



abrdrn Global Risk Mitigation Fund

Monthly Factsheet

31 December 2022

Investment objective

The Fund aims to provide investors with a complementary diversifying strategy that delivers strong positive returns when developed equity markets experience material declines and volatility is high.

Portfolio securities

The majority of the Fund's investment exposure will be via a Swap provided by the Swap Counterparty which provides synthetic exposure to the GRM Strategy, consisting of a diverse set of underlying strategies which mainly invest indirectly in fixed interest securities, equities, currencies, commodities and derivatives thereon and cash that provide diversification and so help facilitate the lowering of the investors overall risk profile. These underlying strategies have exposure to instruments with embedded leverage including futures, options, swaps, forwards and other derivatives. In addition the underlying strategies, include a number of relative value strategies that can generate positive returns without taking on directional market risk. These relative value strategies offset the cost of owning hedging (or protection) strategies and in doing so enhance the returns of the Fund. Due to the extensive use of derivatives, the Fund may at times have substantial money market or cash holdings which are held as collateral. The Fund's level of return and risk is expected to differ materially from that of a global equity fund. The Fund is expected to realise negative returns during periods of material rises and low volatility in developed equity markets. Therefore the Fund is intended to mitigate other investment exposures an investor may have in their overall portfolio.

Performance

Cumulative and annualised performance - 31/12

	1 month	3 months	6 months	Year to date	1 year	3 years (p.a.)	5 years (p.a.)	Since Inception (p.a.)
Fund (Net) ¹ (%)	-1.47	-6.03	-10.60	-4.66	-4.66	N/A	N/A	-3.27
Fund (Gross) ² (%)	-1.37	-5.75	-10.06	-3.52	-3.52	N/A	N/A	-2.12
Benchmark (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

¹Net performance figures are calculated using end-of-month exit prices, post standard fees, reflect the annual reinvestment of distributions and make no allowance for tax. If investing through an IDPS Provider, the total after fees performance returns of your investment in the Fund may be different from the information we publish due to cash flows specific to your portfolio and any fees charged by the IDPS Provider.

²Gross performance figures are calculated using end-of-month exit prices, pre-fees, reflect the annual reinvestment of distributions and make no allowance for tax. These returns are provided for the purpose of wholesale investors only. Retail investors should refer to net returns.

Past performance is not a reliable indicator of future results.

Key Facts

Launch date	Oct 2021
Fund size ¹	AUD 9.7M
Income payable	30 Jun
Management costs	1.20% pa of the net asset value of the Fund comprising: Management Fee 1.20% pa, Indirect costs 0.00% pa
Buy/Sell spread ²	+0.90%/-0.90%
Minimum initial investment	A\$ 50,000
Base currency	AUD
Sharpe Ratio (Since Launch)	0.29
Annualized Volatility (Since Launch)	4.91%
APIR	EQI4297AU
ISIN	AU60EQI42976
Bloomberg	ABGRMAI AU
Fund code	LK6S
Domicile	Australia

¹ The method of calculating the Fund's net asset value is disclosed in our unit pricing policy which can be viewed or downloaded from our website, www.abdrn.com.au

² We may vary or waive the buy/sell spreads without notice when it is appropriate to protect the interests of existing investors and if permitted by law.

Key risks

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. Risks specific to the Fund include, but are not limited to, those listed below. 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:

- (a) Derivatives risk
- (b) Equity risk
- (c) Interest rate risk
- (d) Commodity Risk
- (e) Credit risk
- (f) Volatility Risk



Strategy returns - December 2022

Defensive factors	-0.38%
First risk	0.07%
Systematic trend following	1.64%
Tall risk	-4.79%

Strategy contributions - December 2022

Defensive factors	-0.17%
First risk	0.00%
Systematic trend following	0.17%
Tall risk	-0.51%

Strategy returns - since inception

Defensive factors	7.84%
First risk	-8.55%
Systematic trend following	17.28%
Tall risk	-0.78%

Strategy contributions - since inception

Defensive factors	3.84%
First risk	-1.59%
Systematic trend following	3.14%
Tall risk	-0.50%

Notional asset allocation

Defensive factors	43.95%
First risk	34.46%
Systematic trend following	11.66%
Tall risk	9.95%

Risk weighted asset allocation

Defensive factors	34.92%
First risk	45.28%
Systematic trend following	9.20%
Tall risk	10.60%

Source: abrdn, BNP Paribas, 31 December 2022.

