abrdn Global Income Fund

Quarterly Commentary

Quarter ended July 31, 2024

Fund performance

The abrdn Global Income Fund returned 0.72%[1] on a net asset value (NAV) basis for the three-month period ended July 31, 2024, underperforming the 4.26% return of its blended benchmark.[2]

The investment portfolio underperformed its benchmark, with the overweight to emerging market debt being the principal cause of underperformance. In particular, the exposure to the Brazilian real and Mexican peso detracted, as both currencies weakened over the period.

From an NAV perspective, the impact of leverage was positive due to the positive market performance. Meanwhile, the underperformance of the investment portfolio, as well as the negative mark-to-market impact of interest-rate swaps used to hedge the cost of leverage, detracted from performance against the benchmark. Nevertheless, the strategic use of leverage is beneficial to the income generated by the Fund due to the positive interest-rate differential between the interest earned and the cost of leverage.[3]

Cumulative and annualised total return as of July 31, 2024 (%)

NAV	NAV	Market Price
Since inception (p.a)	5.29	6.71
10 Years (p.a)	(0.42)	5.60
5 Years (p.a)	(2.34)	6.74
3 Years (p.a)	(4.54)	0.65
1 Year	1.81	13.34
Year to Date	(0.27)	2.35
3 Months	0.01	14.51
1 month	0.39	5.05

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 data quoted. NAV return data includes investment management fees, custodial charges, bank loan expenses, 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.

[1] **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. Net asset value return data include investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions.**

[2] The Fund's blended benchmark comprises 10% ICE Bank of America (BofA) All Maturity Australia Government Index; 25% ICE BofA Global High Yield Constrained Index (hedged into U.S. dollars); 35% J.P. Morgan EMBI Global Diversified Index; 5% ICE BofA New Zealand Government Index; and 25% Markit iBoxx Asia Government Index.
The ICE BofA Global High Yield Constrained Index tracks the performance of U.S. dollar-, Canadian dollar-, British pound- and eurodenominated below-investment-grade corporate debt publicly issued in the major domestic or eurobond markets.
The J.P. Morgan EMBI Global Diversified Index is an nnmanaged index that tracks debt securities of emerging markets.
The ICE BofA New Zealand Government Index tracks the performance of local-currency sovereign and quasi-sovereign bonds in New Zealand.
The Markit iBoxx Asia Government Index tracks the performance of local currency-denominated sovereign and quasi sovereign debt from 10 Asian countries/territories.
Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected.

[3] The investment portfolio performance is gross of fees and expenses and not subject to leverage. The NAV performance is net of fees and expenses and includes the impact of leverage. The benchmark performance is not subject to fees and expenses and is not subject to leverage.

Market review

U.S. Treasury yields rallied aggressively to leave the 10-year yield 65 basis points (bps) lower at 4.03% at the end of the period. The July Federal Reserve (Fed) meeting was dovish as policymakers kept interest rates on hold and hinted that they would cut rates in September. The Fed statement reflected progress on inflation, the rebalancing of the labor market, and more balanced risks to the economy. The annual U.S. inflation rate fell for a third month in a row to 3% in June. This was below expectations and the slowest inflation rate in a year. The July non-farm payroll printed below expectations at 114,000, while the unemployment rate climbed to 4.3%. The Brent crude oil price fell by 8.1% to $80.70 per barrel over the period.

In hard currency emerging market bond markets, the lower U.S. Treasury yields were the key driver of performance, while some idiosyncratic stories contributed positively. Ukrainian (+20.7%) sovereign debt was the top performer as it progressed debt restructuring talks. Chile (+6.1%) benefited from a copper price rally that saw prices surge over 20% from March levels, while Venezuela (-8.1%) underperformed following President Nicolas Maduro's controversial re-election. Emerging market local currency bonds underperformed both their hard currency counterparts and Asian local currency markets as Latin American currencies came under significant weakening pressure. The J.P. Morgan GBI-EM Global Diversified Index (unhedged in U.S. dollar terms) returned 2.80%. South Africa (+14.2%) was the standout performer after its general election led to the formation of a more market-friendly government. Moody's upgraded Turkey (+5.2%) following improvements in governance and a return to orthodox monetary policy.

