June 2019

InFocus

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Aberdeen Standard SICAV 1 Emerging Markets Smaller Companies Fund

Key features

Compelling diversification benefits	Potential for reduced volatility, and downside protection in falling markets	With skilled active management EM smaller companies offer the potential to outperform over the long term

We believe there are three compelling reasons why investors in large-cap emerging-markets (EM) should consider an allocation to our Fund as part of their overall strategy.

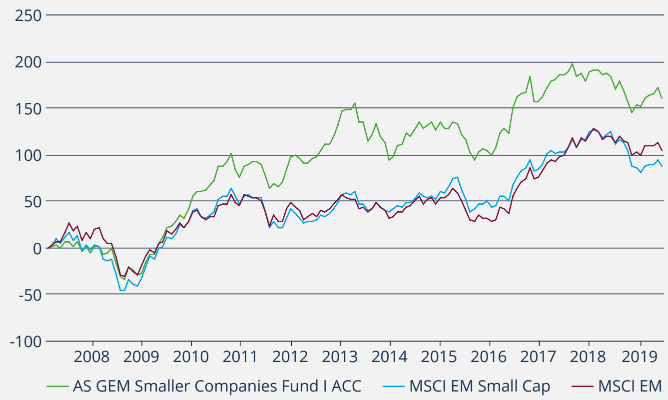
1. Compelling diversification benefits – with an aim of no additional risk

Many investors still view EM small-caps as a risky sub-set of the emerging markets asset class, and thus fear an allocation will upset the risk profile of their portfolio. The evidence suggests otherwise. Since the portfolio's inception, volatility has been lower than the EM large-cap index. The Fund has also offered investors downside protection when markets are falling. Indeed, the Fund outperformed the large-cap index during the last five worst quarters for EM large-caps (see Chart 2).

There are numerous reasons for the Fund's lower volatility. Chief among them is the low correlation of returns between the plethora of markets and stocks within the Fund, and the significant and more stable local ownership of these companies.

As such, an allocation to our EM Smaller Companies Fund could potentially provide compelling diversification benefits as part of a broader large-cap EM portfolio. This is especially the case given that the large-cap index has become increasingly concentrated in certain constituents and sub-sectors, such as Chinse internet stocks.

Chart 1: AS Emerging Markets Smaller Companies I Acc vs MSCI Emerging Markets Small Cap Index & MSCI EM Index



Performance Data: Share Class I Acc. Cumulative performance. As at 31.05. 2019.
Source: Lipper, Basis: Total Return, NAV to NAV, net of annual charges, gross Income reinvested, (USD). "AS" stands for the "Aberdeen Standard SICAV I" fund range.

Past performance in not a guide to future results.

AberdeenStandard Investments

Chart 3 illustrates the benefits that clients may achieve by having an allocation to small-caps within their overall investment portfolio. As you can see, as opposed to holding 100% large-caps, a meaningful allocation to small-caps within a portfolio may deliver higher returns at lower levels of risk.

2. Accessing an overlooked opportunity set to find the blue-chips of the future

The smaller end of the emerging markets investment universe, which we define by companies of less than $5.0 billion market-cap, is an enormous opportunity set for stock-pickers like ourselves. The MSCI Emerging Markets Small Cap Index has over 1,700 constituents alone – many of which will become the EM blue-chips of the future.

Importantly, this opportunity set is largely untouched by large-cap EM funds. We have over 50 dedicated investment professionals across emerging markets. They provide on-the-ground expertise and in-depth knowledge of local markets and business practices, and undertake thorough due diligence on both financial and ESG (environmental, social and governance) risk. Last year, they conducted over 340 face-to-face meetings with EM small-cap companies. Our established research platform therefore gives us invaluable first-hand insight into the smaller companies in which we invest.

3. With skilled active management EM smaller companies offer the potential to outperform over the long term

Performance since inception has been strong, with the Fund outstripping the EM large-cap index by 56.7% and its EM small-cap reference index by 67.7% (net of fees – see Chart 1).

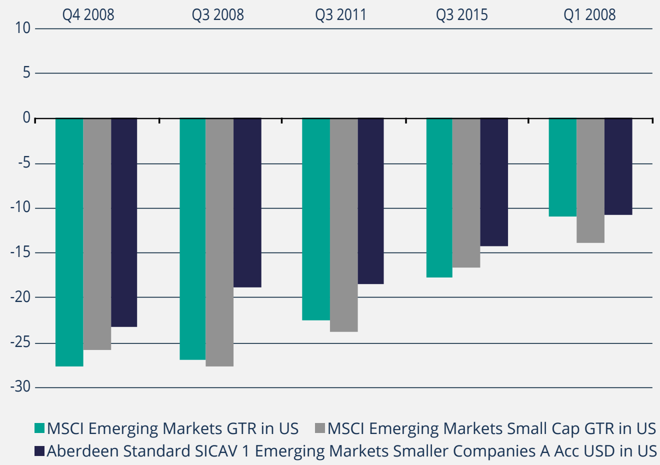
However, over three and five years the strategy has lagged its reference index. This is a result of the Fund's underweight to North Asia during the period, a region that largely escaped the widespread depreciation of EM currencies over the last few years. It should also be noted that small-caps have lagged their large-cap counterparts, due to the latter's benchmark exposure to rapidly-growing Chinese internet companies (Tencent, Alibaba, etc.), as well as large-cap energy and materials companies, which have benefited from the recovery in commodity prices.

