



31 August 2023

Investor Name:  
Investor Reference:  
Unique Pin:  
Designation:

**IMPORTANT INFORMATION – abrdn UK High Income Equity Fund  
FUND MERGER PROPOSAL – ACTION REQUIRED**

Dear Investor,

**Proposed merger of the abrdn UK High Income Equity Fund, a sub-fund of abrdn OEIC II (the “Merging Fund”) into the abrdn UK Income Equity Fund, a sub-fund of abrdn OEIC I (the “Continuing Fund”)**

**You are invested in the Merging Fund, so please read this letter carefully as it contains important information regarding a proposed merger in respect of the Merging Fund. Having read the letter, you may wish to consult with your financial adviser before taking any action.** In this letter, unless the context requires otherwise, the terms shall have the meaning set out in the Glossary of the Circular (as defined below).

We, abrdn Fund Managers Limited (“abrdn”), are writing to give you details of our proposal to merge the Merging Fund into the Continuing Fund. We refer to our proposal as the “Merger Proposal”.

As a Shareholder in the Merging Fund we are seeking your approval of the Merger Proposal which is outlined below. The enclosed ‘Information and Notice of Meeting to Shareholders’ contains a Scheme of Arrangement which sets out the terms and conditions of the merger and provides further detailed information about the Merger Proposal, and how you can vote on the Merger Proposal (the “Circular”).

If you have any questions on the Merger Proposal, please call us on 0345 113 6966 or +44 (0) 1268 44 5488 if outside the UK. We are here between 9.00 am and 5.30 pm (UK time), Monday to Friday. Calls may be monitored and/or recorded to protect both you and us and help with our training. Please note that while we will be able to answer general questions on this letter and the Circular, we can’t provide financial advice.

**Background to the Merger Proposal**

We have undertaken a comprehensive review of our UK authorised fund range with the intention of offering better outcomes to investors. Funds were reviewed to identify those having similar investment objectives, investment policies and risk profiles. During the course of the review, abrdn has considered investor impact and outcomes. The primary purpose of the review is to lead to a smaller, simplified UK authorised fund range, with the aim of having a clearer offering to investors, concentrating on our core investment management capabilities and allowing a greater focus on the funds which remain to ensure that we can offer the best outcome to investors. The review identified the Merging Fund and the Continuing Fund as similar funds and therefore it is proposed to merge the Funds.

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### **Comparison of the Merging Fund and the Continuing Fund**

Investment Objectives	Both the Merging Fund and Continuing Fund aim to generate income and some growth/capital over the long term (5 years or more) by investing in UK equities (company shares).
Investment Policies	<p>Both Funds will invest at least 70% in equities and equity related securities (these share many or most of the characteristics of equities such as participatory notes) of companies incorporated or domiciled in the UK or having significant operations and/or exposure to the UK.</p> <p>The Continuing Fund has an explicit allowance to invest up to 20% in non-UK listed companies, which provides greater transparency and flexibility to help enable the Continuing Fund to generate income and some capital.</p> <p>Whilst both Funds have similar investment policies regarding permitted securities, the approach to selecting companies for investment is different. The Merging Fund has a focus on investing in companies where the management team have a different view of a company's prospects to the view of the market and which align with the management team's views regarding future economic and business conditions while the Continuing Fund has a focus on investing in companies considered to have quality characteristics through the research and assessment of areas such as a company's financial strength, business model and management team.</p>
Asset Similarity	<p>Both Funds focus on investment in UK equities but, as the process for selecting companies to invest in is different, there are differences in the assets held.</p> <p>Although the permitted use of derivatives for both Funds is the same, the Continuing Fund has historically utilised them to enhance income generation to a limited extent.</p>
Benchmark, Performance Target and Performance Comparator	<p>The Funds are managed to a different benchmark as the benchmark of the Continuing Fund includes small capitalisation equities. However, as both Funds have the flexibility to invest in small capitalisation assets, the difference in these types of investments held by both Funds is marginal. Furthermore, the historic performance of the two benchmarks are highly aligned.</p> <p>Both Funds have the same performance comparator.</p>
Risk Profile and Synthetic Risk and Reward Indicator as set out in the Key Investor Information Document	These are the same for both Funds.
Performance History	The Continuing Fund has performed better over the long term (the last 5 year period) than the Merging Fund.
Ongoing Costs	The ongoing costs in the Continuing Fund will be the same as or lower than the Merging Fund, depending on the Share Class.

