Fund Guide

Aberdeen Standard SICAV I – Global Mid-Cap Equity Fund

April 2022

Key facts

25 years
investing in smaller companies

c.50
actively managed portfolio of c.50 high-quality companies

Article 8
classification under EU Sustainable Finance Disclosures Regulation (SFDR)

Fund overview

This innovative global mid-cap fund is managed by Anjli Shah and our highly experienced and successful smaller companies equities team which has been running portfolios for more than 25 years.

The mid-cap strategy has similar characteristics to all other abrdn smaller companies strategies manged by the team. The Fund is:

- **a concentrated portfolio of around 50 companies** from both developed and emerging markets
- **focused on high-quality firms** with attractive growth and momentum characteristics
- **a bottom-up approach** assisted by a proprietary quant screening tool
- **exposed to some of the most exciting structural growth trends** across a variety of markets.

What is a global mid-cap stock?

According to MSCI, mid caps make up 15% of all listed companies in each country. The size of a mid-cap stock varies by region.

In the US, for example, mid caps range from around $10 billion to $25 billion. The weighted average market cap of our portfolio is $26bn[1].

Why choose global mid caps?

As measured by the MSCI World Index, **mid caps, like their small-cap peers, have significantly outperformed large caps over the longer term** (see Chart 1). This is just at the index level and we believe that our active approach has the potential to add significant additional value over the long term. However, they tend to be lower risk than small caps, so may be attractive to investors who have concerns over small-cap risk and liquidity (see risk section).

Investing in mid caps gives investors access to a diverse group of companies, many of which are industry leaders in niche market segments. Additionally, they currently trade significantly below their historic valuation relative to their large-cap equivalents.[1] As such, we believe the asset class can be **an attractive complement to a large-cap-focused equity approach**.

[1] Source: abrdn as at 30 June 2021.

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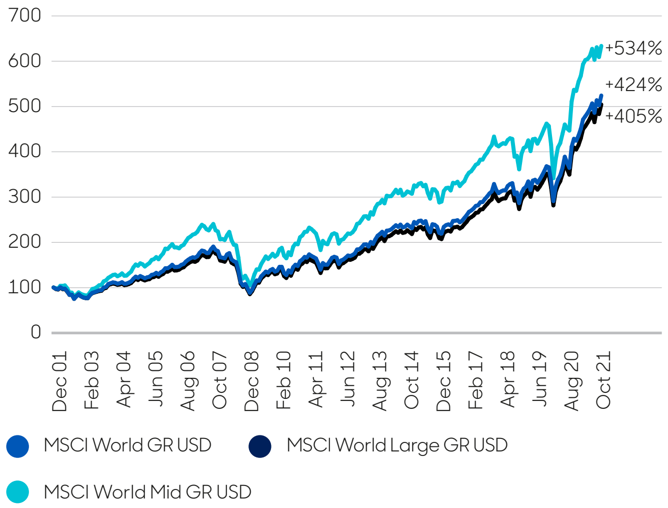
Chart 1



Source: Morningstar Direct, USD, 20 years, Monthly to 31 December 2021.
For illustrative purposes only.

Past performance is not a guide to future results.

What types of global mid caps are we looking for?

We believe that the market often systematically underestimates the rate and sustainability of returns that **high-quality** companies, with attractive **growth** and business **momentum** characteristics, can deliver over the long term. These companies typically dominate their respective niches, operate in attractive industries, are not dependent on external factors to succeed, have strong and stable management teams and attractive environmental, social and governance (ESG) credentials. We believe that these rare businesses that exhibit such highly desirable traits will not be subject to 'mean reversion' in their earnings growth, as predicted by most traditional investment theorists.

Why are we confident in this strategy?

We have been successfully managing a UK mid-cap portfolio since 2002 as well as a global smaller companies strategy since 2012. The mid-cap strategy will be able to leverage the team's insights, including detailed information on strong-performing small-cap stocks that have graduated to mid-cap status.

Why choose abrdn for mid caps?

