TCFD Product Report
abrdn Short Dated Global Inflation-Linked Bond Tracker Fund

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abrdn.com

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Portfolio Overview

abrdn Short Dated Global Inflation-Linked Bond Tracker Fund

Gross AuM (000's)
£394,266

Number of Holdings
89

Fund investment objective	To generate income and some growth over the long term (5 years or more) by tracking the return of the Bloomberg World Government Inflation-Linked 1-10 years Index (Hedged to GBP). Performance Target: To match the return of the Bloomberg World Government Inflation-linked 1-10 years Index (Hedged to GBP) (before charges). There is no certainty or promise that the Performance Target will be achieved. Bloomberg World Government Inflation-Linked Index (Hedged to GBP) (the "Index") is a representative index of the global market for inflation-linked government bonds.

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Purpose of the report	Climate change is the biggest challenge confronting us all. There is no planet B. At abrdn we view this in two ways, firstly by demonstrating leadership in our operations and secondly by reducing the carbon intensity in many of our portfolios with a focus on balancing real world decarbonisation towards net zero, and fiduciary duty. abrdn recognises the growing demand from investors for more climate-related information about their investments as such, we have made disclosures we believe are consistent with the TCFD Recommended Disclosures within this report and we will continue to evolve and enhance our TCFD reporting, in line with data and industry developments. The Financial Stability Board (FSB) created the Taskforce on Climate-related Financial Disclosures (TCFD) to develop recommendations on the types of information that companies should disclose to support investors in appropriately assessing and pricing a specific set of risks related to climate change. In Policy Statement 21/24 the Financial Conduct Authority (FCA) have created a regulatory framework for asset managers, life insurers and FCA-regulated pension providers to make climate-related disclosures consistent with the recommendations of the TCFD. Due to the evolving nature of carbon metrics and methodologies and in some cases the nascent disclosure of carbon data in some asset classes and sectors there can be situations where we have low aggregated data coverage at a portfolio level. As a house we have adopted a principle of only reporting where we have greater than 50% data coverage - measured as the % of the portfolio's assets under management for which carbon data has been disclosed, partially disclosed or estimated by S&P Trucost. We expect that the number of portfolio's where we have not reported due to low data coverage will decrease over time as methodologies and reporting disclosures improve. This includes fund-of-fund structures and assets which due to their location or structure have nascent corporate disclosures,. In particular we will focus on working with third parties and data providers to improve coverage. However, at this stage we have adopted a conservative approach to ensure that reported data does not give a skewed perception of carbon impacts. For example if carbon data is only available for low carbon sectors but this only relates to a small portion of the holdings, this could lead to the entire portfolio appearing to be low carbon. However, once more carbon intensive sectors are reported in time, this could significantly alter the overall position and as such, we have taken the decision to only report where we have the majority (>50%) of data available. There are some investment types that due to their nature are not possible to report or estimate carbon metrics. These are typically money market investments that do not have a carbon profile, or synthetic products where methodological constraints mean that they are considered out of scope of these reports. We are currently only reporting on corporate credit bonds, listed govt bonds and listed equities due to poor or inconsistent data coverage in other asset types. We will review this year on year, and seek to enhance coverage in future years through alternative data providers, direct engagement and supporting broader industry initiatives. Since the first year of reporting, we have taken steps to evolve our ESG data architecture, enhancing the consistency of calculation and aggregation across in-scope asset classes and evolved underlying security issuer mapping to underlying ESG data.

Benchmark	Bloomberg World Government Inflation Linked (1-10 Yr) (Hedged to GBP)

Carbon Analysis
abrdn Short Dated Global Inflation-Linked Bond Tracker Fund

Carbon footprinting refers to the use of various carbon metrics that are a useful starting point for understanding exposure to carbon within a portfolio and can be informative in identifying potential climate transition risks. Carbon metrics are also one of the various metrics that can help investors better understand the impact of their investments on the climate.

We split carbon metrics out by Scope 1, 2 & 3 in line with the Greenhouse Gas Accounting Protocol Standards best practices.

