abrdn Income Credit Strategies Fund

Quarterly Commentary

Three-month period ended July 31, 2023

Fund performance

The abrdn Income Credit Strategies Fund returned 2.53%[1] (on a net asset value basis) during the three-month period to July 31, 2023, outperforming the 2.30% return of its benchmark, the I.C.E. Bank of America (Bofa) Global High Yield Constrained Index (hedged to U.S. dollars).[2]

Sector wise, leisure contributed to performance, especially our holdings in Ncl Corporation and Royal Caribbean Group. Our exposure to healthcare was also favorable, with Chrome Holdco Societe and Cab Selas performing well. Meanwhile, other financials also benefited the Fund, as DdM debt and Encore Capital were positive. Conversely, wireless underperformed, particularly our exposure to Altice France Holding.

In terms of ratings[3], Bs and BBs contributed the most to performance. Conversely, CCCs detracted.

Top 10 Fund holdings (as of July 31, 2023)

Monitchem Holdco 8.75% 2028	2.1
Albion Financing 2Sarl 8.75% 2027	1.9
Ht Troplast 9.5% 2028	1.8
Chrome Holdco 5% 2029	1.8
Summer BidCo 9% 2025	1.6
Galaxy Finco 9.25% 2027	1.5
888 Acquisitions 7.558% 2027	1.5
Virgin Media Vendor Fin 4.875% 2028	1.5
Cidron Aida Finco Sarl 6.25% 2028	1.4
Weatherford Internationa 8.625% 2030	1.2
Percent of Portfolio in Top Ten	16.4

Holdings are subject to change and are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities shown.

Figures may not always sum to 100 due to rounding.

[1] **The performance quoted represents past performance, which does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by calling 800-387-6977 or visiting abrdn.us.**

[2] I.C.E. Bofa Global High Yield Constrained Index tracks the performance of U.S. dollar-, Canadian dollar-, British pound- and euro-denominated below-investment-grade corporate debt publicly issued in the major domestic or eurobond markets. 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 abrdn.us.

[3] S&P Global Ratings, Fitch Ratings and Moody's Investors Service are independent, unaffiliated research companies that rate fixed income securities on the basis of risk and the borrower's ability to make interest payments. S&P and Fitch assign ratings ranging from AAA (reliable and stable) to D (high risk) to communicate the agency's opinion of relative level of credit risk. Moody's credit ratings range from Aaa to C, with Aaa being the highest quality and C the lowest quality.

Cumulative and annualized total return as of July 31, 2023 (%)

	NAV	Market Price
Since inception (p.a.)	3.16	2.76
10 Years (p.a.)	2.49	2.75
5 Years (p.a.)	-1.96	-0.61
3 Years (p.a.)	0.96	1.71
1 Year	8.37	1.86
Year to date	11.37	12.20
3 months	2.53	6.79
1 month	1.30	2.04

Past Performance is no guarantee of future results. Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. NAV return data includes investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions.

The Fund is subject to investment risk, including the possible loss of principal. Returns for periods less than one year are not annualized. Aberdeen Standard Investments Inc.(the "Adviser") became the Fund's adviser on December 1, 2017. For periods prior to that date, the returns reflect performance information from a prior, unaffiliated adviser.

Market review

In May, the global high-yield (HY) asset class exhibited relative stability, while June presented a dynamic environment in terms of central bank policies and economic data. Certain data points suggested a weakening in the industrial sector of the U.S. economy. However, overall data surpassed expectations, primarily due to robust consumer demand, particularly in the services sector. This economic resilience contributed to a strong performance for the asset class in July.

Nonetheless, a better-than-anticipated economy brings potential implications concerning inflation. Although there are indications of inflation subsiding, it remains higher than desired by policy makers, leading to a rise in government bond yields. This, in turn, adversely affects the total returns for corporate credit. To counterbalance this effect, the U.S. experienced tighter spreads across rating classes, with notable strength in the CCC and lower-rated portion of the asset class.

Meanwhile, European HY demonstrated comparable returns to U.S. HY during the period.

Outlook

Similar to most markets in the recent past, the HY market has been almost exclusively driven by macroeconomic factors. Recessionary concerns remain and varies depending on the market. The U.S. economy has exhibited strength recently, while data has been more tepid in Europe. The resilience of the U.S. data created expectations of more interest rate increases, which led to a further sell off in Treasuries and a rally in spreads, particularly at the lower quality end of the market. Meanwhile, optimism for a milder recession has also increased. While we acknowledge that such a "soft landing" is possible, we think it is unlikely. History has not been kind in past instances where rates have risen to this degree. We continue to believe that with spreads well inside their long-term averages, investors in the HY market have been too sanguine. With a market yield approaching 9%, we feel well compensated even in a more conservatively positioned portfolio.

Important Information

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Under U.S. tax rules applicable to the Fund, the amount and character of distributable income for each fiscal year can be finally determined only as of the end of the Fund's fiscal year. The Fund anticipates that sources of distributions to shareholders may include net investment income, net realized short-term capital gains, net realized long-term capital gains and return of capital. The estimated composition of the distributions may vary from time to time because the estimated composition may be impacted by future income, expenses and realized gains and losses on securities. For more detailed information related to the composition of the Fund's distributions, see aberdeenAGD.com.

Foreign securities are more volatile, harder to price and less liquid than U.S. securities. They are subject to different accounting and regulatory standards, as well as political and economic risks. These risks are enhanced in emerging markets countries. Equity stocks of small and mid-cap companies carry greater risk, and more volatility than equity stocks of larger, more established companies.

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