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## abrdn Evolve American Equity Index Fund

January 2025

### Why our Evolve Index?

At abrdn, we recognise our investors' need to balance long-term financial returns with sustainable outcomes. That's why we collaborated with MSCI, a leading index provider, to design our own evolve index for our funds to track<sup>1</sup>.

We believe this fills an important gap in the market for sustainable yet broad market equity index exposure.

### abrdn Evolve American Equity Index Fund

The abrdn Evolve American Equity Index Fund seeks to match the return of the MSCI USA Select ESG Climate Solutions Target Index – an abrdn customised index – with the purpose of replicating a similar risk and return profile as the parent index (MSCI USA), while delivering improved sustainability outcomes.

Fund	abrdn Evolve Index	Parent Index
abrdn Evolve American Equity Index Fund	MSCI USA Select ESG Climate Solutions Target Index	MSCI USA Index



**"We've been managing equity indexation strategies with a demonstrable track record of success on behalf of sophisticated institutional investors since 2005. Our evolve indexation range is a natural extension of our market-leading indexing capabilities – filling an important gap in the market for sustainable yet broad market equity index exposure."**

**Oliver Wood-Clark**  
Head of Equity Index Solutions at abrdn

<sup>1</sup> The MSCI USA Select ESG Climate Solutions Target Index, licensed exclusively to abrdn.

## ESG Scores

Aim to improve the aggregate ESG scores by up to

# +20%

relative to the parent index.

## Climate Risks

Aim to reduce carbon intensity by up to

# -50%

relative to the parent index.

## Climate Opportunities

Aim to improve green revenue scores by up to

# +50%

relative to the parent index.

## ESG-based Exclusions

In addition to the above portfolio targeting, we also use a set of ESG-based exclusions to design our sustainable indices. This helps us remove companies engaged in undesirable business activities without constraining the breadth of the parent index universe. Exclusions are listed below.

01	Very Severe Controversies
02	Controversial Weapons
03	Tobacco Production & Distribution
04	Thermal Coal & Unconventional Oil & Gas

## Evolve Index Design

The abrdn evolve index range targets improved sustainability outcomes relative to the parent index in the form of:

- Higher ESG scores
- Lower carbon intensity
- Higher revenue from green sources

## Exclusions

To construct our evolve index, we first apply exclusions to a parent index (MSCI USA), removing companies involved in Very Severe Controversies (defined as companies with an MSCI ESG Controversy score of 0 out of 10). This includes those that have failed to uphold one or more principals of the UN Global Compact agreement. We also exclude companies involved in the production and distribution of controversial weapons, tobacco, thermal coal and unconventional oil & gas.<sup>2</sup>

## Sustainable Outcomes

The remaining constituents of the evolve index are targeted via ESG scores, tilting the portfolio towards ESG score leaders and away from the laggards. The aim is to enhance the aggregate ESG score by up to 20% relative to the parent index. Focusing on climate change, we seek to reduce our weighting to companies most exposed to the climate transition (by reducing carbon intensity by up to 50% relative to the parent index). By contrast, we look to increase the portfolio's exposure (by up to 50%) to companies that derive their revenues from clean technology solutions<sup>3</sup> and/or that benefit from the climate transition.

	Targeted Sustainable Outcomes	Metrics
ESG Outcomes	Improve ESG scores by up to 20% relative to the parent index	MSCI ESG Score (0 – 10)
Climate-related Risks	Reduce carbon intensity by up to 50% relative to the parent index	Carbon Intensity (tCO <sub>2</sub> e / \$m Sales) Potential Carbon Emissions (tCO <sub>2</sub> e / \$m Invested)
Climate-related Opportunities	Improve green revenues scores by up to 50% relative to the parent index	Clean Technology Solutions Revenue (weighted average %)

<sup>2</sup> We exclude companies that derive more than 5% revenue from tobacco production and distribution. We also exclude those that derive more than 5% revenue from operating in thermal coal and unconventional oil & gas.

<sup>3</sup> Companies providing goods and services in areas like alternative energy, energy efficiency, green building, pollution prevention, sustainable agriculture, and sustainable water.

## Risk Approach

Our sustainable indices use a portfolio optimiser<sup>4</sup> to maintain a low tracking error and low turnover. The optimiser also applies constraints to stock, sector and country risk factors relative to the parent index, while satisfying sustainability targets.

One result is the MSCI USA Select ESG Climate Solutions Target Index – an index with an improved sustainability profile to the MSCI USA Index, but with similar risk and return characteristics.

## Active Stewardship

As long-term, active holders of capital in our index business, we take our stewardship responsibilities seriously. Working in conjunction with our dedicated active Stewardship team, we exercise all our voting rights. We also actively engage with companies, using our influence as a large asset manager to encourage best practice and help businesses mitigate the financial risks associated with ESG factors. We believe our efforts as active stewards help maintain and create value as we guide firms towards meaningful improvement. We believe this activity, in turn, benefits our clients and their investments.

## Fund details

<b>American Equity</b>	0.15% p.a. OCF <sup>5</sup>
<b>MSCI Index Code</b>	GG735584
<b>Bloomberg Ticker</b>	ASISAB2 LN
<b>ISIN</b>	GB00BMY57H03
<b>Investment objective</b>	To generate growth over the long term (5 years or more) by tracking the return of the MSCI USA Select ESG Climate Solutions Target Index
<b>Regulatory structure</b>	Authorised Contractual Scheme (UK ACS)
<b>Share classes</b>	Accumulation
<b>Valuation</b>	Daily
<b>Dealing</b>	Daily
<b>Base currency</b>	GBP
<b>Turnover (annualised one way)</b>	Typically c10%

The Fund is available within a tax transparent Authorised Contractual Scheme (ACS) vehicle, for qualifying UK investors at a competitively-priced, single OCF. UK and World versions of the Fund are also available.

<sup>4</sup> MSCI's proprietary Barra risk model.

<sup>5</sup> Ongoing Charges Figure.

Further information about abrdn ACS I (Prospectus, KIID, report & accounts) can be found at [abrdn.com](http://abrdn.com), where documents may be obtained free of charge. A full list of the risks applicable to the funds can be found in the Prospectus which is available on the website or upon request. Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis, should not be taken as an indication or guarantee of any future performance analysis forecast or prediction. The MSCI information is provided on an 'as is' basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the 'MSCI' Parties) expressly disclaims all warranties (including without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages ([www.msci.com](http://www.msci.com)).

Key risks to consider before investing in this fund:

- a. Tracking Error - The fund may not perform fully in line with the index which it is tracking because of factors which may include transaction costs, timing and holding mismatching, or in the event of extreme market disruption.
- b. Equity risk - 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.
- c. ESG Investment Risk - Applying ESG and sustainability criteria in the investment process may result in the exclusion of securities within the fund's benchmark or universe of potential investments. The interpretation of ESG and sustainability criteria is subjective meaning that the fund may invest in companies which similar funds do not (and thus perform differently) and which do not align with the personal views of any individual investor.
- d. Concentration risk - A concentrated portfolio may be more volatile and less liquid than a more broadly diversified one. The fund's investments are concentrated in a particular country or sector, or closely related group of industries or sectors.
- e. Derivatives risk - 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.

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