

Equity Tracker Funds

Standard RFP
31 March 2025

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About Aberdeen Investments

Aberdeen Investments is a global specialist asset manager.

We are dedicated to helping investors achieve their financial goals in a changing world by combining our specialist knowledge, global presence in more than 25 locations, our strong relationships and investing for the long term.

Clients know us for our expertise in credit, specialist equities and real assets. Our solutions include investing for the needs of insurers and pension providers; managed portfolios; enhanced index and quant investing. Managing £369.7 bn (31/12/24) in assets on behalf of individuals, governments, pension funds, insurers, companies, charities and foundations across 80 countries.

Central to our strategy is a firm commitment to environmental, social, and governance (ESG) principles. To that end, we promote sustainable investment practices through active ownership, and our unique and embedded team structure, ensuring sustainability expertise is located where it is needed.

Our focus is aligned with four pivotal themes shaping the future of investing: the democratisation of finance and digital innovation; the evolving needs of ageing populations; the development of Asia and emerging markets; and climate change and the energy transition.

These 'mega trends' inform our approach, enabling us to deliver relevant and impactful investment solutions to clients of all sizes, today and into the future.

At Aberdeen Investments, we strive to create investment opportunities for our clients beyond tomorrow.

Quantitative Index Solutions (QIS)

Whether investors are looking for pure passive index exposures, tailored sustainable outcomes, or index outperformance in a risk-controlled manner, Aberdeen offers systematic and rules-based solutions across both listed equities and fixed income.

With £83 billion of assets under management as at 31 March 2025, our Quantitative Investment Strategies team offers a wide range of building blocks to investors. Those follow a traditional, sustainable or enhanced indexation approach and enable investors to implement their own long-term investment strategy.

- **Indexation** - we offer traditional passive equity and fixed-income indexation strategies across a wide range of global, regional and local markets.
- **Evolve Indexation** - we track our own customised equity and fixed income indices that aim to deliver improved sustainable outcomes while retaining a risk and return profile similar to their parent indices.
- **Enhanced Indexation** - we focus on multiple 'risk premia' such as value, quality and momentum to target above-benchmark returns in a risk-controlled manner.

By investing in a strategy following one of our indexation approaches, investors can gain exposure to hundreds of securities in the most cost-effective manner.

Executive Summary

Our Equity Tracker Funds are cost-efficient, straightforward investment products that follow a traditional passive Indexation approach to access market returns

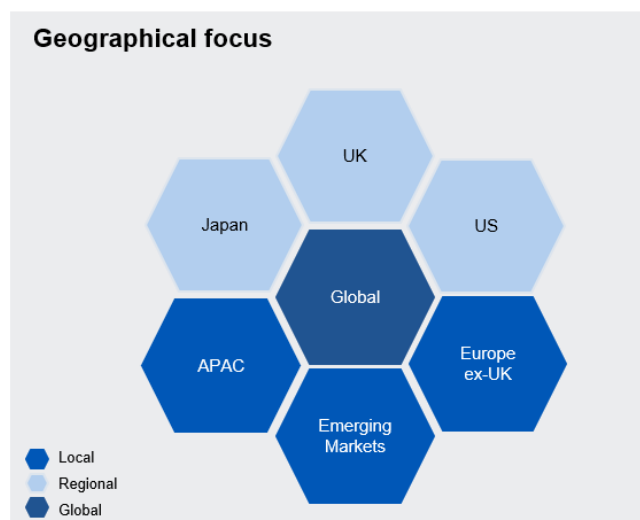
We aim to provide low-cost, diversified building blocks that allow long-term investors to implement their own asset allocation. Our objective is to track market-capitalisation equity indices as tightly as possible and to offer investors a broad exposure to specific markets.

