

May 2019

Managing High Yield Bonds Today & Closed-End Fund Structure

Aberdeen Income Credit Strategies Fund (ACP)

For Qualified or Institutional Investors only – Not for Public distribution

Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments.

Trivia

What do they have in common?



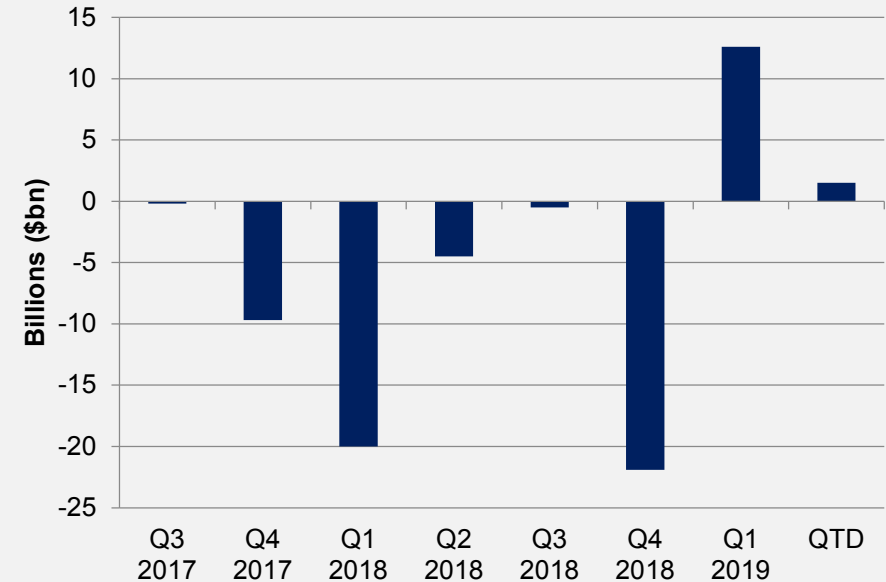
