Aberdeen Standard Multi-Asset Real Return Fund

AberdeenStandard Investments

Monthly factsheet - performance data and analytics to 31 January 2021

Investment objective

To achieve a real return equivalent to 5% per annum above inflation (before fees) over a full market cycle (generally 3 to 5 years).

Investment strategy

The Fund will apply dynamic asset allocation to a diversified portfolio of traditional and alternative assets, without reference to a benchmark.

The Fund may shift its investments quickly and significantly, based on valuations and expected returns, and may completely divest from a particular asset class.

Fund volatility will be controlled through the use of dynamic asset allocation and effective diversification of assets.

Performance (%)

	1 Month	3 Months	1 Year	Per annum 3 Years	Per annum 5 Years	Per annum Since Inception[1]
Aberdeen Standard Multi-Asset Real Return Fund net returns[2]	0.31	5.64	-0.06	3.40	5.98	6.62
Aberdeen Standard Multi-Asset Real Return Fund gross returns[3]	0.38	5.86	0.78	4.26	6.87	7.40
CPI + 5% objective[4]	0.52	1.54	6.04	6.55	7.32	7.44
Net returns[2] vs index	-0.21	4.10	-6.10	-3.15	-1.34	-0.82
Gross returns[3] vs index	-0.14	4.32	-5.26	-2.29	-0.45	-0.04

1. This figure represents the annualised performance of the Fund from the first full month of operation.
2. Net performance figures are for Class A units in the Fund and 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 for Class A units in the Fund and 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.
4.Please note: Prior to 1 September 2012 the Fund was known as the Aberdeen Capital Growth Fund and was managed to achieve a different investment objective using an alternate investment strategy.
Past performance is not a reliable indicator of future results.

Performance review

The fund posted a gross return of 0.38% in January, largely thanks to positive contributions from the Emerging Opportunities, Syndicated Loans and Asset-backed Securities funds.

Across world markets, appetite for risk assets remained robust in the new year. Optimism over newly-inaugurated US president Joe Biden's proposed US$1.9 trillion stimulus plan, as well as the US Federal Reserve's continued support for a loose monetary policy, propelled global stocks for most of January. However, a surge in volatility in the final week due to high-profile short squeezes in a number of US stocks weighed on broader markets and erased earlier gains. Bond markets were unperturbed by the extreme stock market volatility, but prospects of more US stimulus led to an increase in government bond yields (prices fell).

On a total return basis, stocks fared better than bonds, though both asset classes ended the month in the red. In equity, emerging markets again outperformed their developed-market counterparts. Asian stocks led the way, as better-than-expected Chinese GDP data raised hopes that strength in the world's second-largest economy would underpin growth in the region. China was the top gainer, on the back of encouraging growth figures and fevered retail trading. Japanese shares also rose as receding political uncertainty in the US offset rising nervousness about vaccination timelines.

Portfolio structure (%)

	fund
Listed Equities – Australia	4.9
Listed Equities – International	25.0
Investment Grade	5.3
Emerging Market Bonds	12.9
High Yield	11.9
Loans	3.6
Property	0.0
Absolute Return	2.3
Alternatives – ABS	4.6
Alternatives – Risk Premia	0.0
Alternatives – Special Opportunities	1.9
Alternatives – Private Capital	2.0
Listed Alternatives	13.2
Cash	12.4
Total	**100.0**

Key information

ASX mFund Code	AFZ32
APIR Code	CRS0002AU
Benchmark	CPI + 5% objective
Investment Team	Aberdeen Standard Investments' Multi-Asset team
Date of launch	June 1994
Income payable	30 June and 31 December
Management costs	1.22% pa of the net asset value of the Fund comprising: Management Fee 0.84% pa Indirect costs 0.38% pa
Buy/Sell spread	+0.30%/-0.30%*
Fund size	A$101.60m[4]
Redemption unit price	$2.0160

*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.
4. The method of calculating the Fund's net asset value is disclosed in our unit pricing policy which can be viewed or downloaded from our website, www.aberdeenstandard.com.au