The key elements of our Equity Indexation approach are:

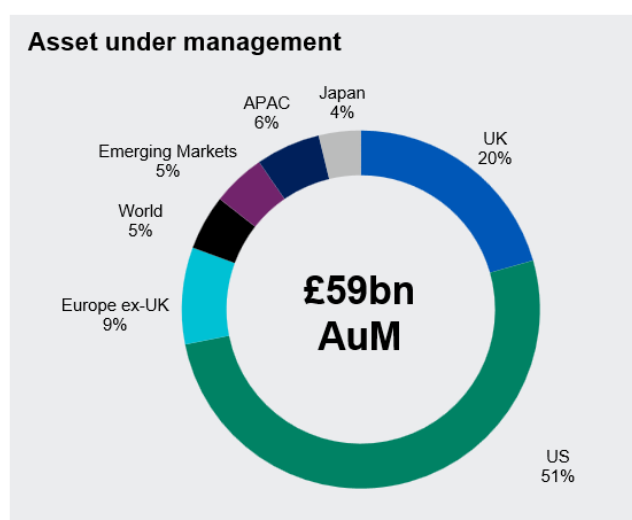
- **Simplicity** – stock picking requires time, research, and talent to generate constant index outperformance over the long-run. Indexation strategies relieve investors from that burden by delivering returns consistent with the index.
- **Diversification** – through a single trade, investors can gain exposure to hundreds of securities. Indexation strategies allow investors to diversify their portfolio positions by offering a broad exposure to global, regional and local equity markets.
- **Cost-efficiency** – passive investment is good value for money. Indexation strategies offer a cost-effective solution to equity investing by using efficient replication techniques and minimising portfolio implementation costs.

Our Equity Indexation strategy has been designed to be easy to understand, transparent, liquid and to offer a risk and return profile similar to the index they track. Aberdeen has been successfully managing Equity Indexation strategies since 2005 and benefits from a solid experience in running both pooled and segregated portfolios following this approach.

As at 31 March 2025, Aberdeen managed over £61.3 billion of assets in Equity Indexation on behalf of its clients and offers strategies across a wide range of markets.



Source: Aberdeen, 31 March 2025



Investment Philosophy and Process

Investment philosophy

Our aim is to replicate the risk and return profile of a specific market-capitalisation equity index in the most efficient way. The purpose of our Equity Indexation strategy is to consistently achieve a tracking error as low as possible.

We believe that a truly complete replication process must consider all aspects of portfolio implementation. If index returns in a cost-free world exist, portfolio returns do not. That's why understanding and managing the trade-offs between the costs and benefits of an ideal tracking portfolio versus a practical portfolio is key to deliver a minimal tracking error. This includes efficiently managing cash flows, corporate actions, dividend distribution, index rebalancing as well as mastering index replication techniques.

The successful implementation of our Equity Indexation approach defines who we are and what we do.



Investment process

Our investment process embodies four main elements; Index Analysis, Portfolio Construction, Portfolio Implementation as well as Risk Management. Each of these themes are crucial to successfully implement indexation strategies.

Risk management

Risk management is at the heart of everything we do and is core to our investment process.

We aim to achieve index returns with minimal tracking error through pragmatic and cost-aware implementation. The process ensures that risk management is encompassed in all elements of our portfolios – cash, securities and liquidity instruments. For example, the basic premise of our equity indexation investment process is to be fully invested at all times in order to ensure that cash does not have an impact on performance or increase tracking error to a non-acceptable level.

Index Analysis

As a very first step, we take the time to fully understand the different components of index returns. The analysis is comprehensive and covers not only index composition but also:

- index liquidity profile;
- index turnover;
- transactions costs;
- taxes;
- portfolios constraints; and
- index rules.

Index analysis also extends to the research of available liquidity instruments, such as futures and ETFs, that will be used to manage cashflows. We view ex-ante tracking error on both an equity only and look through basis to ensure a minimum tracking error portfolio is maintained at varying levels of liquidity instrument holdings.

Indices are dynamic and not static. Index analysis is an ongoing process as once a portfolio is up and running, we continually review index features through time. There may be changes to index construction rules or to country / stock

weighting, amongst other. For the scheduled index rebalances, we use proforma indices which allow for analysis of index changes and risk statistics ahead of implementation. This results in turn leading to a tighter tracking error and cost savings on implementation.

Portfolio Construction

Construction of our index portfolios begins with the assessment of a full replication solution, where all the constituents will be held at index weight. This may not always be ideal when an index has a large number of constituents relative to the size of the portfolio, or the index tail holds illiquid securities. In such instance, an optimised solution may be implemented.

Our aim remains to build a portfolio with a minimal tracking error. We must consider all aspects of the portfolio such as investment guidelines, portfolio size, cash management and assets growth assumptions in order to implement the most efficient replication strategy.

