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Fund guide abrdn SICAV III – Global Smaller Companies Fund

June 2023

Key features

>25 years
investing in smaller companies

c.50
actively managed portfolio of c.50 high-quality smaller companies

Article 8
under SFDR (Sustainable Finance Disclosures Regulation)

Why should you consider global smaller companies?

Globally, smaller companies account for around 68%[1] of all listed companies and therefore offer a wealth of investor choice.

Faster growth potential – smaller companies can grow faster than large-caps: it's hard for Apple or IBM to double sales in one year, not so a small-cap firm.

Increased local market exposure – smaller companies tend to generate a higher proportion of revenues from local markets, meaning they can perform even as the global economy falters.

Historic outperformance – global small caps have outpaced their larger peers by an average of 2.4%[2] per annum since 2000.

Unresearched opportunities – small-caps attract less analyst coverage than their larger peers. This can create pricing errors and opportunities for active investors.

Diversification benefits – these distinct features potentially provide strong diversification benefits when added to your large-cap equity portfolio.

Are small-caps too risky?

Some investors avoid smaller companies because they believe they are too risky. However, risk and return are two sides of the same coin. The higher risk associated with smaller companies accounts for the long-term return premium that you might achieve. Further, we seek to offset some of this risk by investing in high-quality companies.

[1] Source: MSCI, 31 December 2022.
[2] Source: Morningstar, 1 January 2000 - 31 March 2023.

abrdn SICAV II – Global Smaller Companies Fund

Why choose the abrdn strategy?

Quality focus – we seek companies that exhibit a range of high-quality characteristics, operate in growing markets and display positive business momentum. Characteristics include robust ESG (environmental, social and governance) standards, profitability, good cashflow, strong management, high barriers to entry, and pricing power.

'Run our winners' – momentum is a vital factor as young companies grow. We therefore 'run our winners', holding companies for as long we think they will outperform, including when some reach mid-cap status.

Dedicated ESG resource – we leverage the top-down, thematic insights of our 30-strong central ESG team. We also have on-desk ESG specialists providing regional insights.

Article 8 – under SFDR. It therefore promotes environmental and/or social characteristics (and follows good governance practices).

> "We believe our experience, investment approach and focus on ESG factors give you access to our best investment ideas."

Kirsty Desson
Investment Director

How do we build the portfolio?

The fund contains high-quality, growth and momentum stocks that we've identified through our bottom-up research process.

Active ESG engagement driving positive change

We carefully assess the ESG risks and opportunities of the companies in our universe. That's because we believe ESG factors are financially material and can affect a company's performance – positively or negatively. So we believe understanding ESG factors helps usmake better investment decisions.

We actively and constructively engage with companies as we strive to drive positive corporate change. Our engagements set the agenda for best practice with businesses.

ESG Quality rating and House Score

We give each stock a qualitive Quality rating. This helps us exclude companies with material ESG risks and positively skews the portfolio towards ESG opportunities. Meanwhile, our Quantitative ESG House score allows us to exclude companies exposed to the highest ESG risk. We believe this enables us to build a well-diversified, risk-adjusted portfolio.

Negative criteria

We use negative criteria to avoid investing in certain industries and activities which might concern our clients. Areas include weapons, tobacco and thermal coal.

Putting it all together

Company meetings and additional analysis allow us to cross-check the veracity of our investment thesis, and assess the strength of a company's business model. Team-based peer review is key to determining how much we like a company and also key to identifying risks. The manager then chooses what they believe to be the best c.50 that make up the final portfolio. These are stocks where analyst and team conviction is the strongest.

abrdn SICAV II – Global Smaller Companies Fund

Carbon Footprint

The Fund targets a Carbon Intensity that is at least 10% lower than the benchmark, as measured by the abrdn Carbon Footprint Tool (which uses Trucost data for Scope 1&2 emissions). This tool enables analysis of company, sector and the overall portfolio's carbon footprint.

Investment objective

The Fund aims to provide long-term growth by investing primarily in the shares of smaller companies listed on the global stock markets.

The Fund aims to outperform MSCI AC World Small Cap Index (USD) benchmark before charges.

Fund manager(s)	Kirsty Desson
Launch date	10 January 2018
Fund size	USD 122.0 million
ISIN	LU1741499419
Number of holdings	c.50

Source: abrdn, 30 March 2023.

Risk factors you should consider before investing:

- The Fund invests in equities and equity-related securities. These are sensitive to stock market fluctuations, which can be volatile and change significantly in a short time.
- The shares in small and medium-sized companies may be less liquid and more unstable than larger companies.
- The Fund invests in shares and / or bonds from emerging markets. Investing in emerging markets involves a larger risk of loss than investment in more developed markets due to including major political, tax, economic, currency, liquidity and regulatory risks.
- The Fund may invest in companies with "variable interest entity" (VIE) - structures for gaining exposure to industries with foreign ownership restrictions. There is a risk to investing in these the structures may be adversely affected by changes in the legal and regulatory framework.
- Investment in China Class A shares involve special considerations and risks, including increased price volatility, less developed regulations and legal framework, currency risk / controls, risk at settlement, tax, allowances, liquidity and regulatory conditions.
- The use of derivatives entails a risk of reduced liquidity, significant losses and increased volatility under adverse market conditions, for example defaults among market participants. The use of derivatives may lead to the Fund is leveraged (when market exposure and thus the potential for losses for the Fund exceed the amount it has invested), and below these market conditions, the effect of gearing will be that losses increase.

To help you understand this Fund and for a full explanation of risks and the overall risk profile of this Fund and the share classes within it, please refer to the Key Investor Information Documents available in the local language, and Prospectus available in English, which are available on our website abrdn.com. The Prospectus also contains a glossary of key terms used in this document. A summary of investor rights can be found in English on our website **abrdn.com/corporate/legal**

Important Information

The value of investments and the income from them can go down as well as up and investors may get back less than the amount invested. Past performance is not a guide to future results.

Risk factors you should consider before investing:

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.

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.

The shares of small and mid-cap companies may be less liquid and more volatile than those of larger companies.

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.

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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abrdn is a global business providing a range of services to help clients and customers plan, save and invest. abrdn group uses different registered legal entities to meet different client and customer needs. Some elements of the abrdn client experience may contain previous brand names until all brand name changes have completed.

The Fund is a sub-fund of a abrdn SICAV III, a Luxembourg-domiciled UCITS fund, incorporated as a Société Anonyme and organized as a Société d'Investissement á Capital Variable (a "SICAV"). A summary of investor rights can be found in English on our website **abrdn.com/corporate/legal**. Any decision to invest should take into account all objectives of the fund. To help you understand this Fund and for a full explanation of risks and the overall risk profile of this fund and the shareclasses within it, please refer to the Key Investor Information Documents available in the local language, and Prospectus available in English, which are available on our website **abrdn.com**. The Prospectus also contains a glossary of key terms used in this document. This Fund concerns the acquisition of units or shares in a fund, and not in a given underlying asset such as a building or shares of a company. Details of our Sustainable and Responsible Investment Approach are published at **abrdn.com** under Sustainable Investing.

In Spain, Aberdeen Standard SICAV III has been registered with the Comisión Nacional del Mercado de Valores under the number 107.

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