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# Global High Yield: The Critical “Third” Asset Class

September 17<sup>th</sup>, 2015

**Robert Friebel – Senior Investment Manager**

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# Your Presenter

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**Robert Friebe**  
Senior Investment Manager

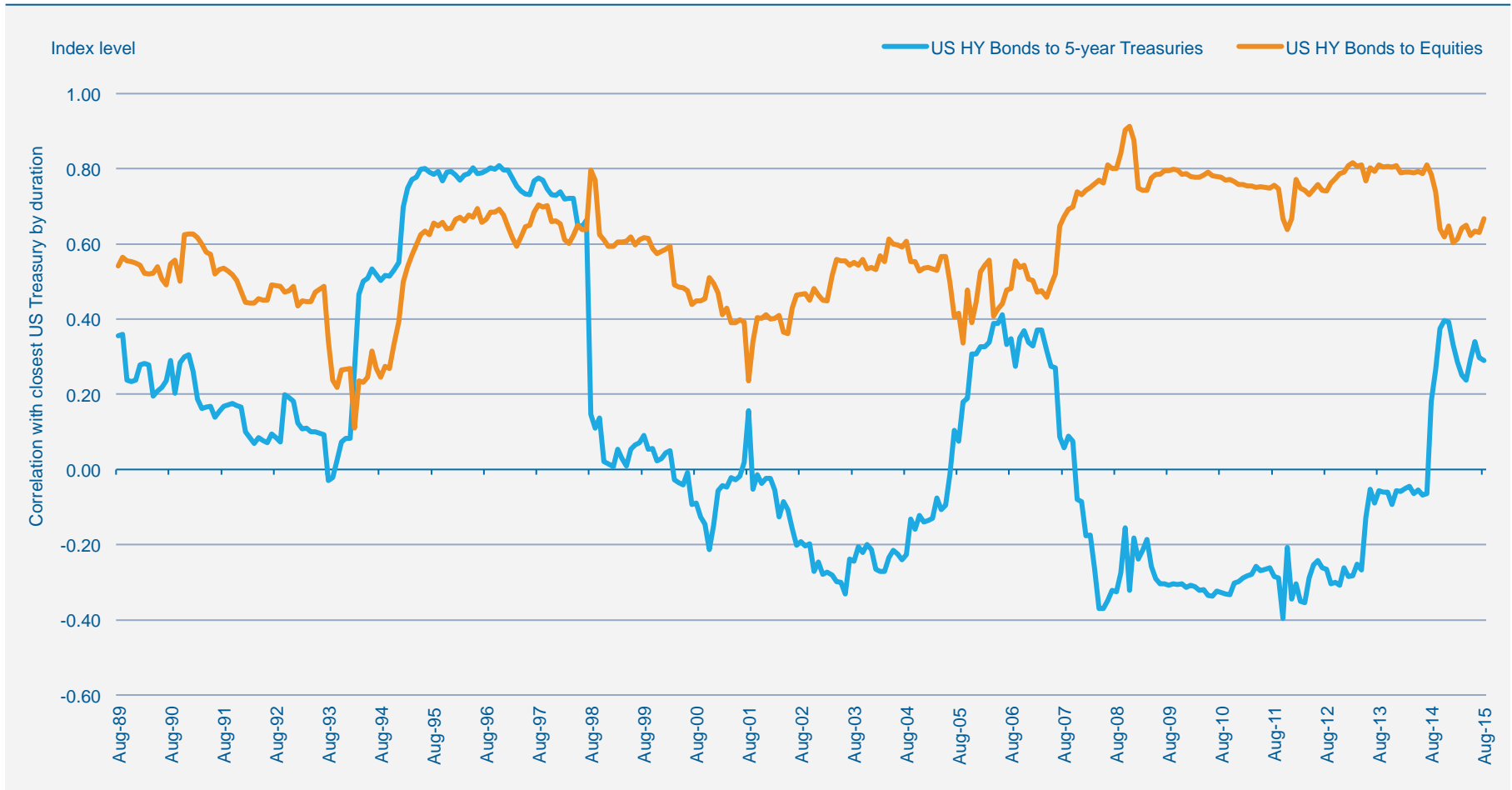
## Why is high yield the “third” asset class?”

