

Aberdeen Emerging Markets Equity Income Fund¹

Fund performance

Aberdeen Emerging Markets Equity Income Fund returned -5.36%² on a net asset value (NAV) basis for the fourth quarter of 2018, outperforming the -7.40% return of its benchmark, the MSCI Emerging Markets Index.³

The Fund's long-standing overweight position in lender Banco Bradesco was among the major contributors to performance for the quarter. Amid a backdrop of falling energy prices, several notable oil-importing countries performed relatively well or gained ground over the quarter, including India and Indonesia. The Fund's overweight allocation to both markets relative to the benchmark enhanced performance, with the holding in cement maker Indocement benefiting from the recovery in the Indonesian rupiah. The overweight exposure to Brazil also had a positive impact on performance. Market-friendly right-wing candidate Jair Bolsonaro's victory in Brazil's presidential election in October and his unexpected good showing in Congress fueled investors' optimism about a revived reform agenda. The Fund's long-standing overweight position in lender Banco Bradesco was among the major contributors to performance among individual holdings.

The Fund's underweight allocation to China bolstered performance as that market lagged

the broader MSCI Emerging Markets Index. At the stock level, shares of China Resources Land rose on robust quarterly results and an improved earnings outlook, as well as expectations that the Chinese government's stimulus would boost the property sector. The lack of exposure to internet company Baidu.com also contributed to performance, as shares of most software and internet firms declined amid investors' fears of an economic slowdown in China.

From a sector standpoint, in an environment of tightening financial conditions, the Fund's bank holdings outperformed over the quarter, particularly Indian lender Housing Development Finance Corp (HDFC). However, the Fund's position in Banorte, which was hampered by the Mexican government's proposal to reduce banking fees and commissions as part of its populist agenda, detracted from performance. The Fund's underweight allocation to the energy sector relative to the benchmark aided performance, as falling oil prices weighed on most companies, including Fund holding Tenaris. Most notable, however, was the positive contribution from the Fund's positioning in retailers, where the underweight and positive stock selection drove the outperformance. The lack of exposure to online retailing giant Alibaba comprised the majority of the Fund's outperformance in the sector, as the company's shares fell sharply over the

quarter, hurt by a U.S.-led technology sell-off and broader investor fears regarding the slower pace of Chinese economic growth. Other contributors to Fund performance included consumer products maker Hindustan Unilever, as Indian equities proved to be relatively more defensive during the quarter.

Conversely, other detractors included Mexican airport operator Grupo Aeroportuario Centro Norte (OMA), as its shares sold off following incoming President Andrés Manuel López Obrador's announcement that he would cancel the construction of a new airport in Mexico City.

Market review

Emerging markets declined in the fourth quarter of 2018, but proved resilient relative to their developed-market counterparts, which suffered a sharp reversal of earlier gains. A confluence of factors, including simmering U.S.-China trade tensions, faltering global growth, and the U.S. Federal Reserve's commitment to reducing its balance sheet weighed on investor sentiment.

China was among the worst-hit markets over the quarter. Respite from the rapprochement with the administration of U.S. President Donald Trump seemed fleeting after Chinese telecom giant Huawei's chief financial officer was arrested on allegations of violations of

¹ Prior to April 30, 2018, the Fund was named Aberdeen Chile Fund, Inc. (the "Acquiring Fund"). Seven closed-end equity funds managed by Aberdeen entities reorganized into the Acquiring Fund on April 27, 2018. Aberdeen Latin America Equity Fund, Inc. is the performance and accounting survivor for the Fund. Performance information for periods prior to April 30, 2018 will not reflect the current investment strategy.

² Past performance is no guarantee of future results. Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. Net asset value return data include investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions.

³ The MSCI Emerging Markets Index is an unmanaged index considered representative of stocks of developing countries. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

economic sanctions on Iran, and investors remained anxious over its impact on the outcome of the U.S.-China trade talks. The market was also hampered by investors' jitters regarding the technology sector, which reeled from supply disruption worries, weaker-than-expected results from large U.S. tech companies and signs of a slowing Chinese economy. In an effort to boost private consumption and investment, the Chinese government unveiled a raft of stimulus measures and slashed the reserve requirement ratio for commercial lenders. Other export-dependent markets, including Korea and Taiwan, also suffered from collateral damage, with contraction in overseas orders and manufacturing data.