High Yield Market Overview

Strong recovery after sell off in 4Q last year

US High Yield Spreads (OAS)



Quarterly HY Flow Data (\$bn)



Strong inflows after steep outflows late 2019

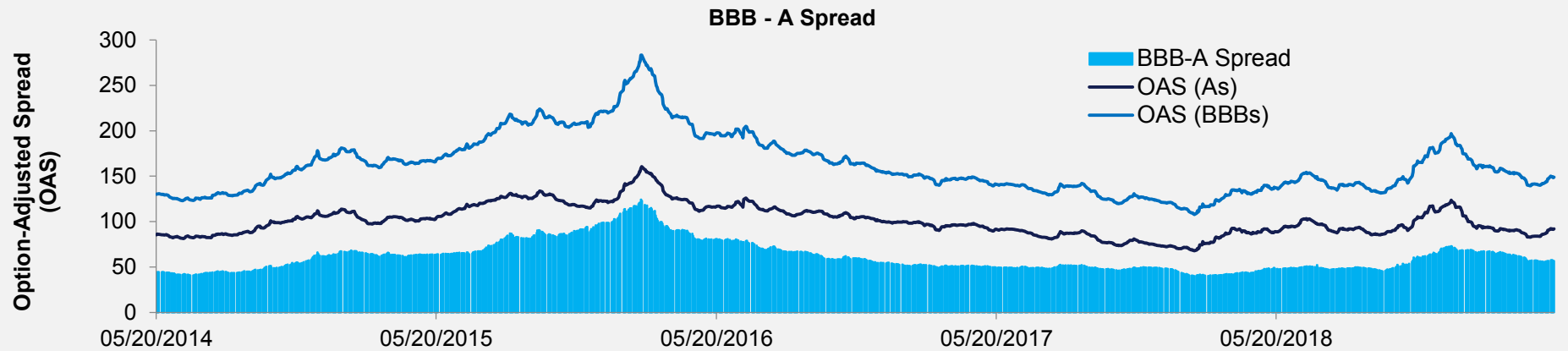
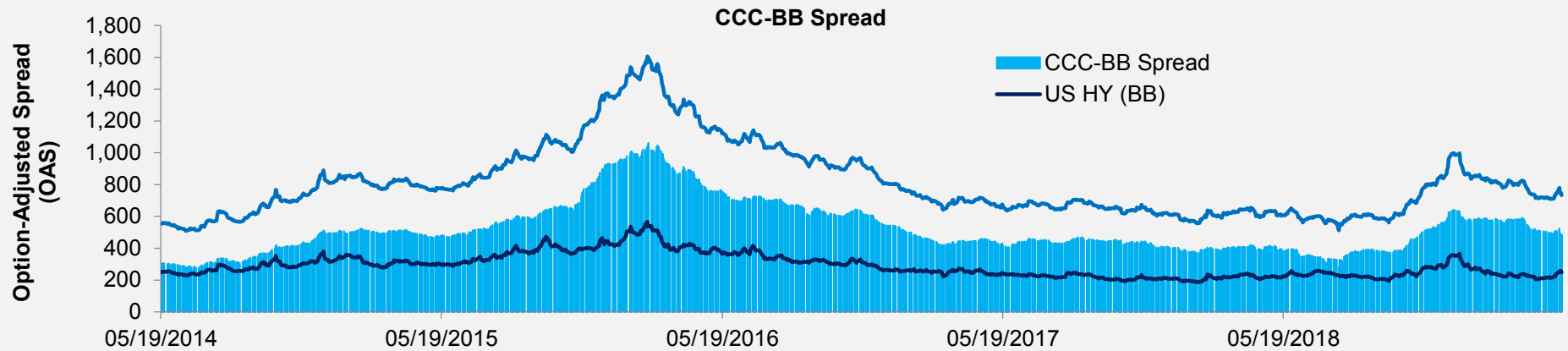
- Search for yield
- Rotation into high yield from loan funds
- Issuance remained light

