

1 November 2022

Changes to the abrDN Select Investment Actively Hedged International Equities Fund (ARSN 089 418 879, APIR CSA0114AU) from 1 December 2022

abrDN views Environmental, Social and Governance (ESG) considerations as fundamental to how we invest. We believe that ESG factors are financially material and can meaningfully impact an asset's performance, and that an asset's ability to sustainably generate returns for investors is dependent on its ability to manage its relationship with the environment, its relationship with society and stakeholders, and on the way it is governed.

It is our belief that a full and thorough understanding of ESG factors allows us to make better investment decisions, leading to better outcomes for our clients. This begins with rigorous research. We undertake thorough due diligence before we invest, considering material ESG risks and opportunities alongside other financial metrics. We seek to understand whether an asset is adequately managing those risks, and whether the market has understood and priced them accordingly.

At abrDN we're committed to continuously reviewing our range of funds to ensure they continue to meet client requirements. In recent years there has been a clear increase in client focus on Environmental, Social and Governance ('ESG') issues and wider sustainability

As you will be aware to achieve its objective, the Fund invests in the abrDN Actively Hedged International Equities Fund, another fund managed by abrDN. As we continue to evolve, we are excited to advise that we are making changes to the abrDN Actively Hedged International Equities Fund ('the Underlying Fund') to reflect this approach.

On 1 December 2022 the underlying Fund strategy will evolve to become a sustainable international equity strategy.

From this date the Underlying Fund will utilise our Sustainable philosophy and approach to invest primarily in a concentrated portfolio of around 40-60 international listed companies with the potential for capital growth and increased earning potential. The fund will screen out a greater number of securities with the highest ESG risks via abrDN's ESG House Score along with quantitative and qualitative inputs.

Accordingly, the **name of the Fund will change to the abrDN Select Sustainable International Equities Fund**. In addition, the objective of the Fund will be updated to reflect the focus on sustainable investing: *To provide investors with high capital growth over the medium to long term by seeking exposure to companies listed on securities exchanges around the world, adjusted to take into account certain ESG (Environmental, Social and Governance) considerations.*

The changes are summarised in this letter, which should be reviewed and kept for future reference. Other information about our Sustainable Equity Approach is outlined below.

The changes will be incorporated in the forthcoming Product Disclosure Statement (PDS) for the Fund dated on or around 1 December 2022. We encourage you to read the PDS, which can be viewed or downloaded from our website, abrDN.com/au from 1 December 2022. Alternatively, you can request that the PDS be sent to you.

What action do unitholders in the Fund need to take?

You are not required to take any action as a result of receiving this letter. However, it is important that you understand what the changes mean and how they will affect your investment in the Fund.

This letter should not be taken as advice and does not take into account your personal financial situation, objectives or needs. Before making a decision about whether or not to remain invested, we strongly recommend that you seek advice from a financial adviser.

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What do the Sustainable equity strategies seek to deliver?

Our Sustainable equity strategies seek to generate strong long-term performance by allocating capital to companies which demonstrate that they are sustainable leaders and improvers versus their peers, through their management of ESG risks and opportunities.

Our Sustainable equity portfolios contain high-quality companies that have been identified through our bottom-up equity research process which takes into consideration the sustainability of the business in its broadest sense and the company's ESG performance. Within our equity investment process, every company that we invest in is given a proprietary overall Quality rating and a component of this is the ESG Quality rating which enables portfolio managers to identify sustainable leaders and improvers and to build well-diversified, risk-adjusted portfolios.

To complement our bottom-up research, portfolio managers also use our proprietary ESG House Score to identify and exclude those companies exposed to the highest ESG risks within high and medium risk sectors. Finally, for the Underlying Fund, binary and norms-based exclusions are applied to exclude particular areas of investment.

The Underlying Fund will not invest in companies which have a revenue contribution:

- of 5% or more from tobacco wholesale trading
- from tobacco manufacturers
- of 5% or more from gambling
- of 5% or more from unconventional oil and gas extraction or are investing in new unconventional extraction capacity in their own operations
- from thermal coal extraction and power generation
- from the manufacture or sale of conventional weapons or weapons support systems

In addition, the Underlying Fund will not invest in companies which:

- have failed to uphold one or more principles of the UN Global Compact
- are involved in controversial weapons covering; cluster munitions, anti-personnel landmines, nuclear weapons, chemical and biological weapons, depleted uranium ammunition and blinding lasers
- are primarily involved in conventional oil and gas extraction and do not have a significant revenue contribution (at least 40%) from natural gas or renewable alternatives
- are directly involved in electricity generation which has a carbon emission intensity inconsistent with the Paris Agreement 2 degrees scenario
- are directly investing in new thermal coal or nuclear electricity generation capacity in their own operations
- are state owned enterprises in countries subject to international sanctions or that materially violate universal basic principles.

The Underlying Fund will target a weighted average carbon intensity at least 20% lower than the benchmark for the Fund*.

The Underlying Fund will continue to be managed by abrdn Asset Managers Limited Equity team based in the United Kingdom.