It is important to consider that carbon footprinting has inherent limitations. Firstly, emissions data is backward-looking and should be complemented with forward-looking analysis of the entity's transition plans. Secondly, each carbon metric has its own idiosyncratic strengths and weaknesses, and each metric can be driven by short-term volatility unrelated to emissions. Lastly, emissions are not necessarily the most appropriate indicator of climate risk. For example, there are many climate solutions that operate within carbon intensive sectors, potentially falsely implying elevated climate risks when compared to other sectors or a broad market benchmark.

Carbon Data Disclosure

Data Disclosure	Portfolio	Benchmark
Number of Holdings with Data	86	89
Trucost Data Coverage (%)	100.0	100.0

Source: Trucost

Carbon Analysis
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Portfolio Carbon Intensity

Weighted Average Carbon Intensity

Weighted average carbon intensity (WACI), is a normalised carbon intensity figure, expressed as tCO2e/million USD revenue. The portfolio weighting of each holding is multiplied by the ratio of the investee company's emissions normalised by the investee company's revenue.

The weighted average carbon intensity (WACI) for sovereign bonds, is a normalised carbon intensity figure, expressed as tCO2e/million USD GDP. The portfolio weighting of each holding is multiplied by the ratio of the investee sovereign emissions normalised by the sovereigns GDP.

In this instance GDP is used to normalise emissions to allow investors to account for a sovereigns size and economic activity, allowing for more accurate comparisons between companies of different sizes and between funds of different sizes.

Portfolio Carbon Intensity

How carbon intensive are the holdings in my portfolio?

In tonnes of CO2e/million USD GDP	Weighted Average Carbon Intensity Scope 1 + 2
Portfolio	290.96
Benchmark	292.14
Relative Carbon Intensity (%)	99.60

A portfolio with a relative carbon intensity less than 100% indicates a lower carbon intensity versus the benchmark.

For example a portfolio with 90% relative carbon intensity has an intensity that is 10% lower than the benchmark.

Scope (1-3) emissions definitions - 1: Direct emissions 2: Indirect emissions 3: Upstream and Downstream Value Chain emissions
In the case of sovereign emissions the concept of 'scopes' are more nascent compared to their use in corporate emissions reporting. In this instance, the sovereign emissions reported above represent the country territorial emissions plus imported emissions.
Trucost data is partly based on estimated figures. Therefore, the reporting should be estimated based on the best available data and used for guidance.

Source: Trucost

Carbon Analysis
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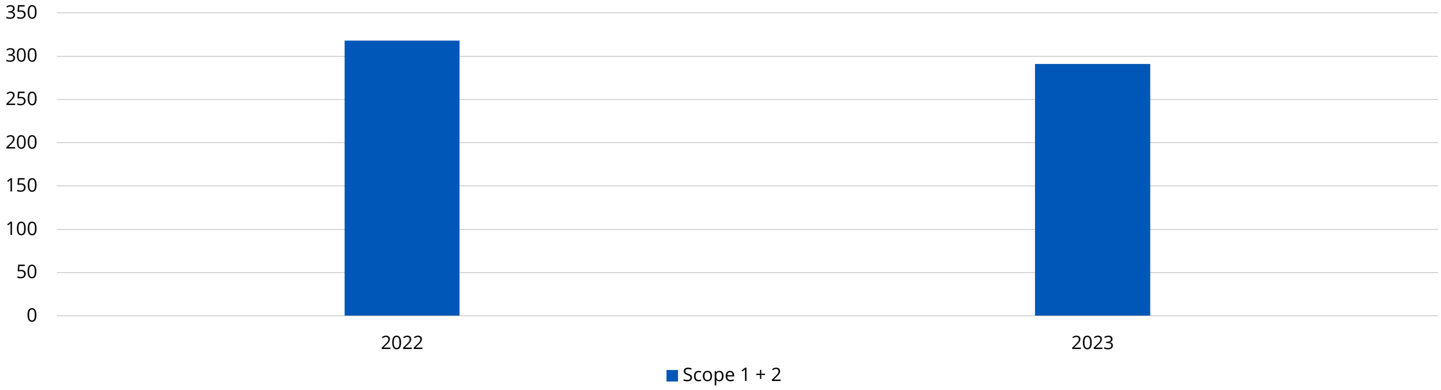
Historical Annual Comparison

Portfolio Carbon Intensity (WACI)



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Carbon Analysis
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Climate change scenario analysis provides a quantitative assessment of the financial impact of a range of potential future climate change pathways and related policy and technology scenarios on investments.

