Annual Update
abrdn Multi-Asset Income Fund

July 2022

Annual review

The Fund's investment objective is to invest across a range of asset classes with the aim of delivering income each year that exceeds the Reserve Bank of Australia (RBA) cash rate as well as capital growth over the medium to long term to help offset inflation.

For the 2021/22 financial year, the Fund achieved an income distribution return of 5.77% (including franking/tax credits of 0.46%) and capital growth of -10.08 % for a total return of -4.30% (before fees) and -4.98% (net of fees).

The Fund's income distribution return of 5.77% easily exceeded the RBA cash rate which averaged 0.18% over the period. For comparison, banks' special term deposit rates averaged 0.27%.

The Fund's income distribution yield of 5.77% exceeded the income estimate of 4.43% for the 2021/22 financial year (calculated using the 30 June 2021 application unit price).

The Fund's capital return of -10.08% over the period reflects the broad market conditions over the last 12 months that have seen sell-offs in both equities and fixed income markets.

Income estimate for the 2022/2023 Financial Year

The expected monthly cash distribution target for the 2022/23 financial year will increase to 0.34 cents per unit. Given where market yields are across asset classes, the increase in inflation levels and our expectation of income receipts for the next 12 months, we have decided to increase the monthly distribution target. What this means is that investors are expected to receive a higher amount of monthly income from the Fund in the face of higher inflation and costs.

Income estimate for 2022/23 Financial Year

5.11%[1]

The above 2021/2022 income estimate is comprised of the following 3 components:

1 Regular monthly payments of 0.34 CPU (4.36%)

2 Financial year end distribution (or income reserve) paid in June 2023 (estimated at 0.36%)

3 Franking credits (estimated at 0.39%)

[1] Income estimate is net of fees and based on the application unit price at 30 June 2022.
Income estimate is purely from income sources and therefore does not include any potential for distributed capital gain. This income estimate is not a guarantee.
Assumes no reinvestment of income.

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We expect the Fund to deliver a total income distribution yield of 5.11% for the 2022/23 financial year (which includes the cash distribution, franking credits, an income reserve, and is calculated using the application unit price as at 30 June 2022).

Our strategic asset allocation is based on a recent review conducted by the investment team (see details below). As part of this review, we intend to make some minor changes to our strategic asset allocation. Within major asset classes, we will continue to take advantage of market opportunities as they arise to rotate among, for example, different sectors in equity market and different currency denominations in emerging market debt.

We are aware of the importance of a competitive income distribution to our clients, yet are mindful of achieving it through a suitably balanced portfolio which incorporates an appropriate amount of risk.

Strategic Asset Allocation weights

From 31 July 2022 the Strategic Asset Allocation weights for the Fund are as follows:

28%	Australian equities
8%	International equities
3%	Property securities
12%	Alternatives
29%	Investment grade credit
15%	Sub-investment grade credit
5%	Cash and short maturity income

Performance summary as at 30 June 2022 (%)

	Financial year returns					To 30 Jun 2022
	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	5 years (p.a.)
Distribution Return (Regular Distribution + Income Reserve)	3.75	6.41	4.08	4.63	5.31	4.83
Growth return	-1.36	0.88	-10.80	12.79	-10.08	-2.07
Return, Gross of Fees, Net of Franking Credits	**2.39**	**7.29**	**-6.72**	**17.42**	**-4.77**	**2.76**
Plus Franking Credits	0.63	1.41	0.57	0.41	0.46	0.70
Return – Gross of Fees, Gross of Franking Credits	**3.03**	**8.70**	**-6.14**	**17.83**	**-4.30**	**3.46**
Less Fees	-0.73	-0.77	-0.67	-0.84	-0.68	-0.73
Return – Net of Fees, Gross of Franking Credits	**2.30**	**7.94**	**-6.81**	**16.99**	**-4.98**	**2.73**
Return – Net of Fees, Net of Franking Credits	**1.66**	**6.52**	**-7.38**	**16.58**	**-5.45**	**2.03**

- Performance summary details the outcome for a client invested for the period shown
- Distribution return combines the 12 monthly distributions + income reserve paid in June distribution
- Total income return is grossed up for franking credits and assumes reinvestment of income
- Total income return may be expressed differently in other client reports
- Performance figures are calculated using end-of-month exit prices, net of fees

Past performance is not a guide to future results.

Source: abrdn, State Street, AUD.

