

abrdn Asia Pacific ex Japan Equity Tracker Fund (WHSPAP)

Annual Report to 31 December 2024

Performance Review

For the 12 months ended 31 December 2024, the value of abrdn Asia Pacific ex Japan Equity Tracker Fund X Accumulation shares increased by 11.83% (net of fees) compared with an increase of 12.60% in the performance target, the MSCI AC Asia Pacific ex Japan Index.

Fund return source: Lipper. Basis: total return, published net asset value (NAV) to NAV, UK net income reinvested. Please note the benchmark return is quoted gross and contains no adjustment for fees. Different share classes will have accrued different returns. Performance target source: abrdn. Basis: close of business return, income reinvested, gross of expenses.

The realised tracking as at 31 December 2024 was 0.19%. The Realised Tracking Error measures how consistently the fund follows its benchmark and is defined as being the volatility of differences in returns between the fund and its benchmark over a three-year period to 31 December 2024.

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Companies selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

Market Review

Stock markets in the Asia Pacific (excluding Japan) region advanced over the 12-month period. Investor sentiment was supported by signs that high annual inflation globally was beginning to subside, with diminishing fears that the world economy could be tipped into a recession by interest-rate hikes. As disinflation became more apparent, investors began anticipating major central banks cutting rates later in 2024, with the European Central Bank (ECB) leading the way with a rate reduction in June.

Chinese share prices lagged for much of the period. This was due to growing risks in the country's highly indebted property sector, ongoing geopolitical tensions with the US and a regulatory crackdown. As a result, Chinese authorities initially announced various stimulus measures aimed at boosting investor sentiment, which helped to a degree. Chinese equities then surged in September after the People's Bank of China surprisingly announced a raft of planned monetary support measures, including another 50 basis point (bp) cut to banks' reserve requirement ratios and further reductions in loan prime rates. It also aimed to boost the property market, small business lending and investor sentiment.

However, investors were disappointed by the details of the Chinese government's 10 trillion yuan fiscal package, which focused on restructuring local government debt rather than directly stimulating consumer demand or supporting the property sector.

Elsewhere, the Taiwanese stock market performed strongly over the period, supported by its relatively high weighting in the technology sector. The Indian market fared well as investors were encouraged by the resilience of the local economy, signs of slowing growth weighed on sentiment towards the end of the period.

Portfolio Review

The Fund aims to generate growth over the long term (five years or more) by tracking the return of the MSCI AC Asia Pacific ex Japan Index. The Fund continued to track the MSCI AC Asia Pacific ex Japan Index. We periodically rebalanced its holdings in accordance with the changes made by the index provider at its quarterly reviews. Any intra-quarterly index changes are also traded in the Fund, if required, to maintain tracking against the benchmark.

Outlook

Sentiment appears volatile around Asia over the short term given the inauguration of Donald Trump as US President on 20 January 2025 and what that might mean regarding tariff risks, especially for China. The implications of Trump 2.0 for the broader region are complex. Trump is likely to drive uncertainty and volatility, which could create opportunities for long-term investors. Higher tariffs and trade barriers are expected, hurting China and prompting aggressive domestic growth efforts. Export markets may face pressure from higher tariffs and limited US rate cuts. Geopolitical tensions remain challenging, with potential shifts in Asia if Trump follows his first-term playbook. However, Asia's diversity means the entire region should not be painted with a broad brush. Economies like India, primarily driven by domestic factors, may benefit from supply diversification away from China, which also benefits ASEAN. Intra-regional trade remains strong, and quality companies should remain well-positioned.

Quantitative Index Solutions Team

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