Fund guide

Aberdeen Standard SICAV II – Global Risk Mitigation Fund

July 2022

What differentiates the Fund?

The Global Risk Mitigation Fund (GRM) offers investors an efficient hedge to reduce exposure to significant drawdowns in developed market equities. No single hedging strategy can be relied upon to protect portfolios across a full market cycle and they can also be expensive to hold at times. This is why GRM combines a range of hedges in one solution, providing protection but with less drag from costs. GRM has a convex return profile, benefiting from increased volatility. This means return potential increases exponentially the more aggressively developed market equities fall. It offers full transparency of holdings. It performs at its best when investors need it most.

Risk mitigation – beyond bonds

Fixed Income assets have typically been used in portfolios to mitigate the risk of holding equities. Right now, they offer low returns and don't always bring the protection you need. If, like many investors, you're looking for a different way to manage risk, then owning GRM is a much more targeted approach. Unlike government bonds, it has been built to deliver positive returns when equities let you down the most.

Risk mitigation – a better 'alternative'

'Alternative' investments covers a wide spectrum of asset classes with different characteristics. Most are expected to help diversify equity risk, but many of them are not specifically designed to do that, so may let you down, just when you need them. We built GRM specifically to perform strongly when developed market equities are tumbling. It offers liquidity – it's daily-dealt – and is capital efficient.

Why Global Risk Mitigation?

Rationale
GRM is specifically designed to mitigate big drawdowns in developed market equities in a way that other assets such as government bonds are not.

Low cost
When equities are rising, some hedging strategies are expensive to maintain, so we work hard to keep the relative cost of owning this fund low.

Improve long-term return
Reducing exposure to significant drawdown during severe market corrections will result in a material improvement in your compounded long-term rate of return.

Timing
The lower cost approach means you can hold GRM throughout the market cycle as a core holding to enhance returns. You don't have to predict the next equity crash.

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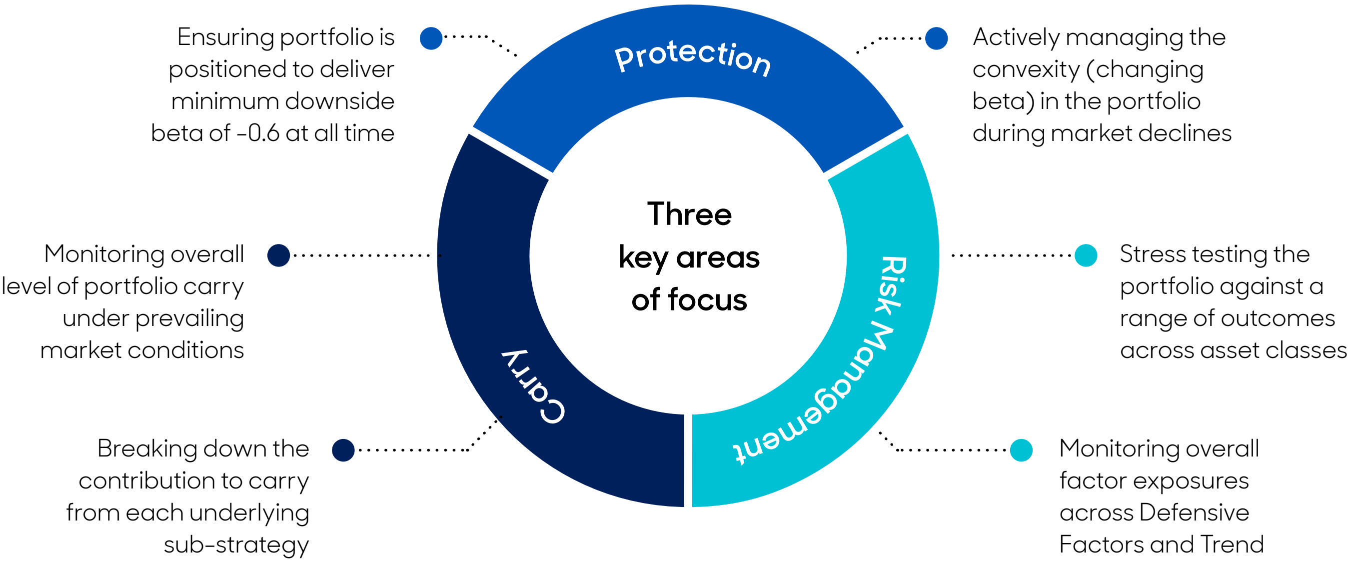
Managing the portfolio to deliver GRM objectives

Three focus areas



Source: abrdn, April 2022.

