

Aberdeen Emerging Markets Equity Income Fund, Inc. (AEF)

Fund performance

Aberdeen Emerging Markets Equity Income Fund returned 4.6%¹ on a net asset value basis for the second quarter of 2021, underperforming the 5.0% return of its benchmark, the MSCI Emerging Markets Index (net dividends).² Overall positioning in the real estate sector weighed on Fund performance, while stock selection in information technology and financials had a positive impact.

The primary detractors from Fund performance among individual holdings for the quarter included property developer China Resources Land, as its stock price declined due to the Chinese government's curbs on financing. Shares of resort developer and operator Sands China also lagged as tourist traffic ramp-up remained lackluster amid ongoing Covid-19-related restrictions. Nonetheless, we believe that the company is well-positioned for recovery when the economy reopens.

In the materials sector, the negative impact on performance from the Fund's holding in South African miner Anglo American Platinum due to weaker platinum prices was mitigated by surging iron ore prices. Consequently, the position in Brazilian mining giant Vale was one of the top contributors to Fund performance for the quarter.

The Fund's holdings in several clean-energy companies also performed well during the period. Shares of solar energy companies Longi Green Energy and Sungrow Power Supply outperformed due to their attractive long-term outlooks tied to the country's carbon-neutral targets. Optimism over demand for electric vehicles (EVs) benefited the Fund's recently initiated holding in leading electric vehicle (EV) battery separator manufacturer Yunnan Energy New Material. However, the lack of exposure to EV automakers, particularly Nio, weighed on Fund performance for the quarter.

Regarding portfolio activity during the quarter, we continued to reposition the Fund towards a total-return approach.

Market review

Emerging-market (EM) stocks, as measured by the MSCI Emerging Markets Index, gained 5.1% in the second quarter of 2021, posting a fifth straight quarterly gain. Optimism over the reopening of the global economy and U.S. lawmakers' agreement on President Joe Biden's infrastructure plan offset concerns over the resurgence of Covid-19 outbreaks in some major markets. However, the performance of EMs lagged that of developed markets as hawkish signals from the U.S. Federal Reserve dented investors' risk appetite.

Across EMs, stocks in Brazil and Russia were among the strongest performers for the quarter on elevated energy and commodity prices. Indian equities advanced as well on hopes that pandemic-related restrictions may ease as a deadly resurgence of coronavirus infections began to retreat. Elsewhere, share prices in Taiwan, and to a certain extent in South Korea, were supported by robust semiconductor demand. In contrast, returns in China were more modest, due to a lower growth outlook, regulatory headwinds and tighter credit controls.

On the monetary policy front, central banks in Brazil and Russia continued to hike their benchmark interest rates to combat rising inflation. Mexico also shifted to a tighter policy stance with a surprise rate increase.

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.

² The MSCI Emerging Markets Index is an unmanaged index considered representative of stocks of developing countries. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

Outlook

We are cautiously optimistic about EM stocks in the short term, and we are even more positive over the longer term. Despite coronavirus-related disruptions and China's tighter regulatory control, we believe that the economic recovery across various markets is supported by accelerating vaccination rates that allow an easing of mobility restrictions. We feel that this should mitigate inflationary pressures tied to rising commodity prices and near-term supply-chain disruptions. Moreover, we are seeing a robust pick-up in corporate earnings growth, led by the technology hardware sector. Consequently, we remain focused on companies with pricing power and the ability to pass through cost pressures.

While the market rotation from growth stocks into more cyclical and value-oriented shares has slowed somewhat, we expect EM investors to continue to focus on value and inflation-beneficiaries in the near term. In our view, the asset class remains attractive due to the diversity of high-quality companies and structural growth drivers, including healthy demographics and a growing middle class. By sticking to our disciplined, bottom-up approach, we believe that the Fund's holdings will deliver sustainable returns to shareholders over the longer term.

Aberdeen Emerging Markets Equity Income Fund, Inc. Total Returns (%)

	Cumulative as of Jun. 30, 2021			Annualized as of Jun. 30, 2021				
	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception 10/30/91
NAV	1.4	4.6	9.9	48.6	12.5	11.8	2.4	9.5
Market Price	3.0	6.5	13.7	56.8	13.2	12.1	2.1	9.1
MSCI Emerging Markets (Net) ³	0.2	5.0	7.4	40.9	11.3	13.0	4.3	— ⁵
Custom AEF Emerging Markets Index ⁴	0.2	5.0	7.4	40.9	11.3	12.2	0.4	— ⁵

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³ Effective February 28, 2020, the MSCI Emerging Markets Index (Net Dividends) replaced the MSCI Emerging Markets Index (Gross Dividends) as the Fund's primary benchmark.

⁴ The Custom Index reflects the returns of the MSCI Emerging Markets Latin America Index for periods prior to April 27, 2018 and the returns of the MSCI Emerging Markets Index for periods subsequent to April 30, 2018. The indices and time periods for the Custom Index align with the strategies utilized and benchmark for the Fund during the same time periods.

⁵ There is no since inception figure for the MSCI Emerging Markets Index (Net) because the inception date of the Index is December 29, 2000.

Top Ten Equity Holdings

	% of Fund
Samsung Electronics	8.5
Taiwan Semiconductor	7.9
Tencent Holdings Ltd.	5.6
Alibaba Group Holdings	4.6
Vale	3.0
LONGi Green Energy Technology	2.4
LG Chem	2.1
Naspers Ltd.	2.1
China Resources Land	1.8
China Merchants Bank	1.8
Percent of Portfolio in Top Ten	39.8

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.

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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.

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).

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