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We at Aberdeen believe high yield exhibits characteristics of both equities and high grade bonds and that this unique set of traits provides investors with the opportunity to capture the majority of upside inherent in equities while providing substantial bond-like risk protection.

# Talks like a bond, acts like an equity

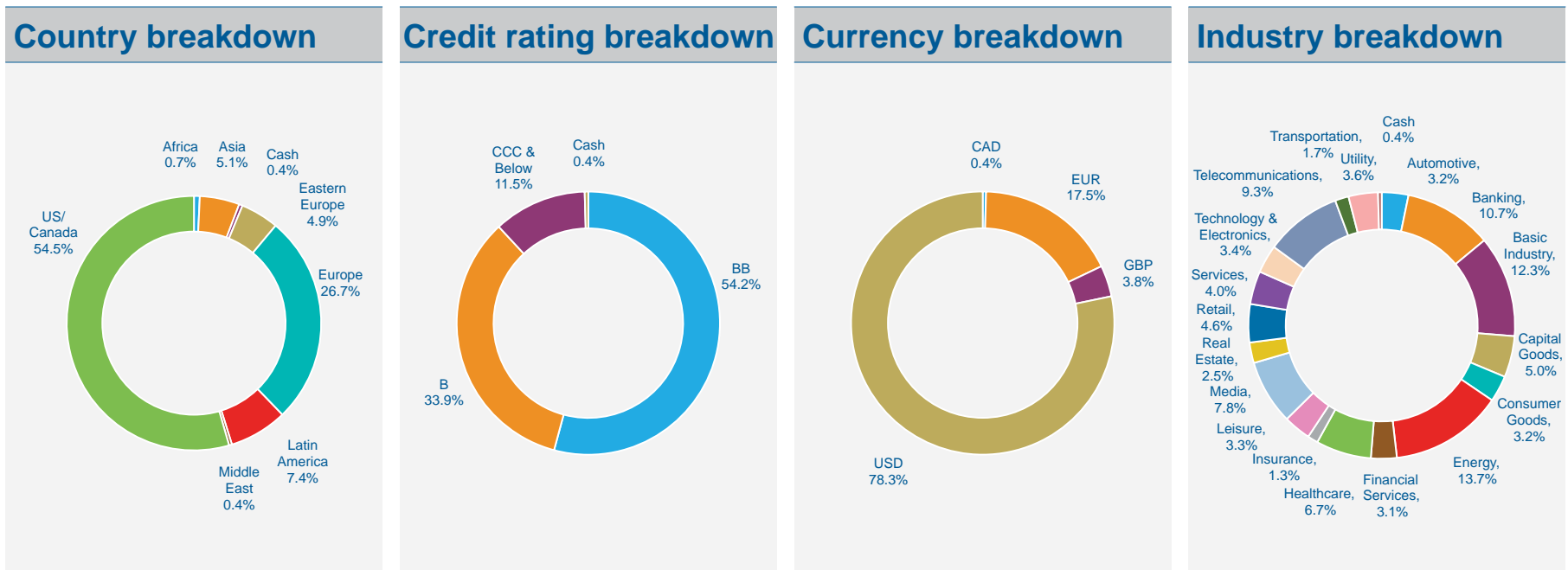
U.S. high yield bonds historically have showed a higher correlation\* to equities than 5-year U.S. Treasuries



\*Rolling 3-year correlations  
 Sources: BofA Merrill Lynch, Barclays, 31 Aug 15  
 For illustrative purposes only