Portfolio construction

The GRM strategy consists of four building blocks. We combine these to target the most cost-effective portfolio while maintaining the hedge at all times.

Each category plays a distinct role in the portfolio at different points in the equity market cycle.

First-risk strategies – Strategies that deliver a windfall gain in the event of a market shock and perform strongly in the initial phase of a crisis.

Tail-risk strategies – Long volatility and tactical strategies that benefit from sustained increases in volatility.

Systematic trends – Strategies that seek to capture trending market behaviour(positive or negative) across multiple asset classes and markets.

Defensive factors – Strategies that have a positive expected return over the medium-to-long term. They exhibit a low correlation to equities, particularly during periods of equity market stress.

There is no single hedging strategy that will protect portfolios through the entirety of a sell-off. But by actively managing a diversified set of defensive strategies throughout a sell-off, we can help protect your portfolio. By allocating across strategies, depending on their cost and value at a particular time, this can also help to reduce the cost of that protection.

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Investment objective

The objective of the Fund is to provide a strategy that delivers strong positive returns when global equity markets experience material declines and volatility is high and costs comparable to, or less than other systematic derivative based hedging strategies such as rolling puts. The Fund aims to have a negative beta to equity markets. The nature of the strategy is expected to experience a degree of loss during periods when equity markets rise and experience low volatility. It is therefore intended to mitigate other investment exposures an investor may have in their overall portfolio. Invested capital is at risk and there is no guarantee that the objective will be attained over any time period. The Fund is actively managed and no benchmark is used for performance comparison or portfolio construction.

Fund Manager	Stephen Coltman
Launch Date	10/06/2022
Base Currency	USD

Risk factors you should consider before investing

Volatility Risk – The volatility of the fund could change materially depending on the market conditions and the allocations within the GRM Strategies. The fund will not be managed towards a volatility target or range so investors should expect in certain circumstances material swings from day to day.

Credit risk – The fund invests in securities which are subject to the risk that the issuer may default on interest or capital payments.

Commodity Risk – The value of the securities in which the fund invests may be influenced by movements in commodity prices which can be very volatile. The price of commodities may be disproportionately affected by political, economic, weather and terrorist-related activities and by changes in energy and transportation costs.

Interest rate risk – The fund price can go up or down daily for a variety of reasons including changes in interest rates, inflation expectations or the perceived credit quality of individual countries or securities.

Equity risk – The fund invests in equity and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.

Derivatives risk – The use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives may result in the fund being leveraged (where market exposure and thus the potential for loss by the fund exceeds the amount it has invested) and in these market conditions the effect of leverage will be to magnify losses.

Important Information

The value of investments and the income from them can go down as well as up in investors may get back less than the amount invested. Past performance is not a guide for future results.

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The fund is a sub-fund of Aberdeen standard SICAV III, a Luxembourg-domiciled UCITS fund, incorporated as a Société Anonyme and organized as a Société d'Investissement á Capital Variable (a "SICAV"). A summary of investor rights can be found in English on our website **abrdn.com/corporate/legal**. Any decision to invest should take into account all objectives of the fund. To help you understand this fund and for a full explanation of risks and the overall risk profile of this fund and the shareclasses within it, please refer to the Key Investor Information Documents available in the local language, and Prospectus available in English, which are available on our website **abrdn.com**. The Prospectus also contains a glossary of key terms used in this document. This fund concerns the acquisition of units or shares in a fund, and not in a given underlying asset such as a building or shares of a company.

In Spain Aberdeen standard SICAV III has been registered with the Comisión Nacional del Mercado de Valores under the number 1528.

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