Aberdeen Standard Investments

Aberdeen Global Income Fund, Inc. (FCO)

Fund performance

Aberdeen Global Income Fund returned -3.14% on a net asset value basis[1] over the three-month period ended October 31, 2018, underperforming the -1.93% return of its blended benchmark. Our Asian local-currency strategies were the largest detractors from the Fund's relative performance as regional government bonds and currencies endured a challenging quarter. The relative contributions from emerging-market (EM) debt (excluding Asia) and global high income (excluding EMs) were largely flat.

In Asian local-currency bonds, including high-yield bonds, the main detractors from Fund performance for the reporting period were the overweight positions in the Indian rupee and Sri Lankan rupee, all of which declined against the U.S. dollar, although the overweight allocation to Indian bonds mitigated losses as yields in that market moved lower. Elsewhere, the Fund's underweight to South Korean bonds weighed on performance as these securities performed well. In contrast, the underweight allocation to weak-performing Philippine bonds had a positive impact on the Fund's relative performance for the quarter.

The Fund's underweight exposure to the Australian dollar was a key contributor to performance for the reporting period, while the overweight to the New Zealand dollar was a detractor as both currencies depreciated against the U.S. dollar.

Regarding EM debt (excluding Asia), the Fund's underweight allocation to Turkey was the biggest contributor as the lira fell 12% against the U.S. dollar over the quarter. This was counterbalanced by the overweight to Argentina, which detracted from the Fund's relative performance as the Argentine peso plummeted by nearly 24% over the quarter.

Security selection in global high-income bonds (excluding EMs) performed largely in line with the benchmark; therefore, the relative contribution was virtually flat during the reporting period.

Market review

Global bonds posted mixed returns over the quarter 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 EM 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 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 currencies weakened against the greenback. Meanwhile, China-U.S. trade tensions worsened as U.S. President Donald Trump amplified his protectionist stance.

In Australia and New Zealand, government bond yields moved lower over the quarter; however, market returns were pared by their currencies' depreciation against the U.S. dollar. The Australian dollar's weakness was attributable mainly to the country's close economic links with China, where the trade spat with the U.S. began to a take a toll. Nevertheless, Australian bonds continued to outperform U.S. Treasuries over the reporting period. Falling house prices and out-of-cycle mortgage rate increases led investors to push out the potential for a rate hike from the Reserve Bank of Australia to two years. In New Zealand, plummeting business confidence as a result of rising external risks pushed the domestic currency lower, leaving the door open to a possible rate cut. Corporate profitability struggled to gain traction. Not surprisingly, the central bank maintained its dovish policy stance.

[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.***

Regional U.S.-dollar credit markets declined on a total-return basis during the reporting period, with high-yield bonds underperforming their investment-grade[2] 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' 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.

The Indian market experienced a volatile quarter but 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 and bolstered total returns despite rupee weakness.

In EMs outside of Asia, government bond yields were mixed over the quarter. Argentina President Mauricio Macri's plan to seek an early disbursement of International Monetary Fund (IMF) loans roiled investors, causing the Argentine peso to sell off. The central bank responded by hiking rates aggressively. Investor sentiment was further shaken when the governor of the central bank resigned in the middle of talks with the IMF. In Turkey and Mexico, currency weakness weighed on bond market returns, with government bond yields sharply higher across their respective curves. Policy inaction remained a concern in Turkey, prompting Moody's[3] to downgrade 18 domestic banks and sending lira plunging. However, this was somewhat assuaged by the central bank's 625-bps rate hike to 24% in September, with a promise to deliver further tightening if inflation accelerates. Despite easing inflation and an improving trade deficit, the Mexican market was hindered by worries that the government would default on the bonds it had issued to finance the construction of the Mexico City airport, after a referendum voted to cancel the project.

Conversely, Brazilian bonds rallied over the reporting period, with the currency's appreciation further lifting total returns. The Brazilian real proved to be an exception among EM currencies, rising against the U.S. dollar. The main reason was the improved market sentiment in the lead-up to right-wing candidate Jair Bolsonaro's sweeping presidential victory. Investors took comfort in his market-friendly pledge and a favorable Congress composition that could prove crucial in pushing forward his economic agenda.

U.S. high-yield corporate bond markets initially proved resilient as Treasury yields climbed. But investor sentiment subsequently deteriorated as China-U.S. trade tensions worsened, earnings appeared to have peaked, and domestic equity markets sold off, leading to a substantial widening in credit spreads. The premium that investors demanded on high-yield bonds over U.S. government debt jumped to 3.88% at the end of October. With several companies forecasting more conservative revenues and profitability in the quarters ahead, demand for high-yield debt tapered.