## Defining the “third” asset class

# Bank of America Merrill Lynch Global High Yield Constrained Index

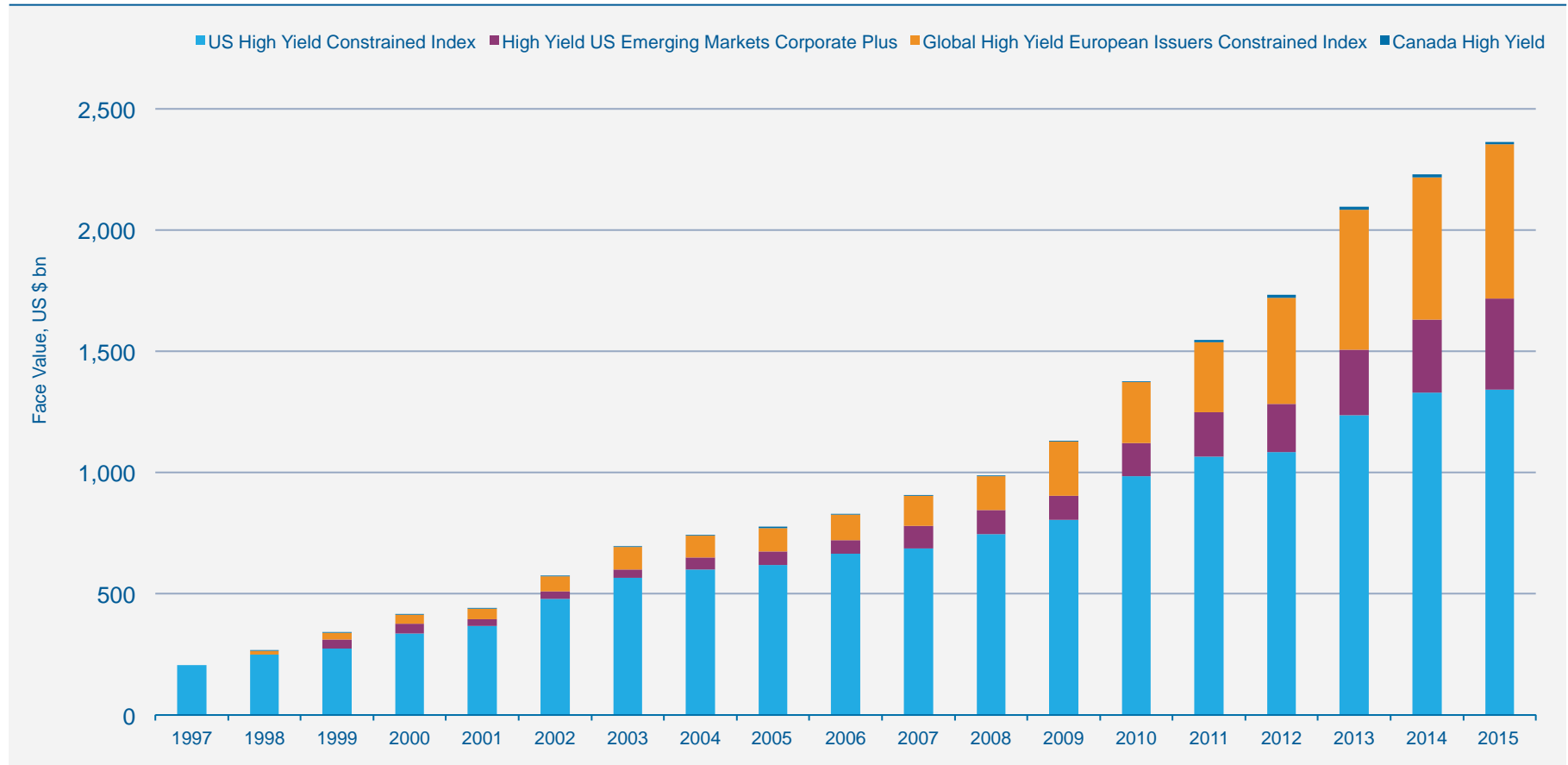


- 80 countries, 1736 issuers, 3688 issues
- Includes both developed and emerging markets
- Market value: US \$2,102 bn, modified duration: 3.95 yrs, YTW: 7.14%

Source: BofA Merrill Lynch, 31 Aug 15  
 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-  
 Diversification does not ensure a profit or protect against a loss in a declining market. Figures may appear not to add due to rounding. For illustrative purposes only

# Exponential growth in global high yield over past 17 years

Non-U.S. high yield is 48% of global markets and growing.



