

**SHINING A LIGHT ON THE.....
Aberdeen Diversified Growth Fund**

AT A GLANCE

Investment Objective	
To achieve long term total return with lower volatility than equities.	

Inception Date	1 October 2012
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000PUQ7

Management	
Manager Name	Start Date
Diversified Multi-Asset Team	1 October 2012

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	14.42%
Large	42.84%
Medium	30.67%
Small	11.21%
Micro	0.86%

Top 10 Holdings		
Total number of holdings	223	
Assets in Top 10 Holdings	31.75%	
Name	Sector	% of Assets
Aberdeen Standard Liqdy (Lux) Stlg Z-1	-	9.85%
Eudora Invst Funds Prytania Divers As...	-	3.41%
MI Asset Backed Opps I Gross GBP Inc	-	3.23%
Alpha UCITS SICAV FairOaks DynCrdt L2GBP	-	2.94%
HICL Infrastructure Company Ord	-	2.27%
P2P Global Investments	-	2.23%
Neuberger Berman CLO Income I2 GBP H Inc	-	2.01%
International Public Partnerships Ord	-	1.97%
BioPharma Credit Ord	-	1.96%
Burford Capital Ltd	Financial Services	1.89%

Volatility Measurements	
3-Yr Std Dev (volatility)	4.01%
3-Yr Mean Return (average)	5.97%

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FUND PERFORMANCE

Performance from 1st January 2014 to 28th February 2019:

	2014	2015	2016	2017	2018	2019
Aberdeen Diversified Growth Fund	8.17%	3.19%	7.48%	8.14%	-3.38%	3.00%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years (pa)	5 years (pa)	Since launch (pa)
Aberdeen Diversified Growth Fund	0.57%	5.89%	5.17%	4.67%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

The target return strategy market is crowded; some have new track records some a little longer. This fund was launched in 2012 and targets a gross return (before charges) of libor plus 5% over a five-year period. It also aims to keep volatility below equities. They see the key benefits of the approach as providing attractive long-term growth, being less susceptible to equity downturns, not excessively reliant on market timing and transparency.

Over 5 years and since launch it has achieved its stated target return. The way they have achieved this and why they believe they are different is by using three buckets of return opportunities. Equity driven, diversifying assets (for example, property, emerging market debt, infrastructure, alternative finance etc) and low return (for example gold, government bonds etc).

Examples of holdings include the Renewables Infrastructure Group which targets a return of 7-9% p.a. by investing in solar and onshore wind farms. This has been held since 2013. Another example held since the fund was set up is Burford which provides third-party financing for commercial litigation.

They take a flexible approach to asset allocation which they believe reduces the reliance on traditional asset classes. So, for example, listed equity has been reduced gradually since 2014, and emerging market bond exposure has increased. Ultimately although the asset allocation is important, they are also looking at the best returns vs the risk associated with that return.

Protecting on the downside is important. 2018 was important because although the fund was negative several assets were positive which protected some of the downside. What they don't want to do is avoid all risk assets as they wouldn't be able to capture enough positive upside. So getting the balance right is part of the teams aim.

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In summary, there are several funds to compare against. This is one of the strategies that has worked since launch. The concern we have with any of these funds is that they work until they don't.

On a positive side having a target return over 5 years seems to be more realistic rather than a short return period of 3 years like some other funds. Although there is a volatility target, this is to be below equities. This enables them to be able to take more risk when they need to but at the same time the process ensures that they will never take on too much risk in the pursuit of returns. It is worth adding that although these funds target a positive return these are not guaranteed. If there was a holy grail to investing everyone would do it! One other point to note is that the size of the fund is still fairly small for this sector at £580 million which gives it a little more flexibility than the larger funds in this sector.

The source of information in this note has been provided by Aberdeen and is correct as at March 2019. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.