

# Aberdeen Standard Emerging Market Local Currency Debt Fund

Monthly factsheet - performance data and analytics to 31 December 2020



## Investment objective

To outperform the benchmark, the J.P. Morgan GBI-EM Global Diversified Index (Australian dollar unhedged), over rolling three year periods, by investing primarily in emerging market currencies and emerging market local currency-denominated debt and debt-related securities.

## Investment strategy

The Fund will invest in the Underlying Fund and may hold up to 5% of its assets in money market instruments, cash or collective investment schemes investing in money market instruments or cash.

The Underlying Fund's investment objective is long term total return and to outperform the JP Morgan GBI-EM Global Diversified Index (USD) benchmark before charges. The Underlying Fund seeks to achieve its investment objective by investing primarily in emerging market currencies and emerging market local currency-denominated debt and debt related securities. These include bonds as well as inflation linked bonds issued by governments, supranational institutions or government-related bodies. The Underlying Fund may hold investment grade and sub-investment grade corporate bonds issued in non-emerging market countries world wide. The Underlying Fund may also invest in other transferable securities, money-market instruments, deposits, cash and near cash, derivatives (including, but not limited to, currency forwards, interest rate and credit default swaps) and collective investment schemes. The Underlying Fund may use derivatives for the purpose of meeting its investment objective and for efficient portfolio management (including hedging).

## Performance (%)

	1 Month	3 Months	1 Year	Per annum		
				3 Years	5 Years	Since Inception <sup>1</sup>
Aberdeen Standard Australian Local Currency EMD Fund net returns <sup>2</sup>	-0.75	2.55	-4.79	N/A	N/A	-2.25
Aberdeen Standard Australian Local Currency EMD Fund gross returns <sup>3</sup>	-0.69	2.75	-4.08	N/A	N/A	-1.52
J.P. Morgan GBI-EM Global Diversified Index AUD Unhedged	-1.19	1.82	-6.45	N/A	N/A	-3.83
Net returns <sup>2</sup> vs index	0.44	0.73	1.66	N/A	N/A	1.58
Gross returns <sup>3</sup> vs index	0.50	0.93	2.37	N/A	N/A	2.31

1. This figure represents the annualised performance of the Fund from the first full month of operation.

2. Net performance figures are calculated using end-of-month exit prices, post standard fees, reflect the annual reinvestment of distributions and make no allowance for tax. If investing through an IDPS Provider, the total after fees performance returns of your investment in the Fund may be different from the information we publish due to cash flows specific to your portfolio and any fees charged by the IDPS Provider.

3. Gross performance figures are calculated using end-of-month exit prices, pre-fees, reflect the annual reinvestment of distributions and make no allowance for tax. These returns are provided for the purpose of wholesale investors only. Retail investors should refer to net returns.

Past performance is not a reliable indicator of future results.

## Performance review

The Fund returned -0.69% in December (before fees), outperforming the benchmark by 0.50%.

The Fund outperformed the benchmark over the period, driven by strong country selection. On

## Regional Exposures (%)

	Fund
Latin America	36.6
Asia	25.9
Europe	19.3
Africa	9.8
Middle East	1.1
Cash and Other*	7.3
<b>Total</b>	<b>100.0</b>

Figures may not always sum to 100 due to rounding.  
\* The Cash & Other classification includes cash and may also contain interest rate swaps and FX forward positions.

## Top 10 currency exposures (%)

	Fund
MXN	11.9
BRL	10.8
RUB	9.9
IDR	8.9
ZAR	7.1
COP	6.9
THB	6.9
MYR	6.4
CNH	6.4
CZK	6.1
<b>Total</b>	<b>81.3</b>

## Top ten bond holding (%)

	Fund
FEDERATIVE REPUBLIC OF BRAZIL (BRL 10.000, 1-Jan-2027)	5.2
REPUBLIC OF SOUTH AFRICA (ZAR 8.250, 31-Mar-2032)	4.0
KINGDOM OF THAILAND (THB 1.250, 12-Mar-2028)	4.0
GOVERNMENT OF MEXICO (MXN 8.500, 31-May-2029)	3.5
FEDERATIVE REPUBLIC OF BRAZIL (BRL 10.000, 1-Jan-2029)	2.8
RUSSIAN FEDERATION (RUB 6.900, 23-May-2029)	2.6
RUSSIAN FEDERATION (RUB 7.650, 10-Apr-2030)	2.5
REPUBLIC OF INDONESIA (IDR 8.375, 15-Sep-2026)	2.5
GOVERNMENT OF MEXICO (MXN 8.500, 18-Nov-2038)	2.4
REPUBLIC OF COLOMBIA (COP 7.750, 18-Sep-2030)	2.4
<b>Total</b>	<b>31.9</b>

## Portfolio analytics

	Fund
Modified Duration (years)	5.82
Yield to Maturity (%)	5.08

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at a country level, the biggest contribution was from the overweight position in Brazil. Strong stock selection in Mexico was supportive for returns over the month. The Fund's relatively new overweight position in the Turkish lira also added to outperformance, following an interest-rate hike on Christmas Eve. In addition, underweight exposure to China was positive for the Fund, with currency factors again playing a large part.

