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Climate Transition Bond Fund

May 2025

Summary

The Climate Transition Bond Fund seeks to achieve attractive long-term returns by investing at least 90% of the assets in fixed-income securities that support the transition to a low-carbon economy and society's adaptation to climate change. These securities include investment grade and sub-investment grade debt, as well as debt-related securities. We make these investments worldwide, including in emerging markets.

The Fund draws on abrdn's deep resources and understanding of climate and environmental issues to help our clients benefit from the long-term shift towards greater sustainability. We aim to achieve a combination of income and growth by investing in bonds issued by companies and countries that, in our view, are addressing the causes of climate change and adapting to its consequences.

These are companies that are lowering green-house-gas (GHG) emissions of their operations or helping others to reduce their emissions, and companies and countries that are helping society adapt to the physical risks of climate change.

This Fund is subject to Article 9 of the Sustainable Finance Disclosure Regulation ("SFDR").

Performance

When selecting the Fund's holdings, we don't refer to a benchmark index, nor do we aim to outperform such an index. However, the Fund's performance (before charges) can be compared over the long term (5 years or more) with the following basket of indices which is rebalanced on a daily basis:

- 60% Bloomberg Global Aggregate Corporates Index (USD hedged)
- 20% Bloomberg Global High Yield Corporates Index (USD hedged)
- 20% JP Morgan Corporate Emerging Market Bond Index (USD)

The Investment Framework

The Fund uses three key pillars to identify and acknowledge climate-change risks and opportunities:

- **Leaders** – supporting the leading emission reducers (climate transition risk)
- **Adaptors** – facilitating climate change adaptation (climate physical risk)
- **Solutions** – helping the economy decarbonise (climate change investment opportunities)

Identification and acknowledgement of climate change risks and opportunities:

	Transition Risks	Physical Risks	Investment Opportunities
Types of Activity	**The risk of transitioning to a low-carbon economy** Higher carbon prices, stranded assets, emission- reducing regulation and shifts in technology and demand.	**Consequences of the continued increase in temperature and extreme weather events** Negative implications include damage to infrastructure, poor harvests, and rising cost of assets and commodities.	**The transition to a low-carbon economy will provide attractive capital allocation opportunities** Renewable energy infrastructure, low carbon transport and improvements to energy efficiency.
Context	A group of the World's biggest companies with a combined market cap of $17trn values climate risks at $1trn.	Annual adaptation costs in developing countries could reach $300bn by 2030 and $500bn by 2050.	Identifying climate transition companies provides investors with the opportunity to outperform over the long term.