On the positive side, oil prices eased, as the Organization of the Petroleum Exporting Countries' (OPEC's) pledge to curb output was overshadowed by rising U.S. shale production and expectations of falling demand. As a result, the Indonesian and Indian equity markets rebounded. For Indonesia, investors welcomed the central bank's sixth interest-rate hike of 2018 in a bid to manage a widening current account deficit, lending further support to the Indonesian rupiah. The Indian market was resilient during the quarter, shrugging off the ruling Bharatiya Janata Party's (BJP's) defeat in three key states and the stand-off between the Indian government and the central bank that led to the resignation of its governor.

Meanwhile, political developments took center stage in Latin America. Brazilian stocks and the real were boosted by right-wing candidate Jair Bolsonaro's presidential election victory in October 2018, and his market-friendly agenda that promised to uproot corruption and reform the country's burgeoning pension system. In contrast, Mexico's left-leaning President Lopez Obrador unnerved investors by scrapping the construction of a new airport after a controversial referendum, with further populist measures in the offing. Amid the heightened policy uncertainty and a worsening inflation outlook, Mexico's central bank raised its benchmark interest rate twice over the quarter and lowered its growth forecast.

Outlook

In our view, the backdrop for emerging markets began to turn more positive at the end of the year and going into 2019. The Fed switched to a more cautious tone on monetary policy tightening and China slowly implemented its stimulus agenda. Heading into 2019, we think that the lack of certainty on Fed interest-rate hikes could weigh on the U.S. dollar, boding well for EM currencies. Moreover, we believe that large economic

adjustments in major EMs such as Argentina and Turkey suggest that these markets will start from a better fundamental position compared to January 2018. Coupled with more attractive valuations relative to other risk assets, we feel that these factors point to a possible turn in investor sentiment towards EMs. Key risks remain around the U.S.-China trade dispute, with little evidence indicating a compromise is near, while political risks in EMs stem from upcoming elections in Argentina, Indonesia, India and South Africa.

Aberdeen Emerging Markets Equity Income Fund, Inc. Total Returns (%)⁴

	Cumulative as of Dec. 31, 2018			Annualized as of Dec. 31, 2018				Since Inception 10/30/91
	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	
NAV	-1.8	-5.4	-10.4	-10.4	16.0	-1.4	8.3	8.8
Market Price	-2.5	-4.8	-16.7	-16.7	14.5	-2.4	8.1	8.2
MSCI Emerging Markets ⁵	-2.6	-7.4	-14.2	-14.2	9.7	2.0	8.4	7.5
MSCI Emerging Markets Latin America ⁶	-0.7	0.5	-6.2	-6.2	15.2	-1.4	5.3	9.4
Custom AEF Emerging Markets Index ⁷	-2.6	-7.4	-8.0	-8.0	14.5	-1.8	5.1	9.3

⁴ **PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.** Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. NAV return data includes investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions. Returns for periods less than one year are not annualized.

⁵ Effective April 30, 2018, the MSCI Emerging Markets Index became the Fund's benchmark index in connection with the change to the Fund's investment objective and strategy.

⁶ For the MSCI Emerging Markets Latin America Index benchmark, the returns provided for since inception are based on month-end level valuations as of October 31, 1991.

⁷ The Custom Index reflects the returns of the MSCI Emerging Markets Latin America Index for periods prior to April 27, 2018 and the returns of the MSCI Emerging Markets Index for periods subsequent to April 30, 2018. The indices and time periods for the Custom Index align with the strategies utilized and benchmark for the Fund during the same time periods. The MSCI Emerging Markets Latin America Index is a free float-adjusted market-capitalization index that measures equity market performance in Latin America.

Top Ten Equity Holdings⁸

	% of Fund
Tencent Holdings Ltd.	5.8
Samsung Electronics	4.5
Taiwan Semiconductor	3.9
Itausa Investimentos Itau SA	3.3
China Mobile	3.2
China Resources Enterprise	2.9
ITC Ltd.	2.2
Taiwan Mobile	2.2
Vale	2.1
Banco Bradesco	2.0
Percent of Portfolio in Top Ten	32.1

⁸ Holdings are subject to change and are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities shown. The top ten holdings are reported by share class. Certain companies listed may be held in additional share classes not listed above.

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