Due to these similarities, we believe that the Merger Proposal will generate efficiencies in the management of the Continuing Fund and so deliver benefits to investors over time. We believe that in due course there will be an overall net benefit to investors due to the Continuing Fund's historically better long-term performance, combined with the increased focus of the management teams resources on the Continuing Fund, which is expected to deliver the investment objective more effectively for all investors.

A comparison of the principal features of the Merging Fund and the Continuing Fund including a comparison of the investment objectives and policies is set out in Appendix 3 of the Circular. The Shares in the Continuing Fund may be subject to higher investment minimum levels than the Shares in the Merging Fund. Where this is the case, these higher investment minimum levels will be waived for shareholders moving from the Merging Fund to the Continuing Fund, such that shareholders will continue to be subject to the investment minimum levels of the Merging Fund. A comparison of the investment minimum levels of both Funds is set out in Appendix 3 of the Circular. Details of the past performance of the Merging Fund and the Continuing Fund is set out in Appendix 4 of the Circular.

Any direct costs relating to the merger will be paid for by abrdn, as set out in paragraph 12.4 of Appendix 1 of the Circular. However, in advance of the merger, approximately 40% of the holdings in the Merging Fund will be bought and sold so the portfolio aligns to the strategy of the Continuing Fund, and the cost of this rebalancing exercise will be borne by shareholders in the Merging Fund that haven't chosen to redeem or switch their investments by 12 October 2023. We estimate this cost to be 0.65% of the value of the Merging Fund (i.e. a cost of £65 for every £10,000 held). In practice, these costs will be dependent on market conditions and the respective portfolios at the point of rebalancing and may be higher or lower. Please refer to paragraph 12.3 of Appendix 1 of the Circular for further details on the treatment of costs post-merger.

### **Proposed Changes**

If Shareholders approve the Merger Proposal, the Merging Fund will be merged with the Continuing Fund, and this is currently planned for 27 October 2023.

The Merger Proposal involves the exchange of assets in the Merging Fund for Shares in the Continuing Fund so investors of the Merging Fund will become shareholders in the Continuing Fund. The Shares you hold in the Merging Fund will therefore be exchanged for equivalent Shares in the Continuing Fund. We have set out in Appendix 1 of the Circular the mapping of the Share Classes in the Merging Fund and the Share Class in which you will receive New Shares in the Continuing Fund.

We do not anticipate that there will be any tax implications as a result of the Merger Proposal for UK shareholders. For non-UK shareholders please refer to the Circular for further information

### **Further Information**

With this letter you will find full details of the Merger Proposal set out in the Circular. We strongly recommend that you read this as it gives:

- details of the Merger Proposal and process, as well as a side by side comparison of the Merging Fund with the Continuing Fund;
- details of the New Shares that you will receive in the Continuing Fund (if the Merger Proposal is approved);
- further information for regular savers and ISA holders;
- the process for approving the Merger Proposal;
- the key dates; and
- any action you need to take.

## **Approving the Merger Proposal**

The Merger Proposal needs to be approved by Shareholders in the Merging Fund. Accordingly, we are calling an Extraordinary General Meeting (the “Meeting”) and are inviting you to vote on an Extraordinary Resolution in respect of the Merger Proposal.

The Meeting will be held at 10.30 am (UK time) on 28 September 2023 in 1 George Street, Edinburgh EH2 2LL.

For the Merger Proposal to be approved, not less than 75% of the votes validly cast must be in favour of the Merger Proposal.

