Q3 2019

Quarterly Commentary

Aberdeen Standard Investments

Aberdeen Emerging Markets Debt Fund

Performance highlights

- The Fund modestly underperformed its benchmark, the J.P. Morgan EMBI Global Diversified Index,[1] for the third quarter of 2019.
- Overall country allocation and currency exposure hampered Fund performance for the quarter, while stock selection had a positive impact.

Fund performance

Aberdeen Emerging Markets Debt Fund (Institutional Class shares net of fees)[2] returned 1.00% for the third quarter of 2019, versus the 1.50% return of its benchmark, the J.P. Morgan EMBI Global Diversified Index. While overall country allocation and currency exposure weighed on Fund performance, security selection had a positive impact, On a country level, overweight positions relative to the benchmark to Venezuela and Tunisia, as well as underweight positions in Oman and Russia, detracted from Fund performance. Additionally, both security selection and country allocation in Argentina, along with currency exposure in Uruguay and Brazil, hampered Fund performance, On the upside, Fund performance for the quarter was bolstered by overweight positions in Indonesia, Saudi Arabia, Qatar and the United Arab Emirates (UAE), and security selection in Saudi Arabia and Qatar. Underweight allocations to Lebanon and Mexico also contributed to performance,

Fund activity and positioning

In hard-currency debt, we increased the Fund's positions in Qatar, Sri Lanka, Ukraine, Jamaica and Ecuador sovereign bonds. Conversely, we reduced positions in Argentina, Lebanon, Nigeria and Angola. In local currency, we added exposure to Russia and Uruguay, while reducing the holdings in Argentina. Meanwhile, in the corporate space, we increased the Fund's holding in Nigeria-based telecommunications company IHS through a competitively priced new issue. We also increased holdings in UAE-based quasi-sovereign Investment Corporation of Dubai, Bahrain-based Oil and Gas Holding, and BBVA Bancomer in Mexico. Conversely, we exited the Fund's positions in Malaysia-based Genting, Mexican quasi-sovereign Pemex and MAF Global Securities in the UAE.

Market review

The main global market theme of the third quarter of 2019 was increasingly dovish central banks attempting to prop up economic growth. The U.S. Federal Reserve (Fed) reduced its benchmark interest rate in both July and September. These were the central bank's first rate cuts in more than a decade. The European Central Bank (ECB) slashed interest rates on deposits in September, pushing them further into negative territory, at -0.5%. The ECB also announced that it would be restarting its quantitative-easing program on November 1. Moreover, 10-year U.S. Treasury yields fell by 33 basis points (bps) over the quarter to 1.67%. Despite the Fed rate cut, yields increased in September, due to large-scale U.S. Treasury issuance and escalations in the now 18-month-long U.S.-China trade war.

The U.S. announced new tariffs of 10% on the remaining US$300 billion in Chinese imports in August, followed by a fresh 15% imposition of tariffs on a further US$131 billion in imports in September. In response, Chinese authorities suspended purchases of U.S. agricultural products and slapped a 7% tariff on US$45 billion in U.S. goods. The prospect of a continued trade war amid weakened global demand exerted negative pressure on oil prices. However, this was counterbalanced by the decision of members of the Organization of Petroleum Exporting Countries (OPEC) to extend production cuts until March 2020, as well as drone strikes against Saudi Arabia's oil installations.

[1] The J.P. Morgan EMBI Global Diversified Index is a comprehensive global local emerging markets index comprising liquid, fixed-rate, domestic currency government bonds. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Index performance is not an indication of the performance of the Fund itself. For complete fund performance, please visit aberdeenstandard.us.

[2] ***The performance quoted represents past performance, which does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by calling 800-387-6977 or visiting aberdeenstandard.us.***

Over the quarter, the J.P. Morgan EMBI Global Diversified Index returned 1.50%, while the benchmark spread narrowed by 9 basis points (bps) to +337 bps over comparable-duration[3] U.S. Treasuries. Benchmark provider J.P. Morgan's reduction of Venezuela's weighting in the index contributed to the spread compression, although this was partially offset by negative U.S. Treasury returns. By credit quality, high-yield assets mostly outperformed their investment-grade[4] counterparts. However, in August, Argentina's announcement of its reprofiling plans on about US$100 billion of debt and Lebanon's deteriorating foreign currency liquidity position weighed on the performance of high-yield assets. In response, all the three main credit ratings agencies (Standard & Poor's, Moody's and Fitch)[5] downgraded Argentina's long-term debt rating, taking it into "selective default" territory. Fitch downgraded Lebanon two notches to CCC, while Standard & Poor's implemented a six-month review period before a potential downgrade. Finally, September was a heavy month for issuance, with Armenia, Bahrain, Ecuador, South Africa and the UAE successfully issuing a total of US$22 billion in bonds.

