

June 2019

InFocus



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Aberdeen Standard SICAV 1 – Japanese Smaller Companies Fund

Key differentiators

Active stock-pickers willing to deviate significantly from reference index

We use proprietary research to build concentrated portfolio of quality stocks

Focus on company management, governance, strategy and competitive advantage

Experienced investment team based on the ground in Tokyo

Outlook

- Challenges include slowing global growth, trade protectionism and political unrest
- China deceleration hitting economies plugged into global supply chains, such as Japan
- Planned consumption tax hike in October may negatively impact sentiment
- Short-term cyclical issues don't detract from long-term structural growth (see examples)
- Strong firms in structurally growing industries offer downside protection
- Small caps more domestically focused, providing shelter from global instabilities
- We think volatility will present opportunities to buy quality stocks at reduced prices

Performance

- The US Fed's pivot to a dovish stance on rates should generate excess market liquidity to benefit small-cap stocks
- Despite market's lack of clear direction, the Fund continues to generate strong excess return
- Portfolio able to showcase resilience whatever the market environment (see bar chart)
- Companies in less cyclical sectors such as consumer services and health care holding up well
- We prioritise stocks with strong fundamentals and sustainable earnings, cash flow
- Careful stock selection drives Fund's track record of outperformance (see table)

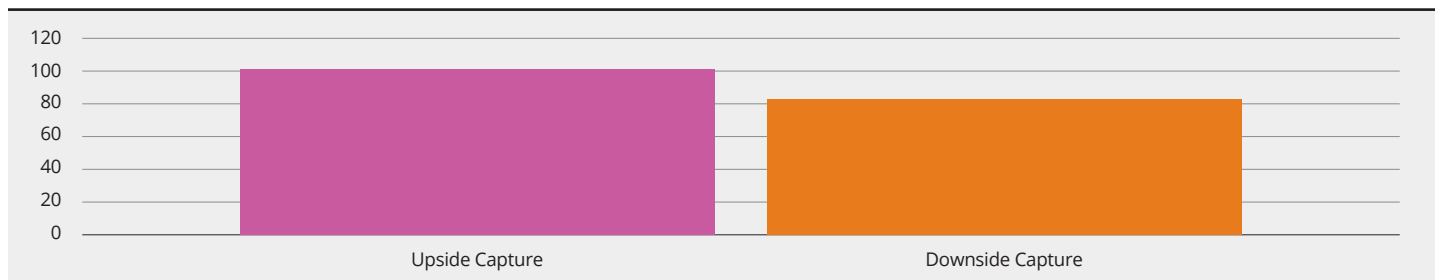
Examples

Pigeon

A quality brand with a reputation for safety, its baby products enjoy buoyant demand and are well placed to benefit from increased spending by the rapidly rising middle class in China and Southeast Asia

Mani

Medical equipment maker in the structurally growing health-care industry. It benefits from proprietary technology and cost-competitive production across developed and emerging markets.



AS - Japanese Smaller Companies Fund I Acc JPY - Close of Business - Gross

	1 year %	3 years %	5 years %
AS - Japanese Smaller Companies Fund I Acc JPY	-11.28	3.69	7.26
MSCI Japan Small Cap Index	-5.17	9.46	9.49
	-6.11	-5.77	-2.23

Source: Aberdeen Standard Investments, Lipper, Basis: Total Return, NAV to NAV, net of annual charges, gross income reinvested, JPY. "AS" stands for the "Aberdeen Standard SICAV I" fund range. Prior to 11 February 2019, this fund was known as Aberdeen Global Japanese Smaller Companies Fund. Past performance is not a guide to future results.

(%) - year ended 30/04

	2019	2018	2017	2016
	-11.29	12.86	11.34	-10.12

Source: Aberdeen Standard Investments, Lipper, Basis: Total Return, NAV to NAV, net of annual charges, gross income reinvested, JPY. "AS" stands for the "Aberdeen Standard SICAV I" fund range. Prior to 11 February 2019, this fund was known as Aberdeen Global Japanese Smaller Companies Fund.

Performance Data: Share Class I Acc JPY Source: Lipper. Basis: Total return, NAV to NAV, net of annual charges, gross income reinvested, (JPY). 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.

Governance

- We engage with managements and boards to control risks and boost returns
- ESG improvements can better reflect the quality of companies in market valuations (see engagement wins)
- Meeting managers regularly helps us to establish if they can deliver long-term success (see ESG factors)
- Emphasis on due diligence leaves us less exposed to governance failures
- Good governance practices are vital for the interests of minority investors

Engagement wins

Amada Holdings: sold subsidiary to improve capital structure; lifted pay-out ratio to 84%

Nippon Paint: improved board structure with more external directors and greater diversity

Aeon Delight: used strong cash position to raise dividends and carry out buybacks



ESG factors

Environmental: Reducing emissions intensity can improve efficiency

Social: fair treatment policies help to encourage staff retention

Governance: making disclosures provides clarity on strategic direction



"We act as owners, not just investors"

Important Information

For professional investors (in Switzerland for Qualified Investors) only – not for use by retail investors.

Risk factors you should consider before investing:

- The value of shares and the income from them can go down as well as up and you may get back less than the amount invested.
- Investing globally can bring additional returns and diversify risk. However, currency exchange rate fluctuations may have a positive or negative impact on the value of your investment.
- Shares of smaller companies may be more difficult to buy and sell than those of larger companies. This means that the Investment Manager may not be able to buy and sell at the best time or may suffer losses. This could reduce your returns.
- The Sub-Fund's exposure to a single country market, which may be subject to particular political and economic risks, may cause the sub-fund to be more volatile than more broadly diversified funds.

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121037249 06/19