.3%
Mezzanine ABS (Prytania Diversified ABS Fund) OEIC	2.4%
Mezzanine ABS (TwentyFour Asset Backed Opportunities Fund) OEIC	3.2%
Emerging Market Debt	**25.7%**
Emerging Market Bonds	25.7%
Absolute Return	**6.8%**
Market Neutral Futures Overlay	1.2%
Alternative Risk Premia	5.6%
Special Opportunities	**9.8%**
Diversified Opportunities (Aberdeen Diversified Income & Growth)	1.9%
Healthcare Royalties (BioPharma Credit)	1.0%
Litigation Finance (Burford)	1.5%
Aircraft Leasing (Nimrod Air Three)	0.1%
Aircraft Leasing (Nimrod Air Two)	0.3%
Aircraft Leasing (DP Aircraft)	0.1%
Marketplace Lending (Funding Circle)	0.5%
Marketplace Lending (P2P Global)	2.2%
Asset Financing (GCP Asset Backed Income)	0.8%
Asset Financing (SQN Asset Financing)	1.2%
Cash	**3.4%**
Cash	3.4%
Total	**100.0%**

Source: Aberdeen Standard Investments, 30 Noveber 2018. Figures may not add up due to rounding

Multi-Asset Investment Team
Aberdeen Standard Investments

For more information

Client Services Team
Tel: +65 6395 2701
Fax: +65 6632 2993

Aberdeen Standard Investments (Asia) Limited
21 Church Street
#01-01 Capital Square Two
Singapore 049480
Tel: +65 6395 2700
Fax: +65 6632 2998

aberdeenstandard.com.sg

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