Source: Barclays, Lipper FMI and JP Morgan, May 19

Technicals Drove the Market Tighter in the First Quarter

This Rally Was Different

Is now the time to chase risk?



Source: Barclays, Bloomberg May 19

Standard & Poor's credit ratings are expressed as letter grades that range from "AAA" to "D" to communicate the agency's opinion of relative level of credit risk. Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. The investment grade category is a rating from AAA to BBB-.

Market outlook

Fundamentals

- Spreads and yields remain relatively low
- Leverage is high, but stabilized/improving in the US, increasing in Europe
- Defaults currently low and expected to stay low

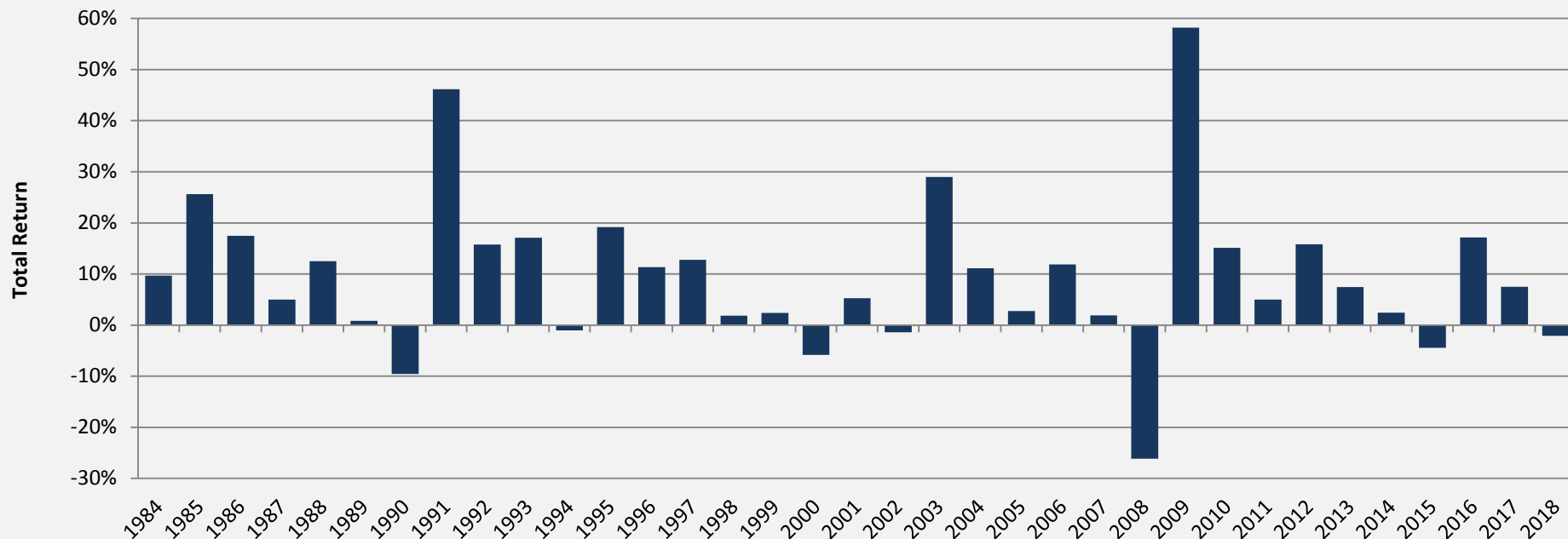
Credit Environment

- We are late cycle and have seen the tights
- Base case we believe we are in a low growth environment, recession not imminent
- Volatility will remain due to trade, rates and geopolitics

Source: Aberdeen Standard Investments, May 19

Closed End Structure Lends Itself to High Yield

US High Yield Annual Returns



- Liquidity in high yield has tightened – not to subject to outflows and having to trade at inopportune times
- Can capture a premium in less liquid securities
- Smaller cash position required, resulting in less of a cash drag

Source: Barclays, Bloomberg May 19. **Past performance is not indicative of future results.** Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. Individuals cannot invest directly in an index

Focus on Finding Value and Income

Aberdeen Income Credit Strategies Fund

Portfolio Quality

- Improving the risk profile
- Increasing leverage to maintain income

Currency mix

- Take advantage of global opportunity set
- Capture illiquidity premium from EUR, GBP names
- Currency hedge offers incremental income from currency forward

Credit selection is key going forward

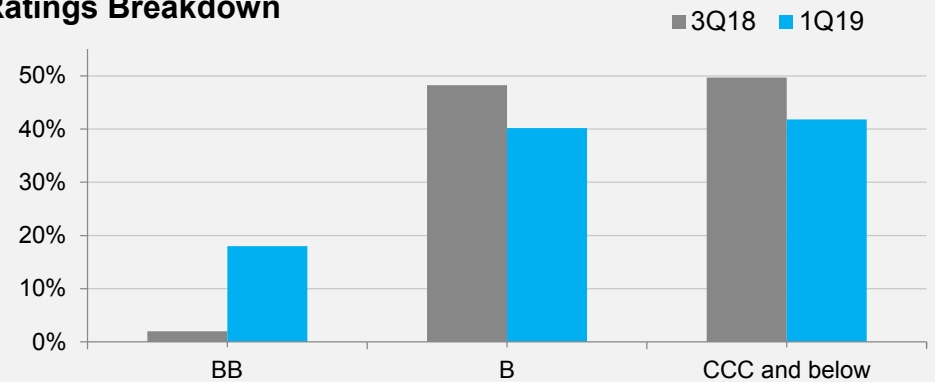
- Avoiding losers just as, if not more, important as selecting winners
- Prefer B rated names, selectively adding to BB names post recent volatility
- Positioning focused on credits that have sufficient cash flow cushions to withstand a stressed environment

We maintain our cautiously constructive stance, using volatility to capture opportunities while improving the credit quality of the portfolio