Portfolio Implementation

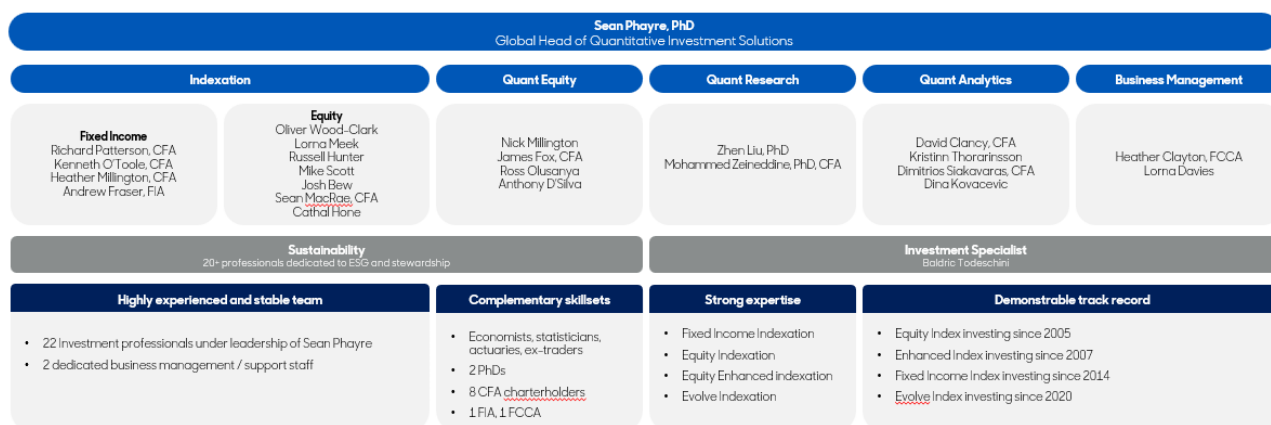
The Portfolio Implementation stage then takes all findings from both the index analysis and portfolio construction stages to implement a trading strategy and run a portfolio that fits with its guidelines. All trading is executed by our highly experienced Investment Execution team, which is an independent function to the investment management team.

Portfolio implementation is an ongoing daily process as it is necessary for the management of cash flows, corporate activity and index changes. Pragmatic implementation means that we will only trade when necessary. Our aim remains to minimise market impact and cost while maintaining a minimum tracking error portfolio.

In practice, one might wonder what all this means for a portfolio with regular cashflows and index changes. It means that levels of cash held in the portfolio are low (usually <10bps) while cashflows are invested/divested through efficient portfolio management i.e. liquidity instruments. Liquidity instruments are held at levels to maintain a low tracking error and only exchanged for physical securities when required. We do not trade all index changes but assess the impact on ex-ante tracking error and any cost implications. Tracking error is minimised by remaining neutral to risk factors such as country, sector and industry weights.