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Meanwhile, Prime Minister Yoshihide Suga declared, and later extended, a state of emergency covering Tokyo and other region as the country contends with high hospital bed occupancy rates for Covid-19 patients in some prefectures. Elsewhere, European stocks were among the largest laggard as the European Union grappled with vaccine supply shortages and poor economic data. Separately, Australian equities were flat as waning risk appetite towards the month-end erased earlier gains. At first, asset prices rose on the prospect of further US stimulus and renewed strength from technology stocks. But sentiment turned cautious amid rising Covid-19 infections in countries worldwide, and on concerns about vaccine supply delays. Meanwhile, falling iron ore prices weighed on mining stocks.

Within global fixed income, the riskiest parts of the spectrum continued to shine. US high-yield outperformed investment-grade bonds as ratings agency Fitch lowered its expectations for defaults in 2021. Meanwhile, US government bond yields moved higher, driven in equal parts by rising inflation expectations on the back of fresh stimulus as well as an increase in real yields. However, towards the end of the month, a potential delay in stimulus measures arrested the yield rise, resulting in the 10-year benchmark finishing at 1.06%, up by 15 basis points (bps). In Asia, US-dollar credit fared better than local-currency government bonds. In particular, despite significant new issues from Chinese property developers and concerns over China Fortune Land, Asian high-yield spreads tightened, helping it to become the best-performing dollar asset class among global credit markets in January.

In January, we sold our position in Australian 10-year bond futures. While relatively attractive, Australian-dollar government bond yields are likely to track rising interest rates across developed markets as fiscal support drives the economic recovery. In this environment, the diversification benefits of developed-market government bonds may be temporarily lessened, until they reach levels that compensate for the risk of rising inflation and growth expectations.

Elsewhere, we shifted our exposure within equity. We took some profits from Emerging Asia stocks, given stretched valuations in key markets such as Korea. We also trimmed our exposure to China A Shares after a 50% rally since our previous addition, and pared our positions in Japanese and US industrial equities as well.

On the flipside, we raised our exposure to several relative laggard segments, including Singapore, Australia and United Kingdom equities. We expect Singapore's economic rebound to surprise on the upside, given it has moved into the third phase of its economic reopening. Furthermore, Singapore's stock index has a heavy bias to banks, which we think are well positioned going forward. We expect lending margins to expand as interest rates rise, dividend payouts to normalise and conservative credit-cost buffers to come down as well. Similarly, a brighter outlook for earnings and dividends are likely to boost Australian equities. An accommodative policy stance and rebounding consumer and business sentiment drove increased savings during the Covid-19 crisis, which will help finance pent-up demand. Meanwhile, the UK economy is likely to benefit from its economic reopening as it ramps up vaccine rollout. Elsewhere, we also added to our exposure to global industrial stocks and the Global Dynamic Dividend Fund.

January's technical correction was driven by short squeezes and hedge-fund deleveraging. Since then, hedge funds' equity beta exposure have fallen back from elevated levels to their historical averages. Looking ahead, we are still upbeat on risk assets, given the presence of key positive signposts. These include a more favourable macroeconomic and corporate earnings outlook, supportive fiscal policies and surplus liquidity conditions, as well as a faster vaccine rollout leading to falling Covid-19 cases in key developed markets. We remain cognizant of risks on multiple fronts, such as high valuations, new virus strains and a potential peak in the global liquidity and inflation outlook. Nonetheless, we do not think these risks are significant enough to derail the global recovery or bull market at this time. Therefore, we have reduced duration to mitigate against the risk of rising inflation. We remain overweight to risk in the portfolio, favouring equities and sub-investment grade credit. Within equities, we have continued to rotate our exposure, trimming segments that have done well while adding to markets that have lagged the rally and have more room to outperform. From a sector perspective, we have reduced our exposure to US industrials and consumer discretionary stocks, but added to global industrials, global mining and metals and broad US equities. Our goal is to achieve a better balance between markets with both cyclical and structural growth factors.

Key Service Providers

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

The Registry service provider was changed to Citigroup Pty Ltd in August 2020. The remaining key service providers did not change.

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