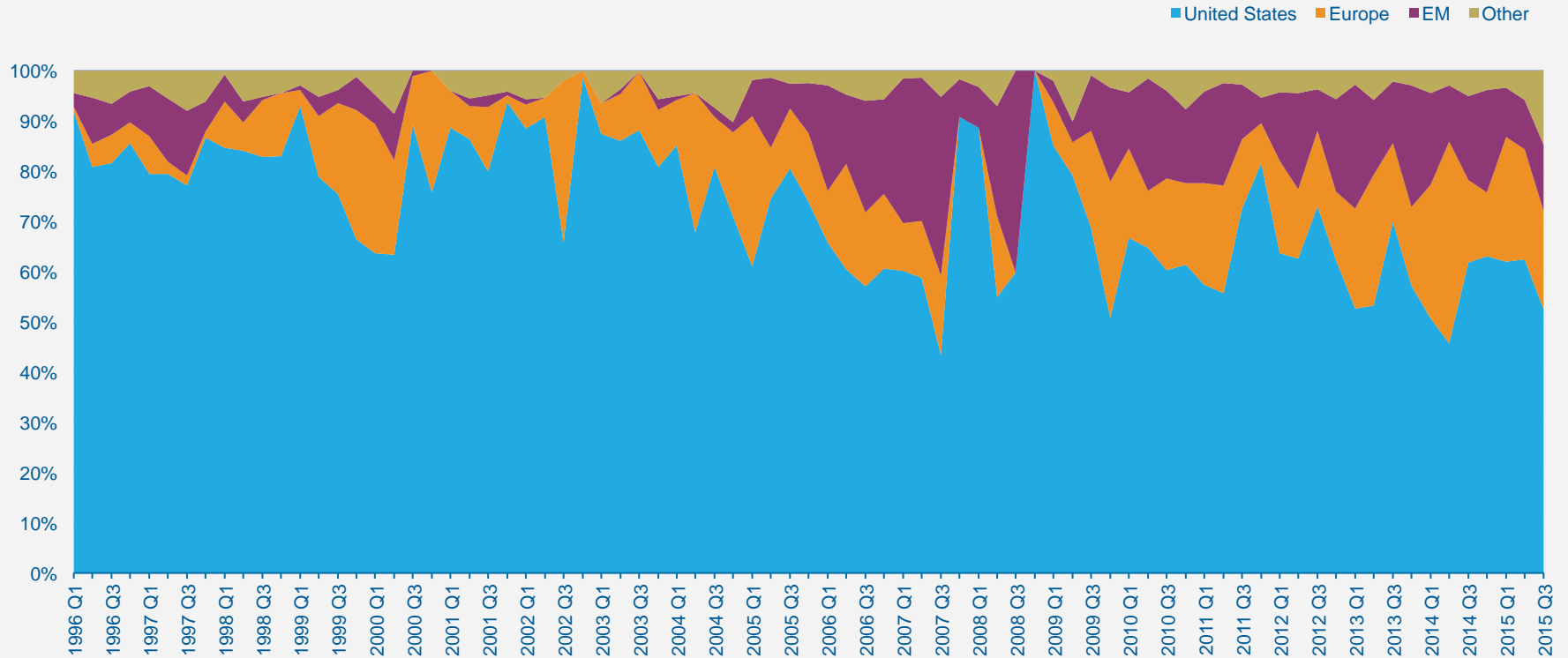
Source: Source: BofA Merrill Lynch Global Research, 31 Aug 15. **Past performance is not an indication of future results** Performance of the index above is not indicative of the performance of the fund. For more information, please visit [aberdeen-asset.us](http://aberdeen-asset.us)  
For illustrative purposes only



# Global new issuance has been steady

Since 2008, on average 35% of new issuance comes from outside the U.S.