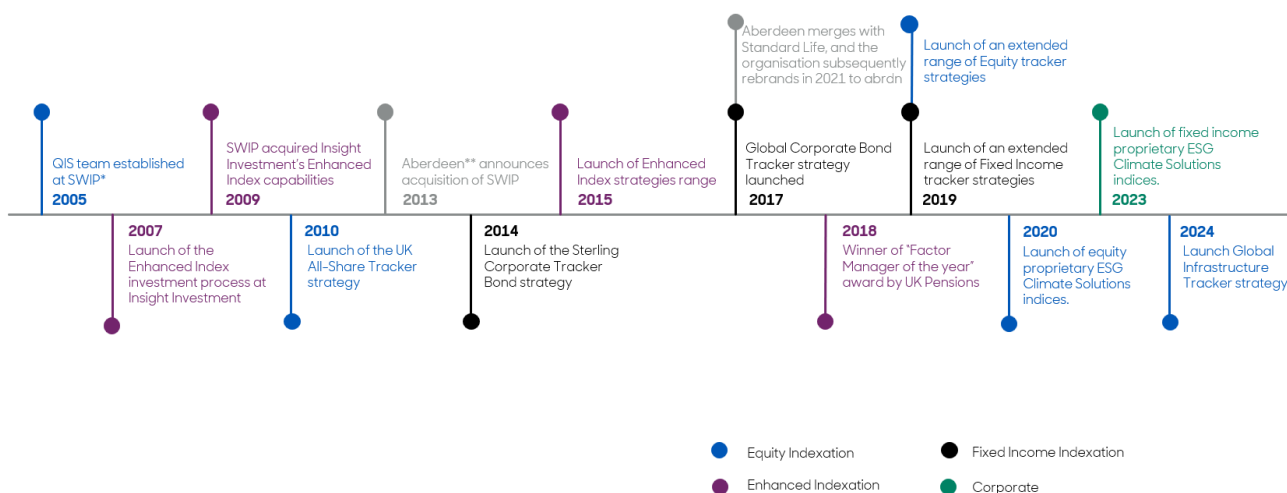
Team

Our Quantitative Index Solutions team manages assets across a diverse range of systematic and rules-based strategies and are able to offer diverse perspectives on investment style. The team is led by Sean Phayre, Global Head of Quantitative Index Solutions, and is made of c.25 investment professional based in both London and Edinburgh.



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Source: Aberdeen, 31 March 2025

The team managed a total of £83 billion of assets (as at 31 March 2025) across Equity and Fixed Income in a wide range of strategies spanning traditional passive investing, sustainable targeted-outcomes strategies and factor investing. Over the years, the team has designed a diverse range of systematic and rules-based solutions while building a strong culture of innovation.



Source: Aberdeen, 31 December 2024
*SWIP = Scottish Widows Investment Partnership
**Aberdeen = Aberdeen Asset Management

Equity Indexation

The Equity Indexation team is responsible for delivering performance of our Equity Indexation strategies within our Quantitative Index Solutions franchise. The team is led by Oliver Wood-Clark, Head of Equity Index Solutions and is made of 7 skilled professionals. The team has a solid expertise in tracking indices of all the major index providers and has managed portfolios replicating the risk and return profile of market-capitalisation indices, non-market capitalisation indices, as well as proprietary and third-party sustainable indices.

The following tables show the members of the Equity Indexation team:

Name	Title/Responsibility	Years in Industry	Years with Firm	Qualifications
Oliver Wood-Clark	Head of Equity Index Solutions	16	16	BA (Hons)
Sean Macrae	Senior Quantitative Investment Manager	12	12	CFA, BSc
Mike Scott	Quantitative Investment Manager	12	12	MA (Hons)
Cathal Hone	Quantitative Investment Manager	14	12	BSc (Hons)
Russell Hunter	Assistant Quantitative Investment Manager	17	15	MSc, BA (Hons)
Lorna Meek	Senior Portfolio Implementation Specialist	27	27	-
Josh Bew	Assistant Quantitative Investment Manager	8	8	BSc, CFA

Source: Aberdeen, March 2025

Our Investment Managers and Assistant investment managers are responsible for maintaining indexed portfolios to ensure index performance; index rebalancing and trading requirements are met. Our Portfolio Implementation Specialists are responsible for detailed cash flow management, corporate action monitoring and preparing trades for liquidity management. All trades are reviewed by a minimum of two team members with at least one required to be an investment manager. The execution of trades will be completed by our Investment Execution team under specific trading instructions from the investment managers.

Our investment teams adopt a team approach to portfolio management and every task undertaken by any individual - be it implementation, portfolio management or client responsibility - has a dedicated alternate. With a diverse mix of experience, backgrounds and skillsets, the team approach adopted at Aberdeen helps with the preservation and transfer of knowledge gained over the years, as well as embrace change and innovation. Our collaborative approach leads to continuous improvement which alongside risk management, is at the forefront of our investment process.

Investment Execution

Investment Execution

Within our Investment Execution team, we have centralised fixed income trading desks based in the UK (Edinburgh/London), Asia (Singapore /China) and the US (Boston/New York) who are responsible for executing trades local to their region, with the exception of program trades where their responsibilities can be shared. This is overseen and monitored by Investment Control. Any amendments to reduce original allocations by the investment team are again monitored by Investment Control.

The order execution process involves the Investment Manager loading the order onto our Order Management System (Charles River Investment Management Systems). Once the order has passed all the relevant compliance checks within the Order Management System, the Investment Manager releases the order through to the centralised dealing team who are responsible for all trade Executions. All orders are monitored by our Investment Control division to ensure orders are worked promptly and executed within prescribed price limits (if so instructed by the investment manager). All orders are monitored carefully by the centralised dealing desk and executions checked by dealers with the trading instructions given by the dealers. At the end of each trading session, any partially filled orders are booked out and pro-rated across the portfolios within the order. Once an order is complete it is sent automatically to our out-sourced back office for matching and settlement.