Our 9-strong, dedicated smaller companies team manges over $13 billion[2] in assets in the UK, Europe and global categories. The team has demonstrated its expertise over a variety of timescales.

"Mid caps offer many of the same attributes of fast-growing small caps, but with less volatile returns. That's why we think investors should consider an allocation to the asset class as part of their wider investment portfolio."

Anjli Shah
Investment Director

[2] Source: abrdn as at 31 December 2021.

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First-class resources

Relative to the companies that dominate most global equity portfolios, mid caps are often under-researched. They therefore present an **opportunity for well-resourced, skilled stock-pickers to find companies before they graduate to the large-cap elite**.

To cover this market, we first use the Matrix, our quant-based proprietary screening tool. This gives us objective coverage of around 1,500 mid-cap stocks. It highlights companies that have the quality, growth and momentum characteristics that our team deems attractive.

Thereafter, our team conducts further in-depth analysis to generate a list of high-conviction investment ideas. At all times, **the team can draw upon the insights of our 140+ equity analysts globally**, many of whom have extensive mid-cap expertise and knowledge.

Our global reach means we are plugged into local markets, helping us understand a company's ecosystem, including its suppliers, peers and end-customers. This on-the-ground expertise also allows us to engage with management teams and key decision-makers, enabling us to get to know a business and its prospects before we invest.

A potentially lower-risk approach

Some investors are concerned that small- and mid-cap companies are too risky. All equity investing carries risk, and this can grow as you move down the market-cap scale. Indeed, small- and mid-cap companies have historically delivered more volatile returns than their larger peers in most regions. This is because their shares are often the first to fall when the economy deteriorates or investors become more cautious. There is also a liquidity risk. Less people hold small- and mid-cap stocks, making them relatively harder to sell when markets are falling. Relative to small-cap stocks however, mid-cap stocks tend to be lower risk – less volatile, with lower drawdowns and greater liquidity.

We believe we can mitigate that risk by investing in high-quality companies. The mid cap universe offers numerous profitable, well-managed companies. Many have strong balance sheets, clear ESG credentials and defendable competitive advantages. A sizeable percentage are starter-owned and are in charge of their own destinies. It is such quality that we actively seek; it is such quality that we think helps mitigate risk.

Chart 2 – Types of company within the portfolio

Small-Cap Graduates

- High Matrix score
- Names that we've held in the small-cap portfolios that have graduated into the mid-cap index
- Allows us to continue to benefit from names that would previously have been sold from small-cap strategies
- Predictable business and earnings momentum is a powerful factor

Leveraging abrdn Equity Research Platform

- High Matrix score
- Around 1/4 (c.400 stocks) of the mid-cap universe is covered by a regional colleague
- The quality, growth, momentum overlay on our existing regional team coverage
- Enhancing existing research capabilities

New Global Mid-Cap Ideas

- High Matrix score
- All analysis conducted by members of the smaller companies team
- Quality, growth, momentum mid caps overlooked by regional teams
- Harness our strong global corporate access

Aberdeen Standard SICAV I – Global Mid-Cap Equity Fund

Active ESG engagement

We embed ESG analysis in our research and it is a core part of our investment process. This is because we believe:

- ESG factors are financially material and impact corporate performance
- understanding ESG risks and opportunities, alongside other financial metrics, helps us to make better investment decisions
- informed and constructive engagement helps foster better companies, enhancing the value of our clients' investments.

At abrdn, we strive to be an industry leader in ESG, with over 50 specialists around the world providing analysis and insight. This includes ESG experts within our equity teams. This level of resource and knowledge gives our small- and mid-cap strategies, we believe, a distinct advantage in this essential area.

How do we build the portfolio?

We give each stock a qualitive Quality rating. This helps us exclude companies with material ESG risks and positively skews the portfolio towards ESG opportunities. Meanwhile, our Quantitative ESG House score allows us to exclude companies exposed to the highest ESG risk. We believe this enables us to build a well-diversified, risk-adjusted portfolio.