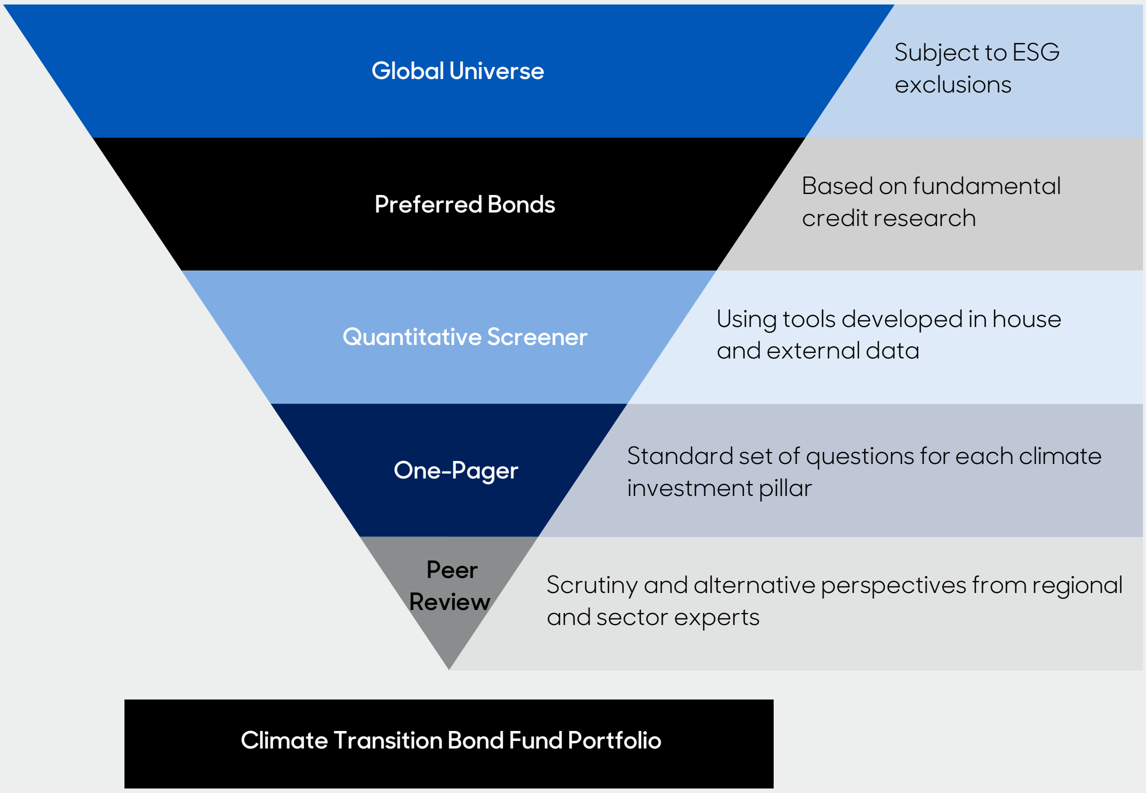
Climate Transition Bond Fund Investment Framework:

	Leaders	Adaptors	Solutions
Indicative Weight	**40 – 60%**	**5 - 20%**	**40 - 60%**
Theme and Definition	**Supporting the leading emissions reducers in high emitting sectors** Ambitious and credible decarbonisation targets.	**Facilitating climate change adaptation** Companies and countries addressing the physical risks of climate change.	**Helping the economy decarbonise** Investing in the circular economy, energy efficiency, electrification, energy storage, renewable materials, smart buildings, renewable energy.
Investment Rational	Reducing transition risks faster than peers	Benefiting from growing resilience infrastructure spending	Benefiting from new markets for low carbon products and services
Impact	Material real world emission reductions.	Population protected / Water saved / Wildfires avoided.	Emissions avoided / Energy saved / Waste avoided.
Sector Examples	Utilities, Building Materials, Transport, Mining, Heavy Industry, Food and Agriculture.	Municipals, Sovereigns, Insurance, Real Estate, Water Utilities.	Chemicals, Utilities, Real Estate, Consumer Goods, Agriculture, Transport, Forestry, Technology.

ESG Assessment Criteria

Investment Process – Integrating ESG Factors

The Fund follows a fundamental, bottom-up investment research process utilising the full strength, depth and diversity of abrdn's global research platform in which ESG analysis and company engagement are integral elements in assessing the investment potential of all public and private sector issuers.



Global Universe and Preferred Bonds

The Fund utilises a broad global investment universe, covering the scope of Investment Grade Credit, High Yield Credit, Emerging Market Debt (Corporate and Sovereign), Sub-Sovereign, Municipals, Developed Market Sovereigns and Green Bonds. All of which are researched by the Global Fixed Income team, based across the UK, US and Pan-Asia. This results in over 1,500 issuers with a recommendation set by our analysts utilising a bottom-up fundamental approach. This forms the initial opportunity set for the Fund.