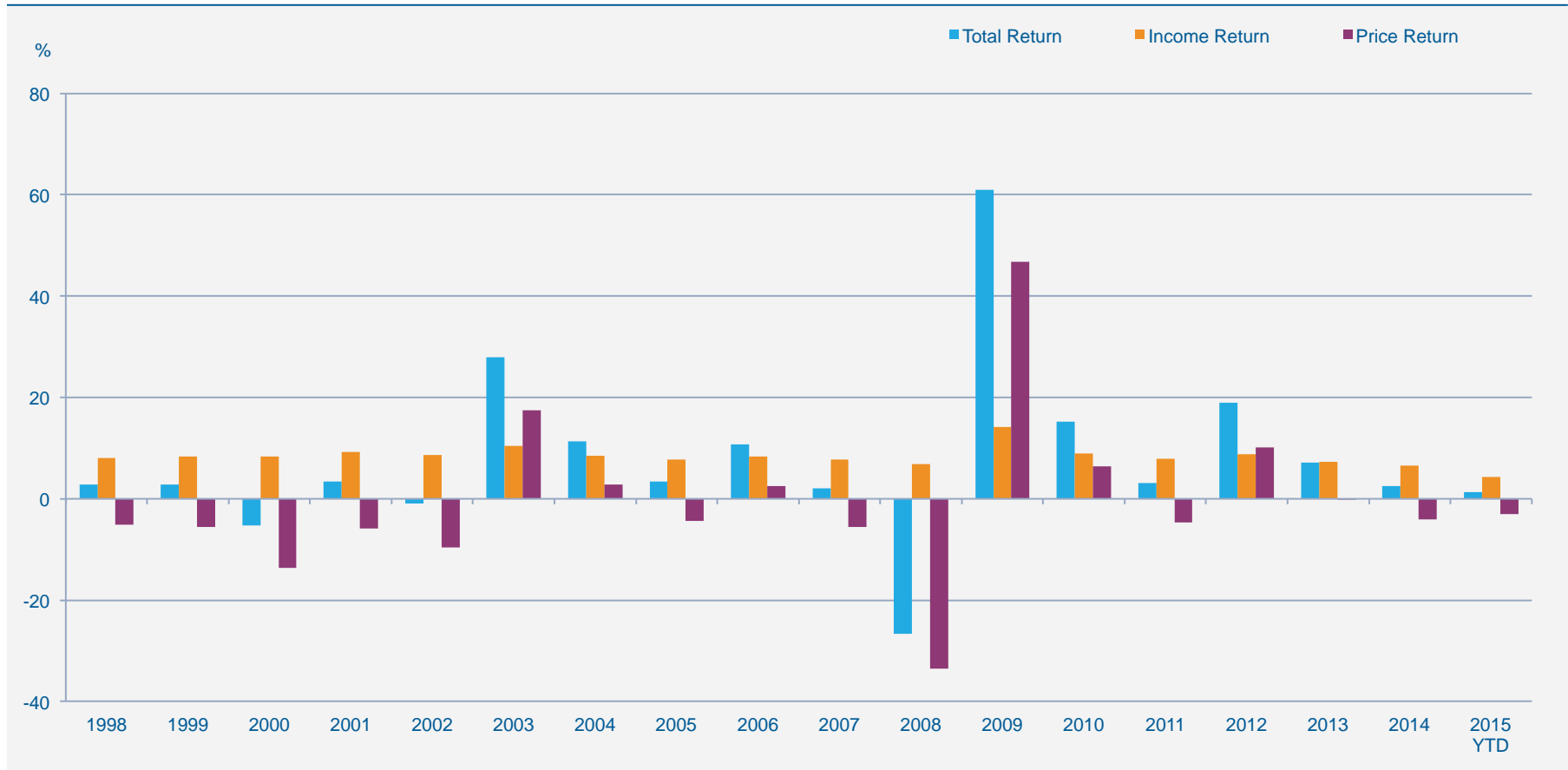
## New issuance by region as percent of global issuance



Source: BofA Merrill Lynch, 31 Aug 15  
Global issuers with bonds issued in all currencies. US dollar equivalents. For illustrative purposes only.

# Income matters

Global high yield has been providing positive income-driven returns over the years



Source: Source: BofA Merrill Lynch Global Research, 31Aug 15. **Past performance is not an indication of future results** Performance of the index above is not indicative of the performance of the fund. For more information, please visit [aberdeen-asset.us](http://aberdeen-asset.us)

