Quarter ended October 31, 2018

Monthly Commentary

Aberdeen Standard Investments

Aberdeen Asia-Pacific Income Fund

Fund performance

Aberdeen Asia-Pacific Income Fund returned -4.51%[1] on a net asset value basis for the three-month period ended October 31, 2018, underperforming -2.61% return of its blended benchmark.[2] Our Asian local-currency strategies, where the Fund is overweight relative to the benchmark, was the largest detractor from performance as regional government bonds and currencies endured a challenging quarter. On a positive note, the Fund's holdings in Asian U.S.-dollar credit contributed modestly to the Fund's relative performance for the quarter.

In Asian local-currency bonds, including high-yield bonds, the main detractors were the overweight positions in the Indian rupee, Indonesian rupiah and Sri Lankan rupee, all of which declined against the U.S. dollar over the reporting period. However, the Fund's overweight to Indian bonds mitigated losses as yields in that market fell. The underweight allocation to South Korean bonds weighed on performance as these securities outperformed the overall market for the reporting period.

The Fund's underweight exposure to Asian U.S.-dollar credit, which posted a negative total return during the quarter, contributed to the Fund's relative performance. Additionally, the Australian dollar's depreciation detracted from the relative performance for the period.

Market review

Asia-Pacific bonds posted mixed returns over the three-month period ended October 31, 2018, as a recurring litany of worries buffeted investor sentiment. A key concern over the period was escalating contagion risks arising from domestic currency crises in Argentina and Turkey, which quickened foreign outflows from emerging financial assets. For oil-importing markets, this was exacerbated by the spike in the crude price on the back of U.S. economic sanctions on Iran. This in part led to higher inflation and accelerated interest-rate hikes by several Asian central banks. To some extent, they were following in the footsteps of the U.S. Fed, whose rate-hike cycle caused U.S. Treasury yields to rise to multi-year highs. Amid fears about a U.S.-dollar liquidity crunch, most Asian currencies weakened against the greenback. Meanwhile, China-U.S. trade tensions worsened as President U.S. President Donald Trump amplified his protectionist stance.

Regional U.S.-dollar credit markets fell on a total-return basis, with high-yield bonds underperforming their investment-grade counterparts. Tighter liquidity and heightened risk-aversion caused spreads to widen significantly over the quarter. A rising issuance pipeline from China and new deals concluded at relatively high yields put pressure on issuers due for refinancing. Local government financing vehicles in mainland China weakened on the back of downgrades, which reflected credit-rating agencies'[3] view that implicit support from Beijing would decrease over time. In India, rare defaults at a non-bank financial company fueled worries about a potential cash crunch.

Among local-currency government bonds, the Philippines and Sri Lanka were major underperformers on a total-return basis, with yields rising across their respective curves. Philippine policymakers remained decidedly hawkish as inflation remained elevated, while Sri Lanka suffered a constitutional crisis when the prime minister was ousted. Indonesian yields rose on the back of the central bank's rate hikes and dwindling foreign reserves as policymakers struggled to prop up the floundering rupiah.

Elsewhere, bond markets were more resilient, with positive total returns in China, India and Korea despite weakness in their currencies. Investor sentiment in mainland China was lifted by further targeted easing measures from policymakers as the trade spat with the U.S. began to a take a toll on the

[1] ***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.***

[2] The Fund's blended benchmark is composed of 35% Bloomberg AusBond Composite Index; 40% J.P. Morgan Asian Credit Diversified Index; 15% Markit iBoxx Asia Government Index; 5% Markit iBoxx Asia Government India Index; and 5% Markit iBoxx Asia Government Indonesia Index. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

[3] Standard & Poor's and 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. Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. The investment-grade category is a rating from AAA to BBB-. Moody's is an independent, unaffiliated research company that rates fixed income securities. Moody's assigns ratings on the basis of risk and the borrower's ability to make interest payments. Typically securities are assigned a rating from Aaa to C, with Aaa being the highest quality and C the lowest quality.

economy. Korean yields trended lower as domestic economic growth forecasts were downgraded. The Indian market experienced a volatile quarter but investor confidence returned after oil prices declined, inflationary pressures moderated, and the central bank announced more bond-buying through open-market operations. This helped lower bond yields despite rupee weakness. Australian bond yields fell and continued to outperform versus U.S. Treasuries, but market returns were pared by the Australian dollar's depreciation, given the country's close economic ties with China. Falling house prices and out-of-cycle mortgage rate increases led investors to push out the potential for an interest-rate hike from the Reserve Bank of Australia to two years.

Outlook

EMs have borne the brunt of concerns about tightening U.S. monetary policy, the stronger greenback, volatile oil prices and unresolved global trade tensions. Going forward, we see the possibility of the Fed taking a breather in its policy normalization cycle in the first half of 2019. We are mindful of the slowdown in China's economy but are encouraged to see that the authorities are committed to providing support for the private sector. Therefore, while we think that we may see further pressure on currencies and capital flows, we believe that markets are already reflecting this risk to a large degree. Furthermore, we should not rule out the possibility of Washington and Beijing resolving their trade dispute, which could take place next year when Democrats, who won the House of Representatives majority in the U.S. midterm elections in early November, take office. We think that they are unlikely to back further tax cuts to boost growth, so President Trump may be compelled to soften his hardline stance against China.

In Australia, we feel that interest rates are likely to be kept steady well into 2019 as strong gross domestic product (GDP) growth supported by consumer spending is being offset by housing-sector weakness and tightening credit conditions. We think that employment growth will add a positive countervailing force to housing weakness, but we do not expect labour conditions to tighten before the end of the year.

Overall, Asia-Pacific economies generally have healthy external balances and solid foreign-currency reserves, while institutional frameworks are noticeably more robust than a decade ago. We anticipate that volatility will persist, but we will take advantage of opportunities to add exposure where we think that valuations look compelling, particularly issuers which we feel will cope well in a lower-growth environment.

Total Returns* (%)

NAV	Cumulative	Annualized
Since inception (April 1986)	974.0	7.6
Ten years	96.5	7.0
Five years	0.7	0.1
Three years	7.2	2.3
One year	-7.3	

Market price	Cumulative	Annualized
Since inception	819.6	7.1
Ten years	97.7	7.1
Five years	-7.8	-1.6
Three years	7.6	2.5
One year	-14.3	

* 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 data quoted. NAV return data includes investment management fees, custodial charges, bank loan expenses and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions. The Fund is subject to investment risk, including the possible loss of principal. Returns for periods less than one year are not annualized.

Top Ten Equity Holdings**

Holding	%
Australia Government Bond	3.9
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Australia Government Bond	2.4
Queensland Treasury Corporation	2.4
Indonesia Government Bond	2.4
Queensland Treasury Corporation	2.1
Australia Government Bond	2.0
China Development Bank	1.5
India Government Bond	1.4
Indonesia Government Bond	1.2
Total	**23.2**

**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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IMPORTANT INFORMATION

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