Quantitative Screener

To support the identification of Climate Leaders, Adaptors and Solutions providers, Portfolio Managers and Analysts utilise an in-house Climate focused quantitative screener. This uses data from a range of external providers including CDP, MSCI, Bloomberg and Trucost. The Quantitative Screening tool allows users to see how issuers perform on various qualitative and quantitative climate and environmental metrics versus regional and global peers. From here, research analysts are able to identify issuers that have the potential to fit in one or more of the pillars (Leaders, Adaptors, Solutions). For example, the screener may show that a company has a track record of cutting emissions faster than the sector along with concrete reduction targets. Further analysis of information provided by the company could support this issuer being classified as a “Leader”.

One-Pager

To ensure a consistent approach is taken for each pillar, a standard set of questions must be answered for each issuer an analyst seeks to include. This ensures that important considerations are not missed and helps mitigate against the effects of “greenwashing”. For example, a company may have ambitious goals to cut emissions, but may lack a detailed plan to do this or may exclude a large portion of their emissions in these goals. Each pillar has its own inclusion criteria and therefore its own set of questions.

Peer Review

In the final stage of the security selection process an issuer must be approved via a peer review meeting. In this meeting the One-Pager is presented and a discussion is held as to whether or not the issuer fits in the relevant pillar and is therefore eligible for the Fund.

Attendees come with a range of sector and regional knowledge, providing a layer of scrutiny and additional insight when determining an issuer’s eligibility. The peer review meetings must have representation from two regions (either UK/Asia or UK/US) and the majority of the attendees are members of the Fixed Income ESG Network and Investment Sustainability team.

The potential outcomes of the Peer Review can be to Approve, Decline or Re-visit.

ESG Risk Rating

Our credit analysts apply an ESG Risk Rating of Low, Medium, High (Low is better) to each issuer. This is credit profile-specific and represents how impactful we believe ESG risks are likely to be to the credit quality of the issuer now and in the future. The key area of focus is the materiality of the inherent Environmental and Social risks of the sector of operation (e.g. extraction. water usage, cyber security) and how specific companies manage these risks, combined with the quality and sustainability of their corporate governance. This materiality assessment is combined with a judgement on the timeframe over which these ESG risks may have an impact. Our analysts utilise an ESG Risk Rating Framework to support making these assessments. This is a proprietary tool designed to help focus the knowledge and expertise of credit analysts in a systematic way to substantiate the overall ESG Risk Rating (Low / Medium / High) assigned to debt issuers.

The Fund excludes companies with a “High” ESG Risk Rating.

Sustainable Investments

The SFDR provides a general definition of "Sustainable Investment". The minimum proportion of Sustainable Investments for this Fund is 75%.

In line with the SFDR definition, abrdn has developed an approach on how to satisfy the three criteria for Sustainable Investments in the relevant Funds as set out below. The three criteria are:

1. **Economic Contribution** - The economic activity makes a positive contribution to an environmental or social objective.
2. **No Significant Harm** - The investment does not cause Significant Harm ("Do No Significant Harm"/ "DNSH") to any of the sustainable investment objectives.
3. **Good Governance** - The investee company follows good governance practices.

If the investment passes all of the above three tests, it can then be deemed as a Sustainable Investment. Additional information on the Article 9 approach to making Sustainable Investments is detailed in the SFDR Annex, appended to the Fund prospectus.

Exclusions and Restrictions Criteria

The Fund targets to exclude at least 20% of the Fund's investment universe (defined as assets covered by our Global Fixed Income team's active research process) through a combination of the ESG Assessment Criteria outlined above and the screening & exclusions detailed below.

For more details, please visit our website at **www.abrdn.com** under "Sustainable Investing" where we have position statements on various ESG-related issues.