Last year, our small-cap Fund underwent a moderate – but nonetheless important – repositioning. We have reduced our underweight to North Asia, via both new and increased investments in a number of high-quality companies in China, Korea and Taiwan, and raised our exposure to IT companies. This has moderated the market risk and tracking error of the Fund.

Companies to highlight include:

- Chinese cloud ERP (enterprise resource planning) software provider **Kingdee**
- Chinese auto-dealership **Zhongsheng Group**
- Chinese internet-based service providers **Baozun** and **51Job**
- Chinese hot-pot restaurant business **XiabuXiabu**
- Korean cosmetics manufacturer **Korea Kolmar**
- Korean IT hardware capital equipment manufacturer **Koh Young Technology**
- Taiwanese IT hardware testing equipment company **Chrome Ate**
- Taiwanese silicon wafer manufacturing company **GlobalWafers**.

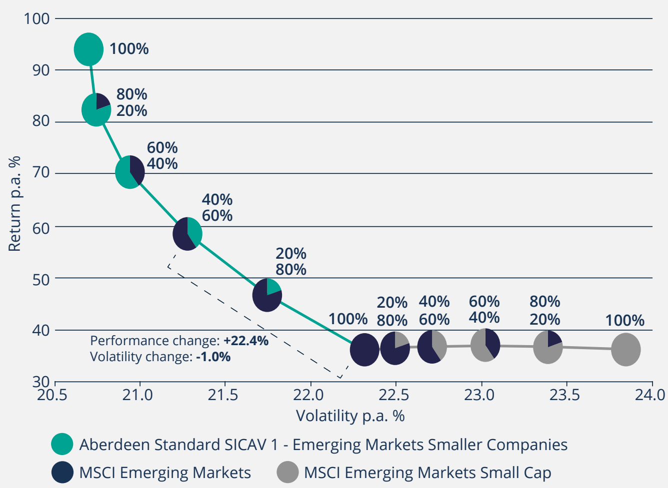
Chart 2:
Aberdeen Standard SICAV 1 - Emerging Markets Smaller Companies Fund



Source: Aberdeen Standard Investments, 31 May 2019

Past performance in not a guide to future results.

Chart 3:
Higher returns with lower risk



Source: eVestment, gross returns in USD, May 2007 – December 2018.

Past performance in not a guide to future results.

Performance is shown gross of fees and does not reflect investment management fees. Had such fees been deducted, returns would have been lower.

Final thoughts...

While growth may moderate in China, further stimulus measures should help support the economy, and we expect domestic activity in most emerging markets to firm in 2019. This should be good news for Fund performance, given our tilt towards companies that are driven by domestic demand across a variety of markets, including Brazil, India, Indonesia, Philippines, and a selection of frontier markets, such as Nigeria and Kenya. The Chinese internet sector has lost momentum and may be entering a new phase of heighted competition between the leading players and increased scrutiny by regulators. As a result, we would expect the largely unloved and overlooked opportunities elsewhere in EM smaller companies to come back to the fore as investors broaden their horizons.

Overall, we remain confident in our stock-picking abilities and the earnings potential of the holdings in our portfolio – and believe our EM Small Cap Fund is well-positioned to deliver outperformance of both its reference index and the large-cap index.

Performance

1-Year to 31 May	2019	2018	2017	2016	2015
Aberdeen Standard SICAV 1 - Emerging Markets Smaller Companies Fund	-9.94	2.21	13.60	-8.89	-4.91
MSCI Emerging Small Cap	2.76	-18.30	34.22	2.56	-6.57
Difference	-12.70	20.51	-20.62	-11.45	1.66

Past performance in not a guide to future results.

Performance Data: Share Class I Acc. Source: Lipper, Basis: Total Return, NAV to NAV, net of annual charges, gross Income reinvested, (USD).
Prior to 11 February 2019, this fund was known as "Aberdeen Global - Emerging Markets Smaller Companies Fund".
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.

Osamu Yamagata
Investment Manager

"For longer-term investors, smaller companies offer greater opportunities. As risk and volatility rise while momentum fades, markets will look beyond narrow market leaders. An allocation to our diversified, high-quality portfolio of companies has the potential to generate higher returns at lower levels of risk"

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Investment involves risk. The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested.

Risks of investing in the fund:

- The value of investments and the income from them can go down as well as up and investors may get back less than the amount invested
- Past performance is not a guide to future results
- 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
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This may mean your money is at greater risk
- The Fund may invest directly or indirectly in Chinese domestic securities markets via various channels, including the Shanghai-Hong Kong Stock Connect programme in relation to which the strategy may suffer difficulties or delays in proving it owns the China shares or enforcing its rights given that the legal and regulatory rules in each of Shanghai and Hong Kong are very different.

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Presentation of results

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