Global high yield bonds delivered consistent, solid returns over the quarter, driven by the sharp fall in U.S. Treasury yields. That leaves April as the only month this year when the asset class generated a negative total return. The rally in high yield has now lasted for the better part of two years, albeit the shine is starting to come off the rally with artificial intelligence mania fading and signs that the U.S. labor market is softening. Spreads widened by 10bps to 334bps. High yield spreads have slowly drifted wider from their tights, although the asset class remains attractive to income-seeking investors given yields have held steady at the mid-to-high 7% level. New issues in the U.S. of over $32 billion in May slowed to $17-18 billion in June and July amid the traditional summer lull.

Asian bond markets performed strongly alongside the rally in U.S. Treasuries, with Malaysia and Thailand attracting notable inflows. Hong Kong led performance as its 10-year yield fell by 78bps, while benchmark yields also fell steeply in the Philippines (-63bps), Singapore (57bps), and South Korea (-59bps). Ten-year yields fell more moderately in India (-26bps), Indonesia (-33bps), Malaysia (-26bps), China (-17bps), and Thailand (-18bps). Economic activity levels across Asia have been mixed while inflation pressures remain contained. Price pressures have been sticky in Singapore and South Korea, although the latest prints show inflation trending lower in both economies.

The market has priced in rate cuts by the Bank of Korea despite Governor Rhee Chang-yong cautioning that expectations for cuts seem "somewhat excessive". China lowered interest rates in July as its economy continues to slow. The repo and loan prime rates were lowered by 10bps and the medium-term lending facility by 20bps. Five major state-owned banks cut their deposit rates. Central banks elsewhere in Asia held their monetary policy steady over the period, although since the quarter-end, the central bank of the Philippines eased interest rates by 25bps.

Outlook

We continue to see attractive spreads and yields in the high yield and frontier segments of emerging market debt, although we remain cautious of countries with a significant need for market access given high financing costs. In local markets, we remain overweight Latin America given attractive real rates and economies that offer more room for central banks to cut rates. Fundamentals continue to support EM corporates, with leverage levels remaining low and interest coverage healthy.

High yield company fundamentals remain sound, and the positive technical of money flows into the asset class is unlikely to reverse with yields in the high single digits. Although new issue supply has picked up markedly this year, it remains digestible because it is largely a return to more normalised levels following a tepid 2023. Given mixed economic data, we are wary of chasing performance in lower-quality debt and prefer improving, higher-quality credits that can withstand bouts of volatility.

Important Information

Past performance is no guarantee of future results.

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Company's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the Company's portfolio. The net asset value (NAV) is the value of an entity's assets less the value of its liabilities. The market price is the current price at which an asset can be bought or sold. There is no assurance that the Company will achieve its investment objective. Past performance does not guarantee future results.

Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in the market value of an investment), credit (changes in the financial condition of the issuer, borrower, counterparty, or underlying collateral), prepayment (debt issuers may repay or refinance their loans or obligations earlier than anticipated), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

Derivatives are speculative and may hurt the portfolio's performance. They present the risk of disproportionately increased losses and/or reduced gains when the financial asset or measure to which the derivative is linked changes in unexpected ways.

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

Foreign securities are more volatile, harder to price and less liquid than U.S. securities, and are subject to different accounting and regulatory standards, and political and economic risks. These risks are enhanced in emerging-markets countries.

The Fund's use of leverage exposes the Fund to additional risks, including the risk that the costs of leverage could exceed the income earned by the Fund on the proceeds of such leverage. Additionally, in the event of a general market decline in the value of the Fund's assets, the effect of that decline will be magnified in the Fund because of the additional assets purchased with the proceeds of the leverage.

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