Country news

President Mauricio Macri suffered a surprise defeat in Argentina's presidential primaries in August. This was followed by the newly appointed Economy Minister Hernan Lacunza proposing to extend the maturities of about US$100 billion of debt. The government also requested debt relief on International Monetary Fund (IMF) repayments, from which it had received US$44 billion. This sent Argentine asset prices plummeting, and all three credit rating agencies cut the country's rating to "selective default". This prompted the government to announce restrictions on currency purchases until the end of 2019.

There were still some positive developments among this negative news. In September, official data for the second quarter of 2019 showed the country edging out of a recession, with 0.6% year-over-year (yoy) growth, supported by a strong farming sector. This was the first quarter of growth since the beginning of 2018. Thanks Treasury reduced federal spending, increasing its primary surplus, which stood at ARS13.7 billion (roughly US$237 million) in August, up from ARS10.4 billion (approximately US$180 billion) a year earlier. This led to an ARS48.3 billion (about US$837 million) surplus for the first eight months of 2019.

Banco Central do Brasil went heavy on monetary easing, cutting the Selic rate by 50 bps in both July and September, bringing it to a new record low of 5.5%. The central bank's statement after the last cut had a dovish tone, with indications that the rate could potentially be reduced to below 5.0%. Lowered inflation forecasts helped bolster this monetary policy easing environment. The central bank revised its year-end inflation forecast downward from 3.6% to 3.3%, which was already below its 4.0% target.

The pension reform bill, which is estimated to save BRL900 billion (around US$218 billion) over 10 years, passed Congress in August. However, the Senate subsequently amended the bill, meaning it will have to obtain congressional approval again. Both second-quarter 2019 GDP growth and fiscal deficit numbers were better than expected. The former posted 0.4% quarter-on-quarter (qoq) and 1.0% yoy growth, driven by fixed-asset investment. The 12-month rolling primary deficit remained at 1.4% of Brazil's GDP. However, its current account position continued to worsen. A US$4.3 billion deficit in August showed a big deterioration from US$1.8 billion a year ago. This continues to be financed by foreign direct investment.

Banxico, Mexico's central bank, cut its policy rate in August and September, reducing it to 7.75%. The central bank cited lower global interest rates and inflation, as well as growth risks. Banxico also lowered its economic growth forecasts for 2019 and 2020. Inflation trended downward, with headline inflation falling to 3.2% yoy in August, attributable to lower food prices and close to the central bank's target of 3.0%.

Mexico also barely avoided slipping into a technical recession, with official second-quarter GDP figures showing unchanged growth compared to the previous quarter. This caused consumption imports to fall, which was a positive for its trade balance. The nation's current account moved from a deficit of 1.3% of GDP in the first quarter to a 1.0% surplus in the second quarter. The federal government's 2020 budget proposal emphasizes cautious spending. The proposal targets a lowered primary surplus of 0.7% of GDP and includes approximately US$13 billion earmarked for social programs and student grants. It also provides additional support for state-owned oil company Pemex in the form of a US$5 billion capital injection this year, plus a further US$4.3 billion in 2020.

Venezuela remains mired in political crisis. In August, U.S. President Donald Trump imposed fresh sanctions on the country. This included freezing all Venezuelan government assets in the U.S. and barring all U.S. citizens and companies from transacting with the regime of President Nicolás Maduro. This ban even extends to third parties, which could potentially face U.S. sanctions if they deal with the regime. The U.S. Office of Foreign Assets Control (the U.S. enforcement agency for economic and trade sanctions) also pushed the deadline for winding down financial contracts entered into prior to the sanctions to the end of the third quarter of 2020. Meanwhile, the Maduro regime broke

[3] Duration is an estimate of bond price sensitivity to changes in interest rates. The higher the duration, the greater the change (i.e., higher risk) in relation to interest-rate movements.

[4] Countries whose bonds are rated as "investment-grade"' have a lower chance of defaulting on their debt than those rated as "non-investment grade." Bonds rated BBB or above by credit rating agencies Standard and Poor's and Fitch or Baa3 or above by Moody's are classified as investment-grade.