Aberdeen has a detailed best execution policy that is followed in the execution of trades and it focuses on many variables such as price, size, liquidity, execution capability, impact, commission rates, and quality of execution, financial solvency, broker responsiveness and settlement efficiency. Each dealing desk has 100% trading discretion and natural liquidity would always be a top priority when executing trades. These factors are taken into consideration with regard to which brokers execute trades on our client's behalf. All trades are monitored to ensure executions fit within our best execution policy.

Securities Lending

Securities lending is the temporary transfer of securities from a lender to a borrower against collateral in return for a fee. Our robust securities lending program is designed to add incremental income to our indexation portfolios in a risk-controlled manner. Securities lending can also aid market liquidity and reduce costs. All security lending is fully insured against loss.

Securities can be lent via a lending agent to a list of accepted borrowers on either a discretionary or exclusive basis. The programme remains risk adverse by ensuring that all collateral received is done so with an appropriate margin and that collateral is received before a security is lent. The programme remains fully indemnified by the lending agent against broker default and all securities can be recalled at any point in time.

Active Ownership

Through active ownership, we stand to create a greater impact for the benefit of our clients. As shareholders, we vote in a considered manner and work with companies to drive positive change and engage with policymakers on ESG and stewardship matters. Our Sustainable Investment Team has c.25 central members responsible for research, integration strategy, voting & engagement, product design and more.

Engagement

Aberdeen engages actively and regularly with companies in which we are or may become an asset owner. In our research and analysis of ESG issues we identify any concerns we may wish to discuss with companies. We then set engagement objectives according to the circumstances at each company. There are two core reasons for engagement: to understand more about company management on order to learn more about a company's strategy and performance, and to encourage best practice and drive change.

When planning company engagement, our approach is to review the total securities held across all Aberdeen portfolios to form a view on the overall position for our clients. If this is across different asset classes then the relevant desks are notified accordingly to ensure there is the alignment on the reasons for engaging and that a holistic view on the engagement drivers is captured. Total holdings represent one of many factors that drive our engagement activity, the full list is as follows:

- Size of holding in relation to Aberdeen's ownership;
- Size of holding in relation to company's market cap;
- Internal ESG ratings – these include overall house rating and ratings from different investment desks including fixed income and equity;
- External ESG ratings – these include providers such as MSCI;
- Milestones, where we have asked for actions from a company and seek to measure response;
- Reactive engagement as a result of breaking issues;
- Voting resolutions;
- Thematic engagement – for instance a particular focus on a specific ESG topic such as deforestation;
- Mandate driven – engagement in relation to a specific mandate or range of mandates;
- Specific client requests;
- Companies identified as 'winner list' securities that we actively seek to invest in.

The meeting note we prepare on every engagement identifies the objectives for the engagement as well as the initial outcomes, thus we evaluate the success of many engagements at the time of the engagement. However, some engagements may request that a company act over time to address a particular issue and, in such cases, the outcome will not be immediate and it may be appropriate to set an engagement milestone which allows us to assess what steps the company has taken after our engagement.

Milestones are created which are tracked in relation to company engagement and company's progress, or lack of, against these milestones, which informs the company's ESG ratings. We advise companies of the areas we wish to see improvement and carry out desk top analysis or further engagement to measure progress.

In addition, we conduct thematic research to assess how changes in ESG issues could impact investment behaviours and therefore negatively or positively impact companies in which we invest. Furthermore, conducting thematic research enables us to conclude what should be deemed best practice to manage a given ESG issue. Through publishing papers and company engagements we encourage business to adopt these considerations within their business practices. For example, we have recently conducted research into the environmental issues caused through the use of plastics. Initially our ESG analyst conducted on desk research including reading published reports from industry experts and understanding the associated government regulations, with the aim of scoping out the scale of the issue. The output was a briefing report summarizing the key issues which was presented to our investment teams. Through collaboration with the investment analysts (credit and equity) a company engagement agenda was reached.

Voting

Our large book of actively managed investments also serves to provide us with greater insight when assessing the ESG parameters of the firms we are invested in. For all other stocks we hold, we take research from a market-leading voting advice provider (ISS) who apply our bespoke template in all voting cases to ensure the recommendations we consider are more closely aligned to the Aberdeen approach.

