

# Aberdeen International Small Cap Fund

## Performance highlights

- The Fund outperformed its benchmark, the MSCI All Country (AC) World ex USA Small Cap Index,<sup>1</sup> for the second quarter of 2021.
- Positive stock selection in Europe and Latin America were the key drivers of the Fund's outperformance for the period.

## Fund performance

Aberdeen International Small Cap Fund (Institutional Class shares net of fees)<sup>2</sup> returned 8.29% for the second quarter of 2021, outperforming the 6.35% return of its benchmark, the MSCI AC World ex USA Small Cap Index. The Fund's outperformance was mainly due to stock picks in Europe and Latin America, while those in the Asia Pacific region capped gains.

At the stock level, the holding in Brunello Cucinelli lifted Fund performance. The Italian luxury group's shares gained ground on expectations for further earnings growth as economies in Europe and North America reopened.

Shares of Brazilian medical education group Afya rose on the back of strong results for the first quarter of its 2021 fiscal year, as well as investors' favorable view of Japan's Softbank Group investing in its business.

UK-headquartered IT services provider Endava's stock price rallied amid robust demand for its digital transformation solutions amid the pandemic.

Conversely, the Fund's holding in Japanese reduction gear-maker Nabtesco weighed on performance for the quarter. The company's shares declined due to investors' concerns over the outlook for hydraulic equipment for construction machinery. We maintain a positive on Nabtesco given its leading market share within the oligopolistic<sup>3</sup> market of reduction gears and as automation needs in factories continue to grow.

Mobile advertising services firm Affle India's stock price fell as investors worried about potentially higher competition. However, we think that Affle has a robust economic moat<sup>4</sup> and should be able to do well against competitors.

Shares of Japanese medical device maker Asahi Intecc retreated on investor concerns over a slower-than-expected recovery in end-demand and higher goodwill amortization and research and development costs from recent acquisitions. Nevertheless, we believe that the company's dominant position in the highly-specialized segment of catheter guidewires should help in an earnings recovery, particularly in the key U.S. market.

From a sector perspective, stock selection in the consumer discretionary and information technology sectors boosted Fund performance for the quarter due to the holdings in Italian luxury group Brunello Cucinelli and IT services provider Endava. This was partly mitigated by negative stock selection in industrials due to several holdings, including Japanese reduction gear-maker Nabtesco.

<sup>1</sup> The MSCI AC World ex USA Small Cap Index is an unmanaged index considered representative of small-cap stocks in developed- and emerging-market stock markets, excluding the U.S. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

<sup>2</sup> The performance quoted represents past performance, which does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by calling 800-387-6977 or visiting [aberdeenstandard.us](http://aberdeenstandard.us).

<sup>3</sup> An oligopoly is a market structure with a small number of firms, none of which can keep the others from having significant influence.

<sup>4</sup> An economic moat is a competitive advantage that one company has over other companies in the same industry.

### Fund activity and positioning

During the quarter, we exited the Fund's position in Thailand-based hypermarket operator Tesco Lotus Retail to reflect our lowered conviction in the company. Its parent company, Tesco, sold its Thai and Malaysian assets to local conglomerate CP Group; consequently, our original investment thesis was no longer intact. We then sold the Fund's shares in Auckland International Airport upon a stock-price recovery as its market cap exceeded the Fund's investment limits. We also exited the Fund's position in UK-based defense contractor Ultra Electronics due to our decreased conviction in the company as its business model is too reliant on government spending patterns. Finally, we sold the Fund's holding in Australian software developer Altium following an acquisition bid from U.S. competitor Autodesk (which the Fund does not hold).

We initiated a holding in TechnoPro, the largest research and development engineering outsourcing firm in Japan. We think that the company should benefit from the flexibility it offers customers, given tightening labor market conditions. We feel that the stock's valuation looks reasonable and the position brings added

diversification<sup>5</sup> to the Fund's portfolio. We established a new position in South Korean chemicals firm Chunbo. In our view, the company presents a healthy growth opportunity in a highly niche section of the electric vehicle (EV) value chain,<sup>6</sup> with a good spread of customers that lowers investment risk. Despite its high valuation, we believe that Chunbo will achieve growth through increased adoption of EVs. We also initiated a holding in South Korean chemical products firm Hansol Chemical. We like its diversified business mix and growth opportunities as it develops capabilities to tap the EV battery components market. The company is also supported by robust demand in the semiconductor sector, as well as close customer relationships. Finally, we established a new position in Swedish financial services firm Nordnet. We like the simplicity of its business, which offers a digital platform for loans, savings, mortgages and investments to customers in Nordic countries. We believe that there are good growth opportunities from the further digitalization and deregulation of local pension markets.

<sup>5</sup> Diversification does not ensure a profit or protect against a loss in a declining market.

<sup>6</sup> A value chain is a business model that describes the full range of activities needed to create a product or service.

**Aberdeen International Small Cap Fund Total Returns (%)**

	Cumulative as of June 30, 2021			Annualized as of June 30, 2021				
	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception 09/30/96
Class A w/o sales charges	-0.23	8.21	8.06	45.22	15.73	14.82	10.03	8.44
Class A with sales charges	-5.97	1.99	1.85	36.87	13.47	13.47	9.38	8.18
Institutional Class	-0.21	8.29	8.23	45.72	16.13	15.22	10.39	8.60
MSCI AC World ex USA Small Cap Index (Net Dividends)	-0.62	6.35	12.24	47.04	9.78	11.97	7.02	6.87

**Annual Calendar Year Returns (%)**

	2020	2019	2018	2017	2016	2015	2014	2013
Class A w/o sales charges	26.06	23.71	-9.60	31.75	4.97	-2.50	1.53	9.38
Institutional Class	26.51	24.17	-9.31	32.18	5.33	-2.27	1.87	9.69
MSCI AC World ex USA Small Cap Index (Net Dividends)	14.24	22.42	-18.20	31.65	3.91	2.60	-4.03	19.73

Minimum Initial Investment (A; C; Inst.): \$1,000; \$1,000; \$1,000,000. Gross/Net expense ratio as of most recent prospectus (A; C; Inst.): 1.57%/1.35%; 2.33%/1.99%; 1.30%/0.99%. Annual distributions/ annual capital gains. Expenses stated as of the Fund's most recent prospectus. All classes of the Fund have contractual waivers in place and may not be terminated before 2/28/22 without approval of the Independent Trustees.

**PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.** The performance data quoted represents past performance and current returns may be lower or higher. Class A shares have up to a 5.75% front-end sales charge and a 0.25% 12b-1 fee. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. To obtain performance information current to the most recent month-end, which may be higher or lower than the performance shown above, please call 866-667-9231 or go to <https://www.aberdeenstandard.com/en-us/us/investor/fund-centre#literature>

The Fund changed its investment strategy effective 2/29/16. Performance information for periods prior to 2/29/16 does not reflect the current investment strategy. Returns prior to 7/20/09 reflect a predecessor fund's performance. The inception date is that of the oldest share class. Performance of newer classes may be linked to the oldest share class. No since inception Index performance is shown because the Fund predates the Index. Please consult the Fund's prospectus for more detail. Total returns assume the reinvestment of all distributions. Total returns may reflect a waiver of part of the Fund's fees for certain periods since inception, without which returns would have been lower. Indexes are unmanaged and provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

### Market review

Global equities advanced in the second quarter of 2021, with several benchmark indices touching record highs. Investors were optimistic that U.S. President Joe Biden's US\$1.2 trillion infrastructure plan would be enacted after both Democratic and Republican lawmakers endorsed it.

Additionally, the U.S. and several European economies further reopened as Covid-19 infections ebbed amid a ramp-up in immunization drives. Some countries in the European Union announced plans to admit international travelers who have received approved vaccines, with the U.S. considering a similar easing of restrictions. In key economic news, manufacturing on both sides of the Atlantic continued to expand at a healthy clip as business activity rebounded.

These positive factors mitigated worries that the U.S. Federal Reserve would tighten monetary policy in a bid to tame rising inflation, after it brought forward its

rate-hike schedule. Nonetheless, weaker-than-expected readings for a measure of underlying inflation later calmed market jitters somewhat. Investor sentiment was similarly upbeat in Europe as the European Central Bank raised economic growth forecasts and expected inflationary pressures to stay subdued. Value-oriented and cyclical names took a breather at the end of the quarter. Investors returned to tech-related growth stocks on increased expectations of healthy results amid a global chip shortage.

### Outlook

In our view, prospects for global equities remain promising as more economies in North America and Europe reopen in light of receding coronavirus infections and accelerating vaccination rates. However, the emergence of more infectious Covid-19 strains and the reimposition of lockdowns in many parts of Asia could hamper the nascent recovery in global growth.

From a portfolio perspective, we continue to monitor how companies are coping with the cyclical nature of reopenings and closures worldwide as infection rates wax and wane. Meanwhile, investors appear to be flitting to and from names with brick-and-mortar businesses previously hard hit by the pandemic and tech-related companies benefiting from the accelerated digitalization trend. Amid the investor sentiment-driven market volatility, we stand by our fundamental analysis-based stock-picking strategies. We feel that this is supported by our world-class proprietary research platform and an experienced team that has successfully charted through many past crises. With this in mind, we continue to seek what we believe are attractively priced companies with resilient, well-run businesses that are poised to benefit from the recovery in global economic growth, while we actively engage with management to ensure robust corporate governance and sustainability standards.

### Top Ten Fund holdings (as of June 30, 2021)

	% of Fund
Kornit Digital	3.7
Dino Polska	3.5
Cyberark Software	3.4
Genus	3.3
Dechra Pharmaceuticals	3.3
Inter Parfums	3.2
Nova Measuring Instruments	3.2
Brunello Cucinelli	3.0
Maytronics	2.9
Endava	2.9
<b>Percent of Portfolio in Top Ten</b>	<b>32.4</b>

Figures may not sum due to rounding. Holdings are subject to change and are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities shown.

### Portfolio characteristics (as of June 30, 2021)

	Fund	Benchmark
Number of Holdings (not including cash)	41	2,591
Weighted Average Market Cap (bn USD)	4.2	2.9
Beta	0.9	1.0
Alpha	6.0	0.0
Standard Deviation	19.1	20.8
R-Squared	92.5	100.0
Sharpe Ratio	0.8	0.4

The beta, alpha, standard deviation and R-squared are based on a 36-month rolling period. Beta is a measure of the volatility of a portfolio in comparison to a benchmark index. Alpha is a measure of performance that takes the volatility of a mutual fund and compares its risk-adjusted performance to a benchmark index. Standard deviation measures historical volatility. R-squared is a statistical measurement that determines the proportion of a fund's return that can be explained by variations in the market, as measured by a benchmark index. Sharpe ratio measures risk-adjusted performance.

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Equity stocks of small-cap companies generally carry greater risk and more volatility, and may be more illiquid, than equity stocks of larger, more established companies.

***Investors should carefully consider a fund's investment objectives, risks, fees, charges and expenses before investing any money. To obtain this and other fund information, please call 866-667-9231 to request a summary prospectus and/or prospectus, or download at [www.aberdeenstandard.us](http://www.aberdeenstandard.us). Please read the summary prospectus and/or prospectus carefully before investing any money.***

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