These impacts are driven by:
Transition risks and opportunities: direct and indirect carbon costs, and abatement measures to counteract these costs; demand destruction for emissions-intensive goods, and demand creation for goods with abatement potential.

Physical risks: impacts of chronic physical risks and increased physical damages to real assets caused by more extreme weather events; adaptation measures to help counteract these risks.

Market dynamics: the ability to compete in the market and pass on climate-related costs.

Our analysis provides bottom-up quantification of the financial implications of these direct and indirect economic shocks. The analysis considers the specificities of each security and its sensitivity to those shocks, and thereby assesses the impact on annual value stream. These are consolidated into financial impacts at asset level and can then be aggregated to assess the impact at fund level.

abrdn, in conjunction with modelling partner Planetrics (a subsidiary of McKinsey), has developed a suite of climate scenarios to assess portfolios for climate risk. Currently this analysis covers public market equity and credit portfolios, but, elsewhere, lack of available data and risk assessment tools mean that progress has been more limited.

Overall our analysis is that the majority of portfolios have a modest aggregate exposure to climate risk. For public equities and credit, our climate scenario analysis suggests that by far the biggest climate risk for portfolios is associated with the transition away from fossil fuel energy to low carbon alternatives. Physical climate risks tend to be much more modest in the economic impact (though for capital-intensive sectors, such as Real Estate, the impact can be much more material dependent on location). So the core risk for investors arises from companies with carbon intensive products (e.g. coal, oil, gas) or operations (e.g. mining, electric power generation) that are highly exposed to this transition.

The climate impact is therefore only likely to be material where significant fund allocation is to high-risk sectors. Even within high-risk sectors there are climate winners as well as losers. For example, in the utilities sector, in transition scenarios renewable power generators are winners and coal/gas generators are losers. The pattern is the opposite in ‘hothouse’ scenarios, but in both cases, winners can cancel out losers and the sector risk exposure can be reduced overall.

Government bonds, however, are not directly comparable with equities and credit. Where we have been able to make comparisons, our view is that these assets have climate risk exposures that are much lower than the average for equities and credit. The activities that are often financed by government bonds (government spending on education, healthcare, social security etc.) are not, in most cases, particularly carbon intensive.

When making a qualitative assessment of how plausible assumptions about probable future climate policies would be likely to interact with growth, inflation and central-bank policy settings, we think that, for most of the major sovereign developed bond markets, climate effects are likely to have a relatively modest effect on average yields over the longer term. However, for some highly fossil-fuel dependent or transition-metal-exporting emerging markets, this may not be true. For example, the effects of the intersection between macroeconomic outcomes and the nature of the global energy transition are likely to be especially strong for oil and gas exporters. Whilst the electrification of the vehicle sector has the potential to generate large, long-term macroeconomic benefits in countries rich in metals required for that transition technology.

