aberdeen Investments

abrdn China A Share Equity Fund

Quarterly Commentary

Quarter ended March 31, 2025

Fund performance

The Fund returned 3.11% (Institutional Class shares, net of fees, US dollar terms) over the quarter, outperforming the index, which was up by 0.12%.[1]

Electric vehicle maker BYD was the most significant positive contributor to the Fund's relative returns. During the quarter, the firm introduced its 'God's Eye' smart driving system into China's mass market. This move was significant because it showcased the company's ability to offer upgraded and competitive features across its product range. Auto businesses, such as Jiangsu Hengli Hydraulic and Zhejiang Shuanghuan, also added value, given the positive developments in robotics. In financials, retail and SME-oriented banks, such as China Merchants Bank and Bank of Ningbo, benefitted from upbeat profit alerts and reduced concerns about fundraising, respectively. Meanwhile, the Fund's above-benchmark weighting in the consumer discretionary segment proved helpful, with Midea adding value thanks to its resilient full-year 2024 results and its plans to develop humanoid robotics.

Less positively, Nari and CATL were negatively affected by soft market sentiment despite their positive fundamentals. Similarly, Envicool was dented by weak sentiment towards the AI supply chain following the outperformance seen in previous months. At the sector level, our underweight exposure to materials cost performance. The segment lagged as gold and aluminium held up well amid geopolitical uncertainties.

Total Returns (as of 03/31/25)

	Class A w/o sales charges	Class A with sales charges	Institutional Class	MSCI China A Onshore Index (Net TR)
10 Years (p.a.)	2.49	1.89	2.84	-1.66
5 Years (p.a.)	1.13	-0.06	1.50	2.99
3 Years (p.a.)	-8.69	-10.47	-8.36	-5.58
1 Year	13.15	6.66	13.55	12.47
Year to Date	3.00	-2.92	3.09	0.10
3 Months	3.00	-2.92	3.09	0.10
1 month	0.00	-5.75	0.00	0.28

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. The performance data quoted represents past performance and current returns may be lower or higher. Class A shares have up to a 5.75% front-end sales charge and a 0.25% 12b-1 fee. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. To obtain performance information current to the most recent month-end, which may be higher or lower than the performance shown above, please call 866-667-9231 or go to **aberdeeninvestments.com/us/literature.**

Performance information for periods prior to June 13, 2019 does not reflect the current investment strategy. Please consult the Fund's prospectus for more detail.

Total returns assume the reinvestment of all distributions. Total returns may reflect a waiver of part of the Fund's fees for certain periods since inception, without which returns would have been lower. Indexes are unmanaged and provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

[1] The MSCI China A (Onshore) Index tracks the performance large- and mid-capitalization companies across China securities listed on the Shanghai and Shenzhen exchanges. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Index performance is not an indication of the performance of the Fund itself. For complete Fund performance, please visit aberdeeninvestments.com.

For current holdings information, please visit **abrdn China A Share Equity Fund - Portfolio Holdings**

Market review

The mainland Chinese stock market delivered a marginally positive return in the first quarter of 2025. The year began amid uncertainty surrounding the prospect of US tariffs on Chinese goods and worries about the domestic economy's health.

However, the market partially looked through these concerns with a rally in themes such as artificial intelligence (AI) and humanoid robots. The strong performance of AI and its supply chain was underpinned by news of DeepSeek, a Chinese-developed open-source AI model offering comparable performance to its equivalent American model but at a significantly lower cost. That said, it also raised concerns about the AI supply chain and capital expenditure reductions.

Turning to political developments, the National People's Congress (NPC) began on 5 March. Premier Li Qiang largely delivered on the government's commitment to more stimulus, with solidly expansionary fiscal settings for 2025, which aligned with market expectations. That said, towards the end of the quarter, the market became more volatile as it awaited US tariff initiatives.

Indeed, President Trump's reciprocal levies announced in April were unprecedented in magnitude. Yet, we believe that policymakers in China are prepared to implement additional economic support measures if required. This tariff shock could catalyse more substantial and decisive stimulus measures to bolster the economy amid heightened external threats. We remain watchful for further stimulus relating to consumption support and infrastructure investment.

Economic activity in China was on a path to recovery, with multiple indicators for the fourth quarter of 2024 and the first quarter of 2025 exceeding expectations. The official manufacturing Purchasing Managers' Index survey registered at 50.5 in March (50.2 in February). This was the strongest reading in a year, with the sector supported by healthy new orders. Meanwhile, consumer inflation fell by 0.7% year on year in February compared with an increase of 0.5% the previous month. Analysis pointed to sluggish demand in the wake of the Spring Festival.

Activity

Portfolio movements during the quarter included the purchase of Naura, a semiconductor equipment provider enjoying the localisation tailwind. We also introduced Shenzhen Envicool, which we felt was well-positioned to benefit from increased demand for liquid cooling solutions for various applications, including data centres boosted by generative AI investments. A holding was initiated in Yantai China Pet Food, a leading pet food player with multiple brands in China. The company also has a pet snacks export business in overseas markets.

Elsewhere, we exited Sungrow Power Supply and initiated Ningbo Orient Wires & Cables, a leading manufacturer of power cables predominantly used in wind power transmission. Our position in Wanhua Chemical was also sold.

Outlook

From a portfolio strategy perspective, our preference for the domestic consumption theme remains evident, such as the Fund's bias toward indigenous technology and consumer-focused names. This aligns with our view that China's domestic consumption recovery and innovation will gain momentum. On a see-through weighted basis, approximately 80% of the revenue exposure of our A-share strategies is derived domestically, with the remainder diversified into non-US regions. We remain incrementally positive following the policy pivot late last year, and external pressure may prompt a greater focus on domestic stimulus, which is key to turning the economy around.

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The fund invests in emerging market equities and / or bonds. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.

Potential losses that may arise from changes in the market conditions which in turn affect the market prices of the investments of the Fund.

The value of a security may decline for reasons directly related to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services.

The stock or other security of a company may not perform as well as expected, and may decrease in value, because of factors related to the company, to the industry in which the company is engaged, or to the market as a whole.

The Fund is subject to the risk that the Adviser or Subadviser may make poor security selections.

Foreign securities are more volatile, harder to price and less liquid than U.S. securities. They are subject to different accounting and regulatory standards, and currency exchange rate, political and economic risks.

The value of foreign currencies relative to the U.S. Dollar fluctuates in response to market, economic, political, regulatory, geopolitical or other conditions. Fluctuations in currency exchange rates may impact a Fund's returns more greatly to the extent the Fund does not hedge currency exposure or hedging techniques are unsuccessful.

Illiquid securities are assets that the Fund reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the asset. An inability to sell a portfolio position can adversely affect the Fund's value or prevent the Fund from being able to take advantage of other investment opportunities. Illiquid and relatively less liquid securities may also be difficult to value.

Occasionally, shareholders may make large redemptions or purchases of Fund shares, which may cause the Fund to have to sell securities or invest additional cash. These transactions may adversely affect the Fund's performance and increase transaction costs.

Investing in mutual funds involves risk, including possible loss of principal. There is no assurance that the investment objective of any fund will be achieved.

Investors should carefully consider a fund's investment objectives, risks, fees, charges and expenses before investing any money. To obtain this and other fund information, please call 866-667-9231 to request a summary prospectus and/or prospectus, or download at https://www.aberdeeninvestments.com/en-us. Please read the summary prospectus and/or prospectus carefully before investing any money.

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