Key concerns on our template that for discussion are:

- Director tenure and independence. 20 years plus makes any non-executive director non-independent, and we have a stepped approach above 12 years, which includes considerations of overall board refreshment and diversity.
- Director mandates. We are not prepared to elect directors for periods longer than 3-year terms; anything longer than this means they will not feel appropriately accountable to shareholders.
- Auditor independence. In markets where auditor rotation is not in place we are opposing auditor reappointments beyond 50 years; an arbitrary time-period but clearly it is unarguable that they are still independent beyond this point. We are also likely to oppose in situations where the audit fee reduces materially from year to year.
- Remuneration. We will oppose where we see long-term pay schemes which are not genuinely long-term or give generous awards with unsatisfactory performance criteria. This leads us to oppose around 65-70% of pay resolutions in the US (ISS support the majority of these).
- We oppose any significant dilution of shareholders – typically anything more than 20% non-pre-emptive issuance is a problem, and significant pre-emptive issuance can also cause us concern.

Why invest in Equity Indexation with Aberdeen?

Investing in Equity Indexation with Aberdeen, this is investing in:

A solution that meets your needs

With more than £61.3 billion of assets under management as at 31 March 2025, our Equity Indexation team offers a wide range of building blocks that allow investors to implement their own long-term investment strategy. Whether they are looking for a broad exposure to a local, regional and global equity market, our range of Tracker Funds are there to answer their needs. Our investment approach is simple and transparent: our portfolio aims to track the risk and return profile of a specific index while minimising its tracking error.

A proven investment process

We place great emphasis upon risk management and controls and believe that our expertise and technology continue to place us at the cutting edge of the investment industry. It is through those that we are able to achieve tight tracking error in our portfolios and manage implementation cost effectively. Our track record in equity indexation demonstrates our expertise in managing efficiently portfolios that aim to replicate as closely as possible the risk and return profile of the index they track.

An experienced investment team

Our Equity Indexation team has been established since 2005 and is led by Oliver Wood-Clark, Head of Equity Index Solutions. The team is made of a diverse group of talented individuals who have developed their skills through different economic cycles and gained a solid expertise in managing portfolios tracking market cap indices, non-market cap indices, proprietary and third-party sustainable indices. The team has also benefitted from a very low turnover since inception and demonstrated over the years a true culture of innovation.

A strong client cultures

Aberdeen is committed to service excellence, aiming not just to achieve investment objectives but exceed expectations on all fronts. Similar to our investment philosophy, we adopt a team approach to servicing clients. All accounts are assigned a Client Relationship Manager who is responsible for the overall relationship. Client-facing personnel work closely with the investment team, and are supported by in-house teams in various divisions. Having a team approach also allows us to be responsive to client queries and ensure that deliveries are consistently met at the highest standards.

A leading investment house

As long-term passive investor combined with the weight of our influence of being a large active manager, we act as responsible steward across all our equity portfolios. We exercise all voting rights and engage with management to encourage best practice and sustainability. We believe our efforts as active stewards helps to maintain and create value as we guide firms towards meaningful improvement in turn benefiting our clients as asset owners.

Contact Details

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United Kingdom	United Kingdom

Appendix – Biographies

Sean Phayre PhD Strath, Global Head of Quantitative Index Solutions

Sean Phayre is the Head of Quantitative Index Solutions at Aberdeen in Edinburgh and is tasked with the development and management of quantitative strategies and structured product capabilities in both Equities and Fixed Interest. Sean joined the company in 2005 as Head of the Quantitative Investment Group. Sean commenced his investment career at Edinburgh Fund Managers where he established a Quantitative Investment team, becoming Co-Head of Quantitative Equities and Derivative Strategies. Sean holds a BSc (Hons) in Mathematical Sciences, an MSc in Industrial Mathematics and a PhD in Statistics and Modelling Science, all from the University of Strathclyde. He also holds a Postgraduate Diploma in Investment Analysis from the University of Stirling. Sean is regular member of CFA UK.

Oliver Wood Clark, BA (Hons), Head of Equity Index Solutions

Oliver Wood-Clark is Head of Equity Index Solutions within the Quantitative Index Solutions team, responsible for managing passive equity portfolios. Oliver joined the company in 2009 as an Analyst within the Proxy Voting team, before joining the Equity Indexation team in 2010. Oliver graduated with a BA (Hons) in Economics from the University of Stirling and holds the Investment Management Certificate.