Screen	Criteria The Fund excludes investments that:	Data Source
Normative screening	Fail to uphold one or more principles of UNGC, ILO or OECD guidelines for Multinational Enterprises.	We utilise a combination of external data sources, including MSCI and our own internal research and insights, as well as sustained engagement.
State-Owned Enterprises	Are state-owned enterprises in countries subject to international sanctions or that materially violate universal basic principles.	We utilise a combination of external data sources, including MSCI and our own internal research and insights.
Weapons	Have any tie to controversial weapons covering; cluster munitions, anti-personnel landmines, nuclear weapons, chemical and biological weapons, non-detectable fragments, incendiary devices, depleted uranium ammunition or blinding lasers.	MSCI

	Have a revenue contribution of 5% or more from conventional weapons, firearms, military equipment or weapons support systems or services	MSCI
Tobacco	Are involved in the cultivation or production of tobacco product and/or Have a revenue contribution of 5% or more from tobacco wholesale trading	MSCI
Gambling	Have a revenue contribution of 5% or more from gambling.	MSCI
Alcohol	Have a revenue contribution of 5% or more from alcohol and related activities.	MSCI
Adult Entertainment	Have a revenue contribution of 5% or more from adult entertainment.	MSCI
Coal[1]	Have a revenue contribution of 5% or more from thermal coal extraction. and/or are directly investing in new thermal coal extraction or power generation capacity.	MSCI, Global Coal Exit List (https://www.coalexit.org/), investment research
Oil & Gas	Have a revenue contribution from unconventional or conventional oil and gas extraction or are directly investing in new oil and gas extraction in their own operations.	MSCI, Global Oil and Gas Exit List https://gogel.org/ , investment research

The above sets out the screens that are applied for this Fund. We cannot exhaustively list screens that are not applied, and it is important for investors to be clear that the interpretation of ESG and sustainability criteria is subjective, meaning that the Fund may invest in companies which do not align with the personal views of individual investors.

Investment in financial derivative instruments, money market instruments and cash may not adhere to this approach.

[1] This excludes coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading.

Active Stewardship

Active Ownership

In our view, good governance and stewardship are vital to safeguard the way in which a company is managed and to ensure that it operates responsibly in relation to its customer, employees, shareholders, and the wider community. We also believe that markets and companies which adopt best practices in corporate governance and risk management – including the management of environmental and social risks – are more likely to deliver sustainable, long-term investment performance.

As owners of companies, the process of stewardship is a natural part of our investment approach as we seek to benefit from their long-term success on our clients' behalf. Our fund managers and analysts regularly meet with the management and non-executive directors of companies in which we invest.

ESG Engagement

At abrdn, our engagement with company management teams is a key element of our research process and ongoing stewardship programme. It provides us with a more holistic view of a company, including current and future ESG risks that it needs to manage and opportunities from which it may benefit. Engagement also gives us the opportunity to discuss any areas of concern, share best practice and drive positive change.
We establish our priorities for engagement in these ways:

1. The use of our ESG house score, in combination with
2. Bottom-up research insights from our investment teams across asset classes, and
3. Areas of thematic focus from our company-level stewardship activities

Stock Lending

abrdn ESG funds take part in our Stock Lending programme, details of which can be found in the prospectus. Collateral held on behalf of ESG funds is currently restricted to Government bonds and securities issued by constituents of the MSCI ESG Screened indices; further detail on these indices can be found at https://www.msci.com/esg-screened-indexes.

Divestment Approach

Disinvestment from an issuer is required:

- If they become in breach of any of the negative or norms-based screens. OR
- If their ESG Risk Rating moves to "High". OR
- If they are no longer aligned to one of our Climate Pillars.

Should the review of a security result in it being deemed non-compliant, the intention would be exit as soon as is practicably possible, but generally no longer than 3 months, allowing for market conditions.

Additional Disclosures

For further information about the Fund, including the prospectus, annual report and accounts, half-yearly reports, the latest share prices, or other practical information, please visit www.abrdn.com where documents may be obtained free of charge.

Further information can also be obtained from:
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The rights of investors in this Fund are limited to the assets of this Fund.

For further information about Paying agents, Depositories, Custodians and Administrators, please refer to the Prospectus.

abrdn Investments Luxembourg S.A. may be held liable solely on the basis of any statement contained in this document that is misleading, inaccurate or inconsistent with the relevant parts of the Prospectus for the Fund.