Source: abrdn

Appendix

Glossary

Data Point	Definition
Abatement	Abatement refers to the act of reducing the emissions of an activity (synonymous with decarbonisation).
Carbon dioxide equivalent (CO2e)	This metric utilises global warming potentials of all the greenhouse gases as defined by the International Panel of Climate Change to calculate a single consistent metric for GHG impact in carbon dioxide equivalent terms.
Carbon emissions / Greenhouse Gas	Carbon emissions Is used as a generic term for the main greenhouse gas (GHG) emissions (carbon dioxide, methane, nitrous oxide, F-gases) in our reporting. This is synonymous to the term carbon dioxide equivalent (CO2e).
Carbon Emissions - Scope 1	Greenhouse gas emissions generated from sources which are owned or controlled by the company.
Carbon Emissions - Scope 2	Greenhouse gas emissions generated from the consumption of purchased electricity, heat or steam by the company.
Carbon Emissions - Scope 3	Greenhouse gas emissions that are a consequence of the activities of the company, but occur from sources not owned or controlled by the company, upstream and downstream of a company supply-chain, such as, the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity related activities (e.g.T&D losses) not covered in Scope 2.
Carbon Intensive Sectors	We have determined the GICS Industry Groups: Utilities, Energy, Materials and Transportation as representing 'Carbon Intensive Sectors'.
Climate Change Scenario analysis	Climate change scenario analysis provides a quantitative assessment of the financial impact of a range of potential future climate change scenario pathways and related policy and technology scenarios on investments.
Climate Value at Risk	The associated financial risk measured based on a selected climate scenario.
Current Policy Scenario ('hot house world')	No new policy action is implemented beyond what is already in place, resulting in a global temperature rise of 3.2C by 2100.
Early Action Scenario ('orderly' transition)	Strict and immediate policy action is put in place and is steadily ramped up to achieve an orderly transition that results in a global temperature rise of 1.7 oC by 2100.
Economic Emissions Intensity (Carbon Footprint)	Economic Emissions Intensity (EEI) is the terminology used by PCAF - who introduced the use of EVIC. This metric is synonymous with 'carbon footprint'. EEI is a normalised carbon intensity metric, expressed as tCO2e/million USD invested. The portfolio weighting of each holding is multiplied by the ratio of the investee company's emissions normalised by the investee company's enterprise value including cash (EVIC). This is equivalent to dividing the portfolio Financed Emissions by the portfolio's AUM.
Enterprise value including Cash (EVIC)	Is a denominator used in both the Financed Emissions and Economic Emissions Intensity, EVIC is equivalent to traditional financial measure of EV, however, with cash included. This concept was developed by PCAF to produce a consistent Financed Emissions metric that can be used equivalently across equity and debt investors.
Financed Emissions	This is the absolute tonnes of carbon dioxide equivalent (tCO2e) that is attributed or 'owned' by an investors, based on the value of the investment in an investee company. This metric is consistent to the PCAF Financed Emissions methodology, which is integrated into TCFD recommendations.
GICS / BICS	GICS: Global Industry Classification Standard is an industry taxonomy developed by MSCI and Standard & Poor's. BICS: Bloomberg Industry Classification System is an industry classification system developed by Bloomberg.
Glasgow Financial Alliance for Net Zero	The Glasgow Financial Alliance for Net Zero (GFANZ) is a global coalition of leading financial institutions committed to accelerating the decarbonization of the economy.
Net Zero Investment Framework	The Net-Zero Investment Framework was developed by the Institutional Investors Group on Climate Change (IIGCC), it produced an alignment metric that is now being referred to as the maturity scale approach (as defined by GFANZ).
NZIF Maturity Scale Alignment	This alignment metric enables investors to cover the Binary Target Approach in more detail, categorising companies into levels of alignment as defined by the IIGCC NZIF recommendations.
PCAF	Partnership for Carbon Accounting Financials.
Physical Risk	Climate risks associated to the physical impacts of climate change, these can be broadly categorised into acute risk (short-term impacts) and chronic risk (long-term impacts).
Probability Weighted Scenario	Weighted average scenario based on our latest assessment of probability across our full suite of 16 scenarios, resulting in a global temperature rise of 2.3C by 2100.
Stricter Action Scenario ('disorderly' transition)	The implementation of strict policy action is delayed until 2030, resulting in a disorderly transition and a global temperature rise of 1.9C by 2100.
Transition Risk	Climate risks associated with the transition to a low-carbon economy, these include, demand creation, demand destruction, technology risk, carbon price risk, market risks etc…
Weighted Average Carbon Intensity (WACI)	Weighted average carbon intensity (WACI), is a normalised carbon intensity figure, expressed as tCO2e/million USD revenue. The portfolio weighting of each holding is multiplied by the ratio of the investee company's emissions normalised by the investee company's revenue.

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

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