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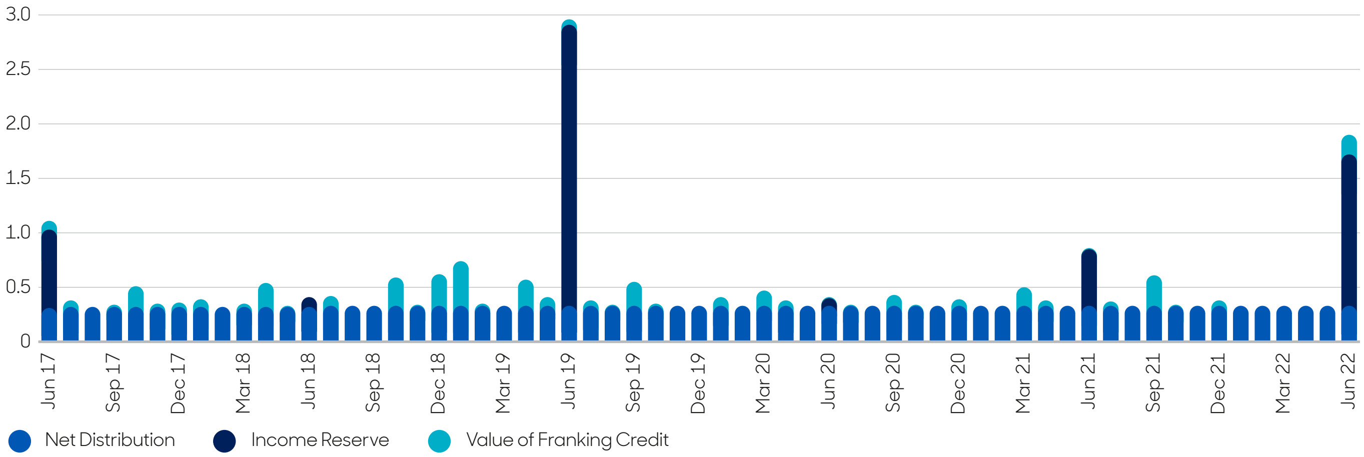
Consistent regular income delivered

Chart 1: Multi-Asset Income Fund

Monthly Distribution Breakdown (CPU) – 5 years



Source: abrdn, abrdn Multi-Asset Income Fund, Monthly net CPU distribution and tax credits/offsets.
Past performance is not a guide to future results.

The Fund provided a consistent monthly distribution of 0.33 cents per unit (CPU) for financial year 2021/2022. The Fund delivered a higher than expected monthly distribution for June 2022 of 1.71 CPU. This compares to the pre-announced amount of 0.33, representing an additional 1.38 CPU for June as the 'income reserve' was distributed at year end.
The benefit of franking credits is realised on lodgement of an individual's tax return.

Income objective

The Fund has achieved its income objective and exceeded the RBA cash rate. The distribution yield based on the beginning of year unit price has comfortably and consistently exceeded the RBA cash rate and average special term deposit rates.

Growth objective

The Fund has achieved 1.35% p.a. capital growth since inception of the strategy to 30 June 2022 which has helped offset the impact of inflation on investors.

Previous years' distribution yield[2] vs term deposits (%)[3]

	Fund	Term deposits
2021/2022 Financial Year	5.3	0.3
2020/2021 Financial Year	5.2	0.2
2019/2020 Financial Year	4.4	0.6
2018/2019 Financial Year	7.6	1.5
2017/2018 Financial Year	4.3	1.5
2016/2017 Financial Year	5.2	1.5
2015/2016 Financial Year	4.6	2.0
2014/2015 Financial Year	5.1	2.3
2013/2014 Financial Year	4.0	2.5
2012/2013 Financial Year	5.1	3.1
2011/2012 Financial Year	6.4	4.3
2010/2011 Financial Year	6.5	4.7
2009/2010 Financial Year	6.2	3.7

Source: RBA, abrdn.

[2] Based on the 30 June unit price at the beginning of each period, net of fees.