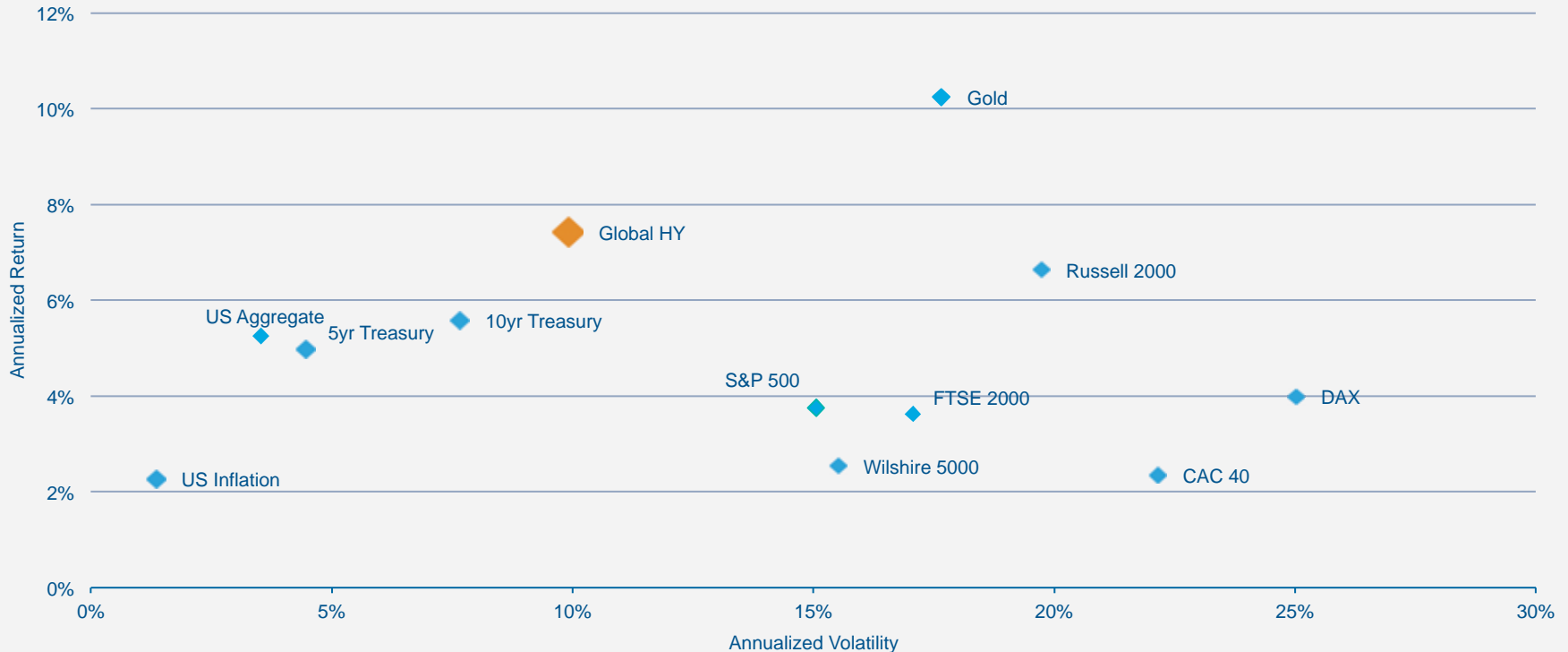
The above data represents: (HWOC) BofA Merrill Lynch Global High Yield Constrained Index

For illustrative purposes only

# Attractive risk return characteristics

Global high yield returns are compelling relatively to other asset classes

## 15 year period to 31 Aug 15



Source: Bloomberg, 31 Aug 15. **Past performance is not an indication of future results**

Global HY: The BofA Merrill Lynch Global High Yield Constrained Index, Investment Grade: The BofA Merrill Lynch US Corporate Index, Gold: Generic 100 oz. Gold Futures Contract (ticker is GC1)

Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected

Individuals cannot invest directly in an index.. For illustrative purposes only Performance of the index above is not

indicative of the performance of the fund. For more information, please visit [aberdeen-asset.us](http://aberdeen-asset.us)

US treasuries are backed by the full faith and credit of the US government

**Historically higher returns with lower risk compared to equities**

## Why own the “third” asset class now?

# Real return opportunity in high yield market

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“Research has shown that over the long term, going back at least to the 1960s, high-yield bonds in general have tended to produce annualized returns of about 4% a year above inflation”.