On the negative side, the worst-performing position was Chile, where the peso's performance dragged on returns. An underweight South African rand position, resulting from a partial hedge of our overweight in bonds, also dragged. Off-benchmark positions in Ukrainian government bonds, as well as the German supranational bank KfW, weighed on the Fund's performance, mostly as a result of currency effects.

We increased our Latin American overweight over the month, buying a 2030 Chilean issue as well as 2029 and 2031 Brazilian government bonds. In addition, we bought a 2029 Hungarian bond, reducing our underweight position. We closed out our position in the Dominican Republic, taking profits after a run of good performance.

## Market review

The positive market momentum continued in December, as countries began to approve and distribute Covid-19 vaccines, despite increased mobility restrictions during the holiday period. Oil prices continued to rise on expectations that the OPEC+ group – consisting of the Organization of Petroleum Exporting Countries and 10 other oil producers – may cap output in February and hopes that Covid-19 vaccines may curb the virus spread. As a result, the Brent crude oil price rose by 8.85% to US\$51.80 per barrel at the end of the month. The Federal Open Market Committee promised it will continue to increase its Treasury holdings "until substantial further progress has been made toward the Committee's maximum employment and price stability goals". Meanwhile, the US House of Representatives voted for a new US\$900 billion stimulus package. The package, along with optimism around the vaccines, drove the 10-year US Treasury yield higher by 8 basis points (bps) to 0.92% at the end of December.

In local-currency debt, the JP Morgan GBI-EM Global Diversified Index (unhedged in US dollar terms) returned +3.48%. The yield of the index declined by 14bps to 4.22% at the end of the month. However, owing to strength of the Australian dollar, the total index return for the month was significantly lower at -1.19% in unhedged Australian dollar terms. The Australian dollar was up 3.7% versus the US dollar in December and 7% over the quarter.

The main driver behind the positive returns (in unhedged US dollar terms) were emerging-market currencies appreciating against the US dollar. However, rates returns were also positive in most index countries. The best performers over the month were Chile, South Africa, Brazil, Colombia and Turkey. No country in the index experienced negative returns in December.

## Outlook

We ended a tumultuous 2020 on a positive note, thanks to Covid-19 vaccines promising a gradual return to normality. While global economic activity has stalled as countries continue to grapple with Covid-19 cases, we believe momentum should pick up through the first half of 2021. Governments are racing to roll out the Covid-19 vaccines to frontline medical workers and at-risk groups in the first quarter of the year. This should see domestic services activity begin to normalise and cross-border activity should start picking up, albeit from a low base. We expect global central banks to continue to provide support via low interest rates and quantitative easing, while inflation pressure remains generally contained. Elsewhere, market sentiment is likely to remain bullish and inflows into emerging market debt will continue throughout 2021. Risks to the asset class include policymakers struggling with containing the pandemic and having to impose new mobility restrictions in 2021. In addition, rising inflationary pressures, a deceleration of Chinese growth affecting commodity prices and governments withdrawing fiscal policy support may result in a slower economic recovery.

## Key information

APIR Code	EQI0699AU
Benchmark	J.P. Morgan GBI-EM Global Diversified Index AUD Unhedged
Date of launch	12th August 2019
Income payable	30 June
Management costs	Management Cost: 1.06% pa of the net asset value of the Fund, comprising: Management Fee 0.75% Indirect Costs of 0.31% pa <sup>1</sup>
Buy/Sell spread*	+0.12%/-0.12%*
Fund size	A\$16.37m
Redemption unit price	\$0.9702

\*We may vary or waive the buy/sell spreads without notice when it is appropriate to protect the interests of existing investors and if permitted by law.

<sup>1</sup> The Fund was launched on 12 August 2019.

The indirect costs are calculated based on actual information and estimates (if applicable) as at 30 June 2020 (adjusted to reflect a 12 month period). The actual amount charged in the current and subsequent financial years will depend on the actual indirect costs incurred by the Fund.

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## Important information

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## Key Service Providers

Registry	Citigroup Pty Ltd
Administrator	State Street Australia Limited
Custodian	State Street Australia Limited
Auditor	KPMG

The key service providers did not change between 1 July 2019 and 30 June 2020.

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