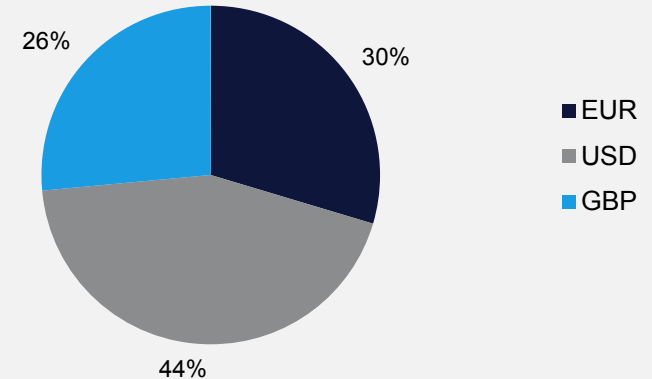
Source: Aberdeen Standard Investments, May 19

Standard & Poor's credit ratings are expressed as letter grades that range from "AAA" to "D" to communicate the agency's opinion of relative level of credit risk. Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. The investment grade category is a rating from AAA to BBB-. Allocations are subject to change.

Ratings Breakdown



Currency Distribution



Disclaimer

Important: The above is strictly for private circulation and information purposes only and should not be considered as an offer, or solicitation, to deal in any of the investments mentioned herein. Aberdeen Standard Investments ("ASI") does not warrant the accuracy, adequacy or completeness of the information and materials contained in this document and expressly disclaims liability for errors or omissions in such information and materials. Past performance is not necessarily a guide to the future. Any research or analysis used in the preparation of this document has been procured by ASI or its affiliates for their own use and may have been acted on for their own purpose. The results thus obtained are made available only coincidentally and the information is not guaranteed as to its accuracy. Some of the information in this document may contain projections or other forward looking statements regarding future events or future financial performance of countries, markets or companies. These statements are only predictions and actual events or results may differ materially. The reader must make his/her own assessment of the relevance, accuracy and adequacy of the information contained in this document and make such independent investigations, as he/she may consider necessary or appropriate for the purpose of such assessment. Any opinion or estimate contained in this document is made on a general basis and is not to be relied on by the reader as advice. Neither ASI nor any of its agents have given any consideration to nor have they made any investigation of the investment objectives, financial situation or particular need of the reader, any specific person or group of persons. Accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the reader, any person or group of persons acting on any information, opinion or estimate contained in this document. The information herein including any expressions of opinion or forecast have been obtained from or is based upon sources believed by ASI to be reliable but is not guaranteed as to accuracy or completeness. The information is given without obligation and on the understanding that any person who acts upon it or otherwise changes his position in reliance there on does so entirely at his or her own risk. ASI reserves the right to make changes and corrections to its opinions expressed in this document at any time, without notice. Any unauthorized disclosure, use or dissemination, either whole or partial, of this document is prohibited and this document is not to be reproduced, copied, made available to others.

Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in the market value of an investment), credit (changes in the financial condition of the issuer, borrower, counterparty, or underlying collateral), prepayment (debt issuers may repay or refinance their loans or obligations earlier than anticipated), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase). Additionally, high-yield securities may face additional risks, including economic growth; inflation; liquidity; supply; and externally generated shocks (stress factors emanating from outside the U.S. market).

Foreign securities are more volatile, harder to price and less liquid than U.S. securities. They are subject to different accounting and regulatory standards, and political and economic risks. These risks are enhanced in emerging market countries.

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Fund's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the fund's portfolio. The Net Asset Value (NAV) is the value of an entity's assets less the value of its liabilities. The Market Price is the current price at which an asset can be bought or sold. There is no assurance that the Fund will achieve its investment objective. Past performance does not guarantee future results.

Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments. In the United States, Aberdeen Standard Investments is the marketing name for the following affiliated, registered investment advisers: Aberdeen Standard Investments Inc., Aberdeen Asset Managers Ltd., Aberdeen Standard Investments Australia Ltd., Aberdeen Standard Investments (Asia) Ltd., Aberdeen Capital Management LLC, Aberdeen Standard Investments ETFs Advisors LLC and Standard Life Investments (Corporate Funds) Ltd.

For Professional Use Only. Not for Public Distribution

© 2019, Aberdeen Standard Investments

DH#: US-210519-89971-1

aberdeenstandard.com