In Europe, faltering Brexit talks dominated market sentiment in the UK, pushing high-yield spreads wider. On the European Continent, weaker quarterly corporate earnings, political tensions in Germany, and jitters over Italy's proposed budget and its refusal to comply with European Union fiscal requirements were significant factors driving the weakness in high-yield markets. A steady stream of euro-denominated supply further pushed prices lower.

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.

[2] Companies whose bonds are rated as "investment grade" have a lower chance of defaulting on their debt than those rated as "non-investment grade." Generally, these bonds are issued by long-established companies with strong balance sheets. Bonds rated BBB- or above are known as investment-grade bonds. Standard & Poor's credit ratings 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-.

[3] 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.

In Australia, we feel that interest rates are likely to be kept steady well into 2019 as strong 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 labor conditions to tighten before the end of the year.

Overall, we believe that risk factors, such as global liquidity tightening and global trade tensions, could further expose vulnerable economies. Nonetheless, most Asia-Pacific and emerging 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.

U.S. and UK high-yield credit markets have repriced to levels which appear relatively attractive and demand from insurers and pension funds is emerging. However, we remain concerned about high levels of borrowing in a rising interest-rate environment, and economic data in Europe seem to be softening. A Brexit premium exists in the UK, although we think that a “no-deal” exit would still have a negative impact on the market.

Total Returns* (%)

NAV	Cumulative	Annualized
Since inception (June 1986)	448.5	6.6
Ten years	106.1	7.5
Five years	5.1	1.0
Three years	14.7	4.7
One year	-3.8	

Market price	Cumulative	Annualized
Since inception	422.5	6.4
Ten years	148.5	9.5
Five years	18.8	3.5
Three years	36.5	10.9
One year	1.3	

* 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	%
Treasury Corporation of Victoria	6.1
New Zealand Government Bond	5.7
New Zealand Government Bond	4.1
Queensland Treasury Corporation	3.6
Romania Government Bond	1.9
Ukraine Government Bond	1.7
South Africa Government Bond	1.4
Sri Lanka Government Bond Fund	1.3
Indonesia Government Bond	1.3
Petrobras International Braspetro BV	1.3
Total	**28.4**

**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.

The Fund's blended benchmark comprises 10% ICE Bank of America Merrill Lynch (BofA ML) All Maturity Australia Government Index; 25% ICE Bank of America Merrill Lynch Global High Yield Constrained Index (hedged into U.S. dollars); 35% J.P. Morgan EMBI Global Diversified Index; 5% ICE BofA ML New Zealand Government Index; and 25% Markit iBoxx Asia Government Index.

The ICE BofA ML All Maturity Australian Government Index tracks the performance of large, Australian dollar-denominated government debt issued in the Australian domestic market, including sovereign and quasi-government securities.

The ICE BofA ML Global High Yield Constrained Index tracks the performance of U.S. dollar-, Canadian dollar-, British pound- and euro-denominated below-investment-grade corporate debt publicly issued in the major domestic or eurobond markets.

The J.P. Morgan EMBI Global Diversified Index is a comprehensive global local emerging markets index comprising liquid, fixed-rate, domestic currency government bonds.

TheMarkit iBoxx Asia Government Index tracks the performance of local currency-denominated sovereign and quasi sovereign debt from 10 Asian countries/territories.

Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected.

IMPORTANT INFORMATION

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PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Fund's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the Fund's portfolio. The NAV is the value of an entity's assets less the value of its liabilities. The market price is the current price at which an asset can be bought or sold. There is no assurance that the Company will achieve its investment objective. Past performance does not guarantee future results.

All performance shown is historical, assumes reinvestment of all dividends and capital gain distributions and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so when sold, shares may be worth more or less than that of the original cost. Total return based on market price reflects changes in market value. Total return based on net asset value reflects changes in the fund's net asset value during each period. Current performance may be lower or higher than the performance data quoted.

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging market investments. Concentrating investments in the Asia-Pacific region subjects the Fund to more volatility and greater risk of loss than geographically diverse funds.

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), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

High yield securities may face additional risks, including economic growth; inflation; liquidity; supply; and externally generated shocks.

Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected.
You cannot invest directly in an index.

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Under U.S. tax rules applicable to the Fund, the amount and character of distributable income for each fiscal year can be finally determined only as of the end of the Fund's fiscal year. The Fund anticipates that sources of distributions to shareholders may include net investment income, net realized short-term capital gains, net realized long-term capital gains and return of capital. The estimated composition of the distributions may vary from time to time because the estimated composition may be impacted by future income, expenses and realized gains and losses on securities. For more detailed information related to the composition of the Fund's distributions, see aberdeenFCO.com.

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