



31 August 2023

Investor Name:
Investor Reference
Unique Pin:
Designation:

**IMPORTANT INFORMATION – abrdn American Equity Fund
FUND MERGER PROPOSAL – ACTION REQUIRED**

Dear Investor,

Proposed merger of the abrdn American Equity Fund, a sub-fund of abrdn OEIC I (the “Merging Fund”) into the abrdn North American Small & Mid-Cap Equity Fund, a sub-fund of abrdn OEIC II (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. 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.

In respect of the Merging Fund, our review focused on the mixed performance over recent years of the Fund against its benchmark. We consider that US small and mid-sized companies (as defined below) present a broad opportunity to invest in companies which may grow to become future larger companies and represent attractive long-term

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growth opportunities. The Continuing Fund was repositioned from the abrdn American Unconstrained Equity Fund to the abrdn North American Small & Mid-Cap Equity Fund on the 22 May 2023 in order to invest in small and mid-sized companies. Whilst we understand that the Merger Proposal results in a change for investors given the move from a fund which invests in large US companies to one which invests in small and mid-sized US companies, we believe it is in the best interests of investors to offer a merger into another actively managed fund investing in US companies which we believe will more effectively deliver the investment objective for investors.

Comparison of the Merging Fund and the Continuing Fund

Investment Objectives	<p>Both the Merging Fund and Continuing Fund aim to generate growth over the long term (5 years or more).</p> <p>Whilst the Merging Fund looks to achieve returns from mainly investing in large US companies, the Continuing Fund focuses on predominantly investing in small and mid-sized US companies*, but can also invest in larger US and to some extent Canadian companies.</p> <p>*Small and mid-sized US companies are those companies that form the bottom 20% of the US stock market by company size.</p>
Investment Policies and Asset Similarity	<p>Both Funds focus on investing in North American (US and Canadian market) equities (company shares). However, while the Merging Fund mainly invests in large US companies, the Continuing Fund focuses on predominantly investing in small and mid-sized US companies although it can invest in larger US and to some extent Canadian companies. Neither Fund invests in Latin American companies, although the Investment Policy of the Merging Fund does allow it to do so. Due to these reasons, a significant proportion of the Funds' holdings are not similar.</p> <p>Both Funds' management process for selecting securities is very similar. The management teams focus on stock selection using research techniques to select individual holdings. The research process is focused on finding high quality companies at attractive valuations that can be held for the long term.</p> <p>The permitted use of derivatives is identical.</p>
Benchmark and Performance Target	<p>The Benchmark of the Merging Fund is the S&P 500 whereas the Continuing Fund Benchmark is the Russell 2500 Index, the representative index of US small and mid-capitalisation companies. Both Funds target 3% performance over the respective Index however the Merging Fund targets this over rolling three-year periods while the Continuing Fund targets this over rolling five-year periods.</p>
Risk Profile and Synthetic Risk and Reward Indicator as set out in the Key Investor Information Document	<p>These are the same for both Funds however the Continuing Fund has an additional specific risk to that of the Merging Fund being "Small and mid-cap stock risk". This risk highlights that the stocks of small and mid-size companies can be less liquid and more volatile than stocks of larger companies.</p>
Performance History	<p>From 2018 to 2022, when the Funds were run to the same benchmark (S&P 500), they had a mixed performance.</p> <p>From 22 May 2023, as noted above, there has been a change to the investment objective and benchmark for the Continuing Fund for which, given the short period since this change, a performance comparison is not useful.</p>
Ongoing Costs	<p>The ongoing costs in the Continuing Fund will be the same as or lower than the Merging Fund, depending on the Share Class.</p>

We believe that in due course there will be an overall net benefit to investors due to the opportunity presented by the Continuing Fund to invest in those companies which may experience growth to become future larger companies, combined with the increased focus of the management team's resources on the Continuing Fund, which is expected to more effectively deliver the investment objective 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. In addition, certain Share Classes in the Continuing Fund may be subject to a preliminary charge. The preliminary charge only applies to new investors in the Continuing Fund and will not apply to shareholders in the Merging Fund receiving New Shares in the Continuing Fund. A comparison of the investment minimum levels and charges for 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 90% 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 0.80% of the value of the Merging Fund (i.e. a cost of £80 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 9.00 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 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 9.00 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 9.00 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	9.00 am on 26 September 2023
Meeting	9.00 am on 28 September 2023
Publication of the outcome of the Meeting	As soon as possible following the Meeting on our website www.abrdn.com/en-gb/personal/log-in/abrdn-uk-funds-oeic-unit-trust/investor communications 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. 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.	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) e 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