Sean Macrae, CFA, BSc, Senior Quantitative Investment Manager

Sean Macrae is a Quantitative Investment Manager within the Quantitative Index Solutions team, responsible for the day-to-day management of passive equity portfolios as well as wider research into index strategies. Sean joined the Aberdeen Graduate Programme in 2012 during which he spent time in multiple teams within Multi Asset, Private Equity, Credit Research and Investment Strategy. Sean graduated with a BSc in Economics and Mathematics from the University of St Andrews and is a CFA charterholder.

Mike Scott, MA (Hons), Quantitative Investment Manager

Mike Scott is a Quantitative Investment Manager within the Quantitative Index Solutions team, responsible for managing the development, implementation of passive equity portfolios management process. Mike joined Aberdeen as a Data Management Analyst in 2013, before joining the Equity Indexation team in 2016. Prior to moving into the Quantitative Investment team Mike worked within Data Management at Aberdeen. Mike graduated with a MA (Hons) in Accounting and Finance from Heriot-Watt University.

Cathal Hone, BSc (Hons), Quantitative Investment Manager

Cathal Hone is a Quantitative Index Solutions Manager within the Quantitative Index Solutions Team at Aberdeen, working on the day-to-day management of the passive funds. He joined the company in 2011, initially working in the Data Management team. Before moving to the Quantitative Investment team, Cathal worked as an Investment Manager for the Implementation Team within Multi Asset at Aberdeen. Cathal holds a BSc (Hons) in Finance from the University of Dundee and holds the Investment Management Certificate. Cathal holds a BSc (Hons) in Finance from University of Dundee. He is also IMC Qualified.

Russell Hunter, MSc, Assistant Quantitative Investment Manager

Russell Hunter is an Assistant Investment Manager within the Quantitative Index Solutions team, responsible for managing the development, maintenance and implementation of passive equity portfolios. Russell joined Aberdeen in 2010 from BNY Mellon where he worked in box management. Prior to joining the Quantitative Index Solutions team in January 2015, Russell held a senior officer position within the Middle Office Trade Support desk at Aberdeen. Russell holds an MSc in Business and Finance from Heriot-Watt University, a BA (Hons) in Communication from Napier University as well as the Investment Management Certificate.

Lorna Meek, Senior Portfolio Implementation Specialist

Lorna Meek is a Portfolio Implementation Specialist within the Quantitative Index Solutions team and is responsible for the cash management and governance of our passive equity portfolios as well as supporting the Quantitative Business Management function on projects representation. Lorna joined Aberdeen in 1997 as a Technical Specialist within Operations, focusing primarily on Cash related projects. Lorna has significant experience in Investment Operations, having held a number of roles in Middle Office functions, prior joining the Equity Indexation team in 2015.

Josh Bew, BSc, Assistant Quantitative Investment Manager

Josh Bew is a Portfolio Implementation Specialist in the Quantitative Index Solutions team, responsible for the cash management of our passive equity portfolios. Josh joined the Aberdeen Graduate Programme in 2017 during which he spent time in multiple teams within the IT Change and Complex Asset Pricing function. Josh graduated with a BSc in Mathematics from the University of York and finished top of the class in Financial Mathematics. Josh is a CFA charterholder.

Disclaimer



Please note that the information in this document may be subject to change. This document, in part, describes some of the procedures and systems of internal management and control of Aberdeen that were in place at the time of writing. These are constantly under review, and therefore future systems of management and control within Aberdeen may differ from those set out in this document. Opinions rendered on any particular economic scenario are solely opinions and are not meant to be construed as fact. Consequently, although this document is provided in good faith, it is not intended to create any legal liability on the part of Aberdeen, and does not in any way vary the terms of any relevant investment management agreement. The statements contained in this paragraph do not affect Aberdeen's obligation to its customers under the rules of the Financial Conduct Authority in the UK.

The past performance is not an indication of future results. The value of investments and the income from them can go down as well as up and investors may get back less than the amount invested.

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* Aberdeen means the relevant member of Aberdeen Group, being Aberdeen Group plc together with its subsidiaries, subsidiary undertakings and associated

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