*as measured by the abrdn Carbon Footprint tool (which uses Trucost data for Scope 1&2 emissions).

What is the new fund strategy?

The Fund aims to generate strong long term total returns by investing primarily in equities and equity related securities of companies around the world (excluding Australia).

The Fund is actively managed. The Fund aims to outperform the MSCI All Countries World Accumulation Index (ex-Australia) (unhedged) before fees and costs. The benchmark is also used as a reference point for portfolio construction and as a basis for setting risk constraints, but does not incorporate any sustainable criteria.

In order to achieve its objective, the Underlying Fund will take positions whose weightings diverge from the benchmark and may invest in securities which are not included in the benchmark. The investments of the Underlying Fund may deviate significantly from the components of and their respective weightings in the benchmark. Due to the active and sustainable nature of the management process, the Fund's performance profile may deviate significantly from that of the benchmark.

The Underlying Fund utilises abrdn's equity investment process, which enables portfolio managers to qualitatively identify and focus investment in sustainable leaders and improvers. Sustainable leaders are viewed as companies with the best in class ESG credentials or products and services which address global environmental and societal challenges, whilst improvers are typically companies with average governance, ESG management practices and disclosure with potential for improvement.

Investment in all equity and equity-related securities will follow the Underlying Fund's 'Investment Approach'.

ESG House Score

The Underlying Fund looks to exclude at least the bottom 10% of companies with the lowest ESG House Score in the benchmark. If investing in a company that is not in the benchmark, the company must have an ESG House Score that is equal to or higher than the minimum acceptable score within the benchmark.

Carbon Footprint

The Underlying Fund will also target weighted average carbon intensity at least 20% lower than the benchmark for the Fund.

Exclusions and Restrictions Criteria

Additionally, abrdn apply a set of company exclusions which are related to the UN Global Compact, State Owned Enterprises (SOE), Weapons, Tobacco, Gambling, Thermal Coal, Oil & Gas and Electricity Generation. Engagement with external company management teams is used to evaluate the ownership structures, governance and management quality of those companies in order to inform portfolio construction.

It is expected that the Investment Approach reduces the benchmark investable universe by a minimum of 20%, through a combination of in-house proprietary scoring tools and we use negative criteria to avoid investing in certain industries and activities that our customers are concerned with. More detail on this overall process is captured within the Underlying Fund's 'Investment Approach's published at www.abrdn.com/au under 'Fund Centre'.

As is currently the case, there is no guarantee that the investment objective of the Fund will be achieved or that capital will be maintained over the short or long term.

Portfolio Rebalancing

There will be an associated cost impact of rebalancing the portfolios, albeit this will be minimal. Such costs will be borne by each Fund. Please note that the Underlying Fund will fully transition to the new investment strategy as soon as practical however is not expected to exceed 1 month from the effective date. However, this is subject to change should market conditions warrant and if we feel it is in the best interest of investors to do so. Investors should be aware that during this period the Fund may not fully adhere to the new strategy during this brief period.

What benefits does the new fund strategy offer investors?

In addition to the benefits offered by the current fund strategy (including investors having access to investment professionals who are part of a globally integrated network with global research capabilities, and income distributions typically paid half-yearly), the new fund strategy should benefit investors seeking long term capital growth with some income through investment in international equity securities, while reducing exposure to the long term risks associated with ESG factors and companies which fail to meet recognised sustainability standards while seeking improvement in business practices / approach through targeted engagement.

What are the risks of the new fund strategy?

All investments carry risk. Different strategies carry different levels of risk depending on the assets that make up the strategy. There are a number of significant risks that investors must understand. Please refer to the PDS for more information regarding the significant risks of the Fund.

Why is the active currency hedging feature being removed and how does it affect risk?

We are removing the active currency hedging feature as this is not a feature in high demand by our investors. By doing so, the Underlying Fund will no longer incur hedging costs. The Underlying fund continues to be managed to the same unhedged benchmark: MSCI All Countries World Accumulation Index (ex-Australia) (unhedged).

Unitholders can refer to the 'Risk of managed investment schemes' – 'Currency risk' in the Product Disclosure Statement (PDS) for more information.

Do the changes affect the Standard Risk Measure for the Fund?

The Standard Risk Measure for the Fund (currently '7 – Very High') does not change as a result of the changes.

Can unitholders withdraw from the Fund?

Unitholders can withdraw from the Fund at any time in accordance with the withdrawal instructions detailed in the current PDS for the Fund. Normal transaction costs (i.e. a current sell spread of 0.15%) will be payable by the unitholder and is subject to change.

What are the tax consequences of withdrawing from the Fund?

A withdrawal of units from the Fund is a tax event.

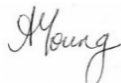
We recommend that you speak with your financial adviser or tax adviser, as this letter has not taken into account your personal financial situation, objectives or needs.

Enquiries

Should you have any questions or require further information, please contact our Client Service team on 1800 636 888 (Australian investors toll free) or +61 2 9950 2853 (if calling from outside Australia).

Alternatively, you may wish to email us at client.service.aust@abrdn.com.

Yours sincerely



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