Negative criteria

We use negative criteria to avoid investing in certain industries and activities which might concern our clients. Areas include weapons, tobacco and thermal coal.

Putting it all together

Company meetings and additional analysis allow us to cross-check the veracity of our investment thesis, and assess the strength of a company's business model. Team-based peer review is key to determining how much we like a company and also key to identifying risks. The manager then chooses what they believe to be the best c.50 stocks that make up the final portfolio. These are stocks where analyst and team conviction is the strongest.

Carbon footprint

The Fund will target a Carbon Intensity that is at least 10% lower than the benchmark, as measured by the abrdn Carbon Footprint Tool (which uses Trucost data for Scope 1&2 emissions). This tool enables analysis of company, sector, and the overall portfolio's carbon footprint.

"A major part of our small-cap process is that we 'run our winners'. However, this has meant that, on numerous occasions, market-cap restrictions have forced us to sell companies as they graduated into major corporations and industry leaders. Our mid-cap strategy will allow us to capture these stocks at the next stage of their growth, giving our clients access to what we consider to be some of the best names in the world."

Anjli Shah

Investment Leader, Smaller Companies

Investment Objective

The Fund aims to achieve growth by investing in shares of mid-cap companies listed on global stock exchanges.

The Fund aims to outperform the MSCI ACWI Mid-Cap Index (USD) benchmark before charges.

Fund manager(s)	Anjli Shah
Launch date	24 April 2020
Fund size	USD 79.3m
Base currency	USD
Number of holdings	40-80 (target 50)

Source: abrdn, 1 March 2022.

Risk factors you should consider before investing:

- 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.
- The shares of small and mid-cap companies may be less liquid and more volatile than those of larger companies.
- The Fund invests in emerging market equities and / or bonds. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- The Fund may invest in companies with Variable Interest Entity (VIE) structures in order to gain exposure to industries with foreign ownership restrictions. There is a risk that investments in these structures may be adversely affected by changes in the legal and regulatory framework.
- Investing in China A shares involves special considerations and risks, including greater price volatility, a less developed regulatory and legal framework, exchange rate risk/controls, settlement, tax, quota, liquidity and regulatory risks.
- 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.

To help you understand this fund and for a full explanation of risks and the overall risk profile of this fund and the share classes 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. A summary of investor rights can be found in English on our website **abrdn.com/corporate/legal**

Important Information

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

abrdn is a global business providing a range of services to help clients and customers plan, save and invest. abrdn group uses different registered legal entities to meet different client and customer needs. Some elements of the abrdn client experience may contain previous brand names until all brand name changes have completed.

The Fund is a sub-fund of a Aberdeen Standard SICAV I, 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.

Details of our Sustainable and Responsible Investment Approach are published at **abrdn.com** under **Sustainable Investing**.

In Spain, Aberdeen Standard SICAV I has been registered with the Comisión Nacional del Mercado de Valores under the number 107.

In the United Kingdom: Deemed authorised and regulated by the Financial Conduct Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. Under Luxembourg law, there is no compensation scheme available to UK investors in funds managed by such firms, which includes this Fund.

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In Switzerland these documents along with the funds' articles of association can be obtained from the fund's Representative and Paying Agent, BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, CH 8002 Zürich, Switzerland (Tel. 058 212 63 77). These documents and the articles of incorporation are available in English/ Italian/German/ French free of charge on **abrdn.com**.

The views expressed in this document should not be construed as advice on how to construct a portfolio or whether to buy, retain or sell a particular investment.

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Tax treatment depends on the individual circumstances of each investor and may be subject to change in the future. You should obtain specific professional advice before making any investment decision.

In Italy these documents can be obtained from one of the Paying Agents listed in the prospectus of the fund. **In Germany** these documents can be obtained from the Paying Agent Marcard, Stein & Co. AG, Ballindamm 36, D-20095 Hamburg. **In Belgium**, these documents can be obtained from the Fund's Paying Agent, BNP Paribas Securities Services, Succursale de Bruxelles, 489, Avenue Louise, 1050 Bruxelles.

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