[5] Standard & Poor's (S&P), Moody's and Fitch are independent, unaffiliated research companies that rate fixed income securities on the basis of risk and the borrower's ability to make interest payments. S&P and Fitch credit ratings are expressed as letter grades that range from "AAA" to "D" to communicate the agency's opinion of relative level of credit risk. Moody's assigns ratings from Aaa to C, with Aaa being the highest quality and C the lowest quality.

off negotiations with opposition leaders over new elections. Alternatively, the regime reached a separate partial agreement with minority parties to reform the National Electoral Commission, which is not backed by the National Assembly.

Russia's central bank cut its key rate twice over the third quarter amid falling inflation, taking it 50 bps lower to 7.0%, in line with market expectations. Second-quarter GDP growth showed modest traction, increasing to 0.9% yoy from 0.5% in the first quarter. This was mainly from the real estate and trade sectors, which were negative contributors in the first quarter but made virtually no contribution in the second quarter. The consumer sector saw a continued slowdown, with retail sales growing at 1.5% yoy for the second quarter compared to 1.9% in the first quarter. Manufacturing continued to contract, with Russia's purchasing managers index (PMI) falling to 46.3 in September — the lowest level since the 2009 recession. The PMI has remained under the 50 threshold (which indicates contraction in manufacturing activity) since May of this year.

On the international political front, the U.S. announced a second round of sanctions against Russia in August, including banning U.S. investors from participating in any non-ruble bond issuance from the Russian government. On the domestic side, despite street protests by opposition supporters, Kremlin-backed candidates still won the most seats in Moscow's municipal elections in September and prevailed in regional governorship contests outside of the capital.

South Africa's central bank cut its repurchase rate by 25 bps to 6.5% in July, although it subsequently decided to maintain the rate in September. Headline inflation fell slightly to 4.3% yoy in August from 4.5% in June, with lower fuel prices mostly offset by higher food prices. Fiscal risks persisted, driven by sluggish tax collections and value-added tax (VAT) refunds, coupled with higher government support for state power utility company Eskom. This support would total ZAR60 billion (roughly US$4 billion), approximately 1.1% of GDP, over the 2019 to 2021 fiscal years. For the 2019-2020 fiscal year ending in March 2020, the cumulative budget deficit now stands at ZAR157 billion (around US$10.4 billion), which is ZAR33 billion (around US$2.2 billion) higher than the previous fiscal year. The current account deficit also widened sharply to 4.0% of GDP over the second quarter, compared to a 2.9% deficit in the first quarter. The deterioration was driven largely by a negative trade balance, resulting from weak exports and higher import volumes on the back of improving domestic demand.

India's central bank cut the repurchase rate by a larger-than-expected 35 bps to 5.4% in August, citing economic growth concerns. It also revised growth forecasts down by 10 bps to 6.9%, but maintained inflation forecasts at below its target of 4.0%. The economy's slowdown intensified, with the GDP growth for the first quarter of the 2019-2020 fiscal year falling to 5% compared to 5.8% in the preceding quarter and 8% a year earlier. The main contributing factors were a weak manufacturing sector and slower-than-expected growth in financial services. Finance Minister Nirmala Sitharaman surprised the market by announcing substantial cuts in

Aberdeen Emerging Markets Debt Fund Total Returns (%)

	Cumulative as of Sept. 30, 2019			Annualized as of Sept. 30, 2019				
	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception 11/01/12
Class A w/o sales charges	-0.24	0.90	12.18	10.39	3.59	3.94	-	3.10
Class A with sales charges	3.23	-2.13	8.81	7.08	2.54	3.31	-	2.64
Institutional Class	-0.23	1.00	12.52	10.73	3.99	4.30	-	3.41
J.P. Morgan EMBI Global Diversified Index	-0.46	1.50	12.99	11.57	4.61	5.74	-	4.75

Annual Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013
Class A w/o sales charges	-8.50	12.07	13.57	-3.84	1.63	-5.58
Institutional Class	-8.09	12.41	13.94	-3.56	1.88	-5.43
J.P. Morgan EMBI Global Diversified Index	-4.26	10.26	10.15	1.18	7.43	-5.25

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. The performance data quoted represents past performance and current returns may be lower or higher. Class A shares have up to a 3.00% front-end sales charge and a 0.25% 12b-1 fee. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. To obtain performance information current to the most recent month-end, which may be higher or lower than the performance shown above, please call 866-667-9231 or go to aberdeenasset.us.