[3] Based on the average special term deposit rate during the relevant period.
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The abrdn Multi-Asset Income Fund has two key objectives:

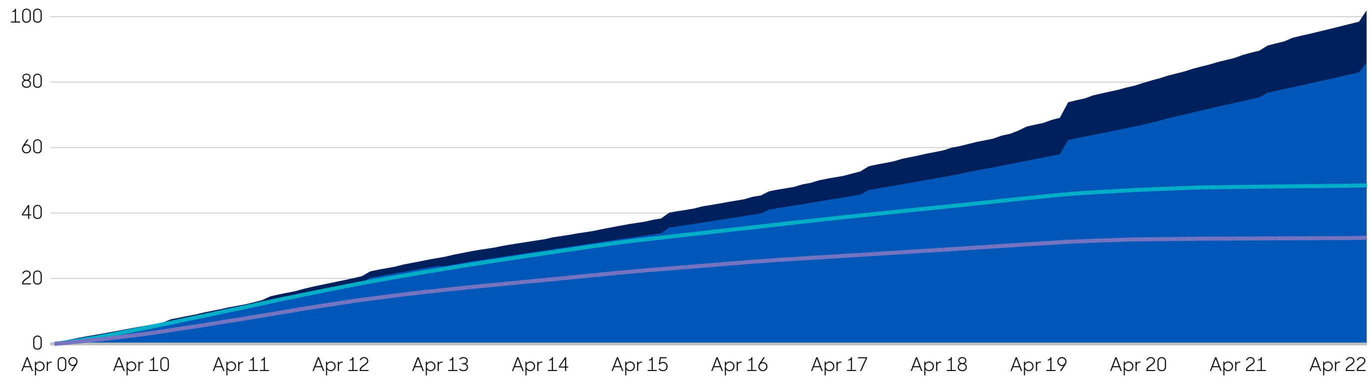
1 Income objective

The Fund has achieved its income objective and exceeded the RBA cash rate. The distribution yield based on the beginning of year unit price has comfortably and consistently exceeded the RBA cash rate and average special term deposit rates.

Long term comparative income return to 30 June 2022

This chart depicts how the Fund has delivered consistent and regular income. It also shows the benefit delivered via franking credits.

Chart 2: Cumulative Return



Distribution return · Value of Franking Credits · RBA Cash Rate · Avg Special Deposit Rates

Source: abrdn, gross, 30 June 2022.

CPI is defined as the RBA's trimmed mean inflation rate as published by the Australian Bureau of Statistics.

Performance figures are calculated using end-of-month exit prices, net of fees. **Past performance is not a guide to future results.**

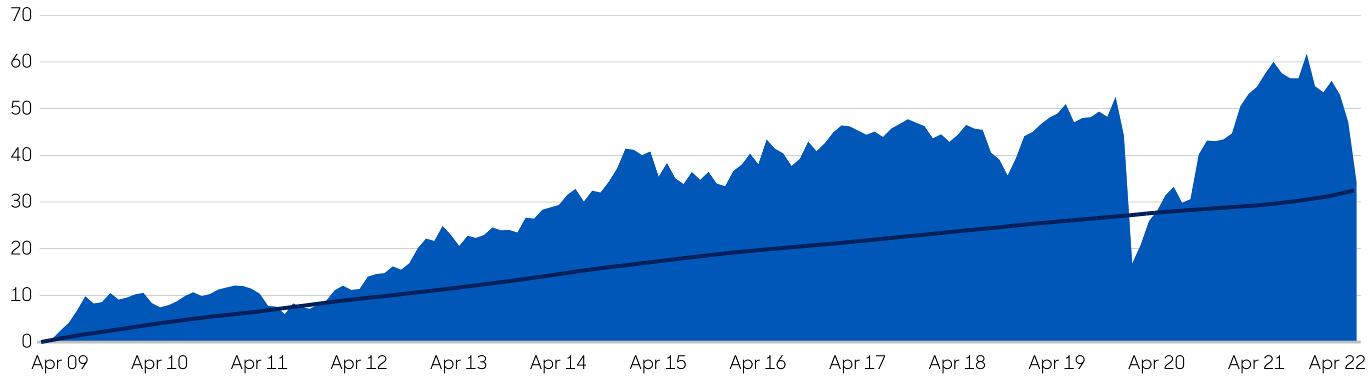
2 Growth objective

To provide capital growth over the medium to long term.

Long term comparative income return to 30 June 2022

This chart depicts how the Fund's capital growth has more than kept pace with inflation.

Chart 3: Cumulative Return



Growth Return · CPI

Source: abrdn, gross, 30 June 2022.