### **Should you wish to exercise your right to vote on the Merger Proposal:**

- **you can complete the enclosed Form of Proxy** and return it in the pre-paid envelope provided or by way of email to [abrdn@castavote.co.uk](mailto:abrdn@castavote.co.uk) in accordance with the instructions provided in the enclosed document, as soon as possible and in any case so that it arrives not later than 48 hours before the start of the Meeting (i.e. by 10.30 am (UK time) on 26 September 2023); or
- **you can complete the Form of Proxy by accessing the following url <https://castavote.online/abrdn/>** using your investor reference number and unique pin provided in this letter in accordance with the instructions provided online as soon as possible and in any case so that it arrives not later than 48 hours before the start of the Meeting (i.e. by 10.30 am (UK time) on 26 September 2023); and

**in both cases as aforesaid, you may also attend the Meeting in person and cast your vote (although your vote will only count once).**

### **Important:**

Should you wish to return your completed Form of Proxy by post, please note this should be sent to this address:

abrdn Fund Managers Limited  
C/O Corporate Mailing Solutions Ltd  
Unit 4B  
Chelmsford Road Industrial Estate  
Great Dunmow  
CM6 1HD

For all other instructions or queries regarding your holding, please contact our Customer Services Teams at the details below:

Telephone (UK): 0345 113 6966  
Telephone (International): +44 (0) 1268 44 5488

Call charges will vary.

### Timeline of Key Events

Closing date for receipt of Form of Proxy	10.30 am on 26 September 2023
Meeting	10.30 am on 28 September 2023
Publication of the outcome of the Meeting	As soon as possible following the Meeting on our website <a href="http://www.abrdn.com/en-gb/personal/login/abrdn-uk-funds-oeic-unit-trust/investor%20communications">www.abrdn.com/en-gb/personal/login/abrdn-uk-funds-oeic-unit-trust/investor communications</a> Alternatively, by calling our Investor Servicing Centre on 0345 113 6966 (or +44 1268 44 5488 if outside the UK) from 4.00 pm (UK time) on 28 September 2023 to find out the results of the Meeting. We are open from Monday to Friday between 9.00 am and 5.30 pm (UK time).

If the Merger Proposal is approved, the merger will be binding on all shareholders, even those that voted against it or did not vote at all and will be undertaken in accordance with the terms set out in Appendix 1 of the Circular. Accordingly, the following timeline shall apply:

Date until which you can redeem or switch your holding to another of our UK funds without redemption or switch charges, or depending on how you hold your investment, transfer to another manager, without incurring rebalancing costs. <b>If you do switch into another fund or cash in, you should note it will be treated as a disposal of Shares for tax purposes and, unless you are invested through an ISA, you may be liable to tax on any gains arising from switching or redemption of your Shares. If you are unsure about your personal tax position, please seek professional tax advice.</b>	12 October 2023
Suspension of dealing in Merging Fund	Immediately after the 12.00 noon (UK time) dealing cut off point on 26 October 2023
Merger takes place and termination of the Merging Fund commences	12.01 pm on 27 October 2023
Dealing in New Shares in the Continuing Fund	9.00 am on 30 October 2023 (deals received immediately after 12.00 noon (UK time) on 26 October 2023 and prior to this point will be rejected).

Full details on all of the above are contained in Appendix 1 and/or Appendix 2 of the Circular.

### **What do you need to do?**

We strongly recommend that you read the enclosed Circular carefully and take time to consider the Merger Proposal.

**We believe that the Merger Proposal is in the best interests of the Shareholders and recommend you to vote in favour.**

You can find copies of this communication at [www.abrdn.com/en-gb/personal/log-in/abrdn-uk-funds-oeic-unit-trust/investor communications](http://www.abrdn.com/en-gb/personal/log-in/abrdn-uk-funds-oeic-unit-trust/investor%20communications). We will keep this page up to date with all further client communications relating to the changes we are making.

Thank you for continuing to invest with abrdn.

Yours faithfully,

Adam Shanks Director  
**abrdn Fund Managers Limited**