



Assessment of Value Report

abrdn Discretionary Funds

July 2023 Data as at 31 March 2023

abrdn.com

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From the Board

Dear Fund Investor,

We're pleased to deliver this Assessment of Value report to you. In keeping with past reports, it describes how the funds under review have performed across the seven standard categories to determine whether these funds are offering value.

As the summary table shows, all funds demonstrated good value during the report period and have been managed within their expected risk profiles, which are based on shares being held for at least five years.

Delivering value to you is a central consideration for us. We will continue to monitor all funds during the current report period for any value-related concerns.

We thank you sincerely for investing with us.

The Board of abrdn Fund Managers Ltd

Results at a Glance

Evaluation Categories

Our Assessment of Value Report looks at the seven categories established by the Financial Conduct Authority:

1 Service Quality The quality and range of services provided to the funds and their investors, whether by abrdn or others.

2 Performance How each fund has performed, in light of its objective, risk profile and recommended minimum holding period.

3 – 6 Costs:

3 General costs What fund investors pay for the services they and the funds receive.

4 Economies of scale Any reductions in investor costs made possible by growth of the funds’ total assets.

5 Comparable market rates What the funds paid for services compared to what similar funds from other firms paid.

6 Comparable services What the funds pay abrdn for its services and whether both the services and their costs are consistent with what abrdn charges other funds it manages.

7 Right class Whether all investors are in the most advantageous share class for which they are eligible.

Overview of Findings

Our value assessment process In making the assessments for this report, we have used a broad range of data and have aimed for the highest possible level of objectivity. The process has been consistent with our ongoing fund monitoring, any remedial actions will comply with regulations and with our governance practices, and the outcomes will be reviewed in detail by the Board’s chair and independent directors.

All funds scored well in category 2 (performance) for the medium and long term, relative to expectations described in fund prospectuses However, the performance of all funds in the last year has fallen short of these expectations. We have provided detailed explanations along with examples of actions being taken to improve performance.

All funds scored well in categories 1 and 3 – 7 No issues were identified as far as the quality of the service the funds received, the general level of ongoing fees, the benefits achieved from economies of scale, the fees abrdn charges the funds (either on a relative or absolute basis) or those the fund pays to other service providers. In addition, all investors were shown to be holding the share class that is most appropriate for their circumstances.

Findings by Fund

| | Service Quality | Performance | Costs | Right Class |
|----------------------------|------------------------|--------------------------------------|-------------------------|-------------|
| abrdn Balanced Bridge Fund | ■ | ■ | ■ | ■ |
| abrdn Bridge Fund | ■ | ■ | ■ | ■ |
| abrdn Falcon Fund | ■ | ■ | ■ | ■ |
| abrdn Merlin Fund | ■ | ■ | ■ | ■ |
| abrdn Phoenix Fund | ■ | ■ | ■ | ■ |
| KEY | ■ Good value delivered | ■ Value delivered; could be improved | □ Improvement necessary | |

Results Common to all Funds

Categories 1, 3, 4, 5 and 6: Service Quality and Costs

Focus The quality and range of services provided to the funds and their investors, whether by abrdn or others; the costs paid by the funds as compared to industry standards and averages.

Findings All funds received a high standard of service and scored well for ongoing charges, fees paid for internal services, benefits from economies of scale and industry-comparable fee rates.

Since the cost and quality of services the funds receive and provide are for the funds as a group, service quality is measured at the group level.

There were no issues with services from third-party providers. The service provided by the funds to their investors also was shown to be excellent. The funds also scored well on all four cost-related categories.

Category 7: Right Class

Focus Whether all investors are in the most advantageous share class for which they are eligible.

Findings All investors are invested in the most advantageous class for which they are eligible.

Because share classes have different minimum investments and other requirements, it is possible an investor could be eligible for a more advantageous share class than the one they currently hold. We did not identify any instances where this was the case.

Category-Specific Results

Category 2: Performance

Focus How each fund has performed, in light of its objective, risk profile and recommended minimum holding period.

Findings The abrdn Discretionary funds are diversified and actively managed. They offer a range of risk/return objectives, and are designed for long-term investment (at least 5 years).

The most recent 12 months have been challenging, however. Performance for the funds in this period has been negative in absolute terms for all funds, and negative in relative terms for four of the five funds. The cause of this was a highly unusual situation: except for interest-bearing cash assets, all major asset classes had negative performance during the period.

In equities, the real estate sector fell strongly, while the utilities, industrials and consumer discretionary sectors also faced challenges. Energy was the one sector that

posted strong gains, but that was not enough to counter negative returns in the vast majority of sectors.

Within fixed income, both government and corporate bonds were negative as the asset class struggled against the first rise in interest rates in many years (when interest rates rise, the values of bonds fall).

Even with these challenges, long-term performance remains strong. All funds have outperformed their benchmark over the past five years (ending 31 March 2023), and four of them have outperformed over the past three years, with the fifth only missing by less than half a percentage point. Over the long run, then, the funds have delivered value for investors, as they have been designed to do.

Relative performance (%) for periods ending 31 March 2023

Annualised performance, relative to each fund's benchmark, for Retail Class Shares (before deduction of fees and expenses) over the periods indicated.

| | | Fund vs. Benchmark (%) | | |
|----------------------------|--------------------------------|------------------------|-------|-------|
| abrdn Fund | Benchmark | 1 yr | 3 yrs | 5 yrs |
| abrdn Balanced Bridge Fund | Steady Growth Net Return Index | -0.05 | -0.39 | 1.66 |
| abrdn Bridge Fund | Steady Growth Net Return Index | -1.50 | 0.54 | 2.24 |
| abrdn Falcon Fund | Equity Risk Net Return Index | 0.81 | 1.77 | 3.24 |
| abrdn Merlin Fund | Steady Growth Net Return Index | -2.33 | 0.64 | 2.19 |
| abrdn Phoenix Fund | Balanced Asset Index | -4.67 | 3.33 | 2.03 |

Source Fund performance: abrdn. Index performance: ARC Private Client Indices (PCI), Asset Risk Consultants.

Further Fund-Level Information

All documents available on abrdrn.com

Financials

- Annual/Semi-annual Reports

Performance

- Key Investor Information Document (KIID)
- Monthly fact sheets
- Annual/Semi-annual Reports

Holdings

- Monthly fact sheets

Objectives, fees

- KIID
- Prospectus

Investment policies, risks, buying/selling shares, operational structure

- Prospectus

Important Information

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. Past performance is not a guide to future results. See the Key Investor Information Document (KIID), Prospectus and Report & Accounts for more details about the specific risks, performance history and full investment objectives and policies applicable to each fund.

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