The Fund invests in the 3x leveraged GRM strategy. Data of "strategy returns" and "risk weighted asset allocation" are based on the unlevered GRM strategy; data of "strategy contributions" and "notional asset allocation" are based on the 3x levered GRM strategy.

Past performance is not a guide to future results. GRM index ticker is ENHAGRMA.

Risk based on notional allocations weighted by 50 day realised volatility. Category contributions are gross of rebalancing costs and fees, net of trading costs. BNP Paribas is the Index Sponsor and Calculation Agent for ENHAGRMA Excess Return Index.

Derivatives usage

Derivatives are used by the Fund in accordance with the investment objective, investment strategy, and risk profile of the Fund. The majority of the Funds investment exposure will be via a total return swap with the Swap Counterparty to achieve synthetic exposure to the GRM Strategy. The Investment Manager may alter the exposure to the underlying strategies by adjusting their composition within the GRM Strategy. The underlying strategies themselves employ advanced derivative strategies to gain investment exposure.



Market Commentary

Global equities retraced the majority of their gains from November and ended the year broadly in the middle of the trading range they have been in through the second half of the year. The MSCI World Index closed 2022 within 2 percentage points of both its 100 and 200 day moving averages. Developed market bond yields broadly rose over the month with the biggest increases coming from the eurozone. Both the ECB and the Federal Reserve hiked rates by 50bps in December but the European Central Bank then provided guidance on the future path of rates that was much more hawkish than the market expected. The German 10-year Bund yield ended the year at the highest levels of the year and narrowed the gap with equivalent US Treasuries by almost 50bps over the month. The Bank of Japan also surprised the market by adjusting the parameters of its "Yield Curve Control" policy and widening the allowed band for 10-year government yields to 50bps above or below the target rate of zero. The US Dollar weakened in response with declines of 3% versus the Euro and 5% versus the Yen. The Chinese Renminbi also gained close to 3% versus the Dollar as the Chinese government officially abandoned its "zero Covid" policy and began to re-open the economy. The changes had been largely anticipated but Chinese equities still responded positively with a gain of over 6% for the Hang Seng Index in December. Commodity prices were little changed despite the policy changes in China. The most notable moves were seen in natural gas prices, which experienced heavy declines in both Europe and the US as mild temperatures eased concerns of potential shortages over the winter.

In an environment where equities, bonds, and volatility all declined in to year-end the GRM strategies had mixed performance. Within First Risk the Index Put strategies were profitable but long volatility and long Treasury positions incurred losses leaving an overall modest gain for this category. Trend Following strategies also made a positive contribution with the gains driven almost entirely by commodities with long positions in precious metals and short positions in natural gas generating profits. The majority of the Defensive Factor strategies were little changed over the month with the exception of Covered Calls, which performed positively, and Commodity Backwardation, which incurred losses such that the overall contribution from Defensive Factors was modestly negative. Tail Risk strategies all suffered in December and were the biggest drag on performance over the period. The supply/demand balance for downside options has changed dramatically over the course of 2022, with demand for protection decreasing at the same time that supply of volatility from premium harvesting strategies has now returned to the market. This has been reflected in pricing of skew, with downside options trading at a historically low premium relative to at-the-money options.

Contact us

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

Email:
client.service.aust@abrdn.com

Website:
abrdn.com.au

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 www.abrdn.com/aus, 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.