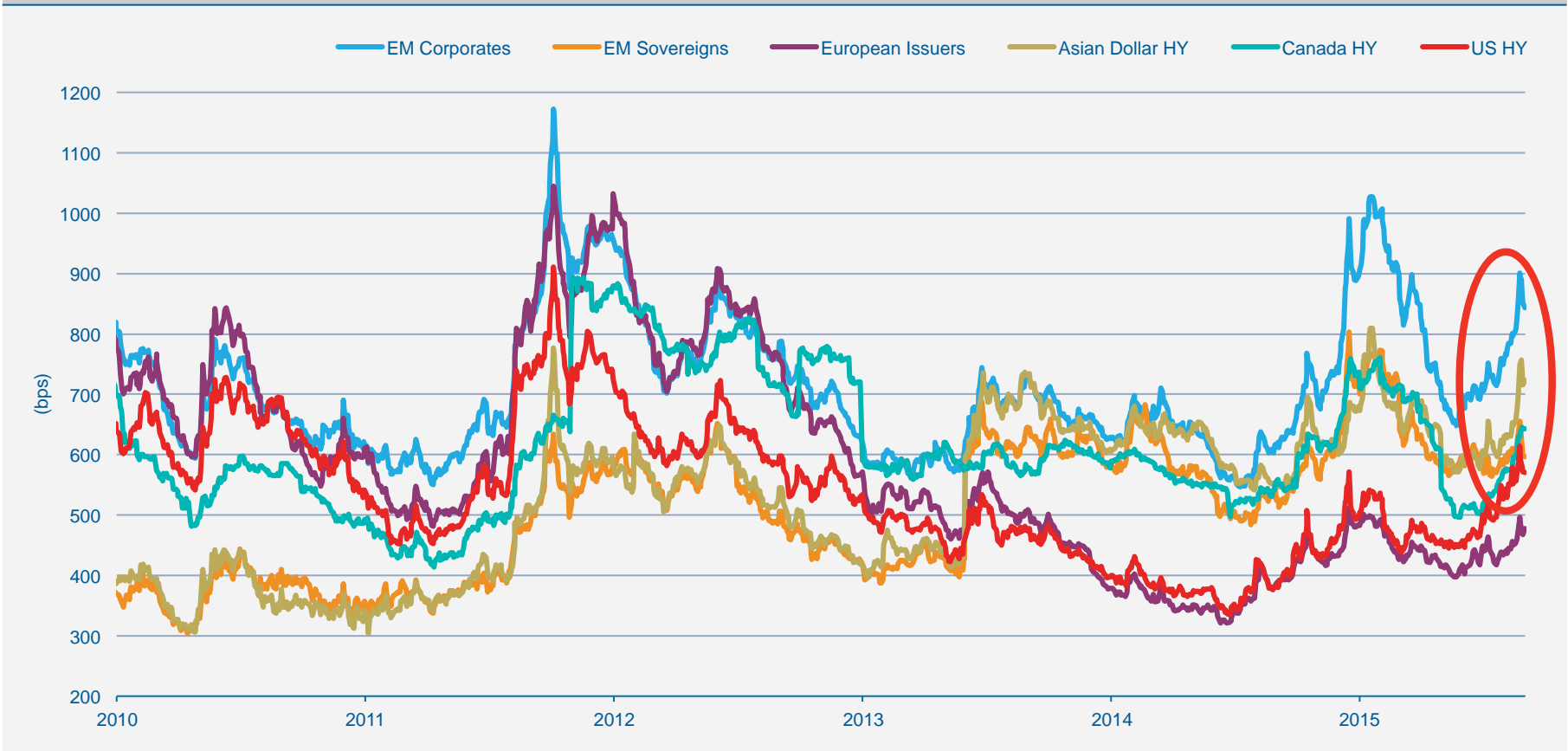
Today investors are receiving a 50% premium above that long term average.

Source: Aberdeen Asset Management; Brett Arends, “Junk bond market: Danger ahead, “Market Watch”, 8 Sep 15

# Global high yield market valuations

Finding value in some Non-U.S. high yield markets

## Option adjusted spreads – 1/10-8/15



Source: BofA Merrill Lynch Index System, 31 Aug 15

EM Corporates (EMUH), EM Sovereigns (IG00), European Issuers (HQ0C): The BofA Merrill Lynch Global High Yield European Issuers Constrained Index

Asian Dollar HY (ADHY): The BofA Merrill Lynch Asian Dollar High Yield Index, Canada HY (HC00), US HY (HUC0)