Minimum initial investment (Class A; Class C; Inst Class): $1,000; $1,000; $1,000,000. Expense ratio as of most recent prospectus (A; C; Inst.): 1.79%/1.07%; 2.44%/1.66%; 1.44%/0.66%. Quarterly distributions/annual capital gains. Expenses stated as of the Fund's most recent prospectus. All classes of the Fund have contractual waivers in place and may not be terminated before 2/28/20 without approval of the Independent Trustees.

Total returns assume the reinvestment of all distributions. Total returns may reflect a waiver of part of the Fund's fees for certain periods since inception, without which returns would have been lower. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

Top Ten Fund holdings (as of Sept. 30, 2019)

	% of Fund
STATE OF QATAR 4.817%	2.8
UKRAINE GOVERNMENT 7.75%	2.7
SAUDI INTERNATIONAL BOND 4.5%	2.6
BRAZIL (REP OF) 6.00%	2.5
DOMINICAN REPUBLIC 6.85%	2.3
REPUBLIC OF INDONESIA 6.625%	2.0
ECUADOR (REP OF) 8.75%	1.9
SAUDI ARABIAN OIL CO 4.25%	1.8
COMMONWEALTH OF BAHAMAS 6.00%	1.8
REPUBLIC OF EL SALVADOR 5.875%	1.7
Percent of Portfolio in Top Ten	**22.2**

Figures may not sum due to rounding.
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.

corporate tax rates, with the basic rate reduced from 30% to 22%. This move poses a risk to achieving the budgeted fiscal deficit of 3.3% of GDP for fiscal year 2020, which was already considered optimistic. Meanwhile, India-Pakistan tensions over Kashmir escalated following India's decision to remove the special status of the disputed regions of Jammu and Kashmir and turn it into two union territories administered by the federal government.

In an effort to reduce financing costs for corporate borrowers, China's central bank replaced the benchmark interest rate with the loan prime rate in August, and then cut the one-year rate by 5 bps to 4.2% in September. The country's manufacturing slowdown continued, with its official PMI remaining under the 50 threshold (indicating a contraction) for the fifth straight month, ending at 49.8 for September. Softer global demand, coupled with the ongoing U.S.-China trade war, supressed both exports and imports. However, on balance, China's trade surplus continued to narrow, reaching US$34.8 billion in August, down from US$51.0billion in June. Nevertheless, this was still higher than the US$26.3 billion in August 2018. China's trade surplus with the U.S., a point of heavy political contention, also fell to US$27.0 billion in August from US$29.9 billion in June. Fixed-asset investment and retail sales also experienced slowdowns, with the former easing from 5.1% to 4.2% yoy and the latter from 7.6% to 7.5% yoy.

Outlook

In our view, the slowdown in developed markets may affect emerging market growth, with asset prices reflecting the economic weakness. However, we believe a U.S. recession will be avoided and a benign inflation outlook should allow for further monetary policy easing in a number of emerging economies. Therefore, we believe that the weak economic environment and global monetary policy easing should provide opportunities in the search for yield, supporting inflows into the asset class. The key risks to our view remain continued dollar strength, persistence of U.S. exceptionalism, a deeper China slowdown and a further escalation in trade wars.

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Investing in mutual funds involves risk, including possible loss of principal. There is no assurance that the investment objective of any fund will be achieved.

Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in the market value of an investment), credit (changes in the financial condition of the issuer, borrower, counterparty, or underlying collateral), prepayment (debt issuers may repay or refinance their loans or obligations earlier than anticipated), call (some bonds allow the issuer to call a bond for redemption before it matures), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

Foreign securities are more volatile, harder to price and less liquid than U.S. securities. They are subject to different accounting and regulatory standards, and political and economic risks. These risks are enhanced in emerging-markets countries. Equity stocks of small and mid-cap companies carry greater risk, and more volatility than equity stocks of larger, more established companies.

Investors should carefully consider a fund's investment objectives, risks, fees, charges and expenses before investing any money. To obtain this and other fund information, please call 866-667-9231 to request a summary prospectus and/or prospectus, or download at www.aberdeenstandard.us. Please read the summary prospectus and/or prospectus carefully before investing any money.

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