CPI is defined as the RBA's trimmed mean inflation rate as published by the Australian Bureau of Statistics. Performance figures are calculated using end-of-month exit prices, net of fees. **Past performance is not a guide to future results.**

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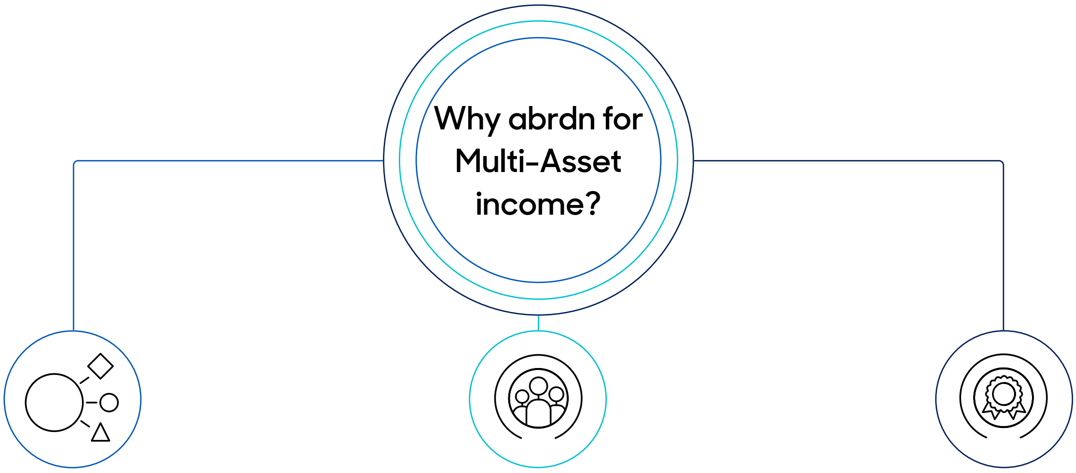

Our Multi-Asset investment process is tried and true with a strong track record investing in multiple asset classes and sourcing regular, consistent income.

An experienced investment team, dedicated solely to managing multi-asset funds.

A proven track record of sourcing income for investors and adding value through active asset allocation while considering risk management.

Outlook

The global economy is facing multiple headwinds and one of the key risks that central banks, markets and investors are currently facing is from elevated levels of inflation. The biggest challenge lies in the US. The inflation overshoot likely requires a significant rise in unemployment to be brought under control. Our baseline envisages further sharp interest rate hikes and tighter financial conditions causing a recession to bring this about. In turn, a contraction in the world's largest economy would have large negative global growth spill overs, especially when combined with rapid tightening in a number of other developed and emerging economies.

Australia, like the US is also trying to deal with an inflation issue although inflation in Australia is not running as hot as in the US and the employment market remains strong.

The picture is also a little more mixed in other parts of the world. China is contracting as a result of its zero-Covid strategy, although growth will rebound as the worst of the lockdowns ease. Russia is in a sharp recession as a result of Western sanctions, even if the depth isn't as bad as first expected. And in Europe, the energy price spike is squeezing real incomes and crimping consumption.

While a US and global recession is the single most likely scenario, the balance of risks are skewed to the upside. There is a narrow path to monetary policy tightening that is just enough to bring inflation under control, but not so much as to generate recession. But this "Fed walks the tightrope" scenario requires a lot to go right and a scenario in which the Federal Reserve kills the economic cycle is not implausible.

From a market pricing perspective, fixed income markets have already adjusted to account for larger rate hikes from central banks across the board. What they are not yet reflecting is the potential for central bank easing in a scenario were inflation is under control but growth has stalled.

Looking back over the first six months of this year, the fall across equity markets as well as the widening in credit spreads, primarily reflects a valuation rerating together with some moderation in earnings growth. We don't believe markets are yet to price in the earnings contraction that would occur if the economy tips into recession which is our base case.

Moving forward, from a positioning perspective, we favour Developed Market over Emerging Market equities, although there are select opportunities across EM markets where central banks in some countries are on a different policy path and where inflation is not as big a concern. We also prefer more defensive styles of exposure including exposure to quality stocks that reflect strong balance sheets and good cashflows.

Within fixed income, valuations are only just beginning to look attractive across the sovereign bond market but still warrant a cautious approach to reintroducing exposure. We continue to favour and hold allocations to leveraged loans and other higher quality credit exposures while we have reduced exposure to high yield bonds and emerging market debt.

There are still a number of risks that could derail the path of the global economy hence we allocate a significant portion of the fund into diversifying strategies that are meant to cushion any rapid and unexpected market correction. The fund is invested into areas like renewable energy and social infrastructure, asset-backed securities, student accommodation, healthcare royalties and litigation financing companies that exhibit attractive return prospects but tend to be lowly correlated to traditional asset classes.

We believe our clients will continue to benefit from our unique approach to asset allocation with genuine diversification. We remain confident in our ability to continue to meet the Fund's income and capital growth objectives in the new fiscal year.

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