For wholesale clients and financial advisers only - not for retail investors

Reasons why abrdn Global Risk Mitigation Fund

September 2021

abrdn.com

abrdn Global Risk Mitigation Fund

01 Key Points

- Aims to deliver downside protection against tail-risk of extreme developed market equities movements
- Convex strategy enables positive returns to increase exponentially as developed market equities fall
- Maximises exposure to potential return while providing portfolio protection

02 Why Global Risk Mitigation?

Tail-risk protection is like an insurance policy; the benefits will only become apparent when something bad happens.

But the timing of a tail event or correction is extremely difficult to predict. It suggests insurance protection should be a core allocation. Behavioural finance has also taught us that investors feel losses more deeply than gains. They prefer consistent returns. Therefore, portfolios should seek to mitigate the risks of negative return.

Reducing drawdowns also provides stronger compounded long-term returns.

03 What differentiates the Fund?

The Global Risk Mitigation Fund (GRM) offers investors an efficient hedge to reduce exposure to major developed market equity drawdowns.

There's no single hedging strategy to protect portfolios through an entire sell-off and buying numerous strategies is expensive. Hence GRM combines a range of hedges in one solution, providing protection but with less drag from costs.

GRM is also convex: positive return increases exponentially as developed market equities fall. It offers full transparency of holdings and benefits from increased volatility. It performs at its best when investors need it most.

04 Risk mitigation – beyond bonds

Among the biggest challenges that investors face is finding alternatives to fixed income as a means to manage risk in a portfolio. Traditionally, they have used government bonds to dampen risk while continuing to generate returns.

However, with bond yields at historic lows today, they need to consider other options. What they don't want is to be tied up in assets offering low return potential that are still carrying significant interest-rate risk and inflation risk.

05 Risk mitigation – a better "alternative"

A key role of alternatives is to provide diversification in times of market stress.

However, the performance dispersion across alternatives is wide. While many offer diversification benefits, most disappoint depending on the cause of the equity market sell-off. We built GRM specifically to perform strongly when developed market equities fall. For capital efficiency, it is three-times levered. This enables investors to achieve greater protection with a lower percentage allocation to the strategy. It also offers daily liquidity, allowing investors to monetise gains and reallocate capital quickly.

abrdn Global Risk Mitigation Fund

Key facts

Fund name	abrdn Global Risk Mitigation Fund
ARSN	109 536 414
APIR	EQI4297AU
Management costs comprising: • Management fee • Indirect costs	1.20% pa of the net asset value of the Fund 1.20% pa 0.00% pa
Distribution frequency	Annually
Benchmark	The fund does not have a performance benchmark
Min. suggested time frame	Long term – 5 years plus
Mix of asset classes [1]	Exposure to the ASI Global Risk Mitigation 3x Index, consisting of a diverse set of underlying strategies which mainly invest indirectly in fixed interest securities, equities, currencies, commodities and derivatives thereon and cash.

The fund is available only to Eligible Investors being (i) Professional Investors, or (ii) investors investing on the recommendation of their appointed licensed financial adviser.

[1] Allocations to these investments are determined in consideration of the Fund's investment objective and liquidity requirements. Please refer to the PDS for more information.

Risk

All investments carry risk. The likely investment return and the risk of losing money is different for each managed fund, as different strategies carry different levels of risk based on the underlying mix of assets. Investors should not make investment decisions based on this document alone. More information on the risks of investing in the Fund is contained in the Product Disclosure Statement, which should be considered before deciding to invest in the Fund.

Important Information

Issued by abrdn Australia Limited ABN 59 002 123 364 AFSL No. 240263. This document has been prepared with care, is based on sources believed to be reliable and opinions expressed are honestly held as at the applicable date. However it is of a general nature only and we accept no liability for any errors or omissions. This is not an offer of securities. A Product Disclosure Statement (PDS), application form, and Target Market Determination (TMD) is available for each Fund by calling abrdn Australia Limited Client Services on 1800 636 888, at **abrdn.com/au**, or from your financial adviser. This document has been prepared without taking into account the particular objectives, financial situation or needs of any investor. Investments are subject to investment risk, including possible delays in payment and loss of income and principal invested. It is important that before deciding whether to acquire, hold or redeem an investment in a Fund that investors consider the Fund's PDS, the Fund's appropriateness to their own circumstances, objectives and financial situation and consult financial and tax advisers. Past performance is not a reliable indicator of future results. All dollars are Australian dollars unless otherwise specified. Indices are copyrighted by and proprietary to the issuer.

Contact us

Client Services Team

1800 636 888 or +61 2 9950 2853 if calling from outside Australia

client.service.aust@abrdn.com

For more information visit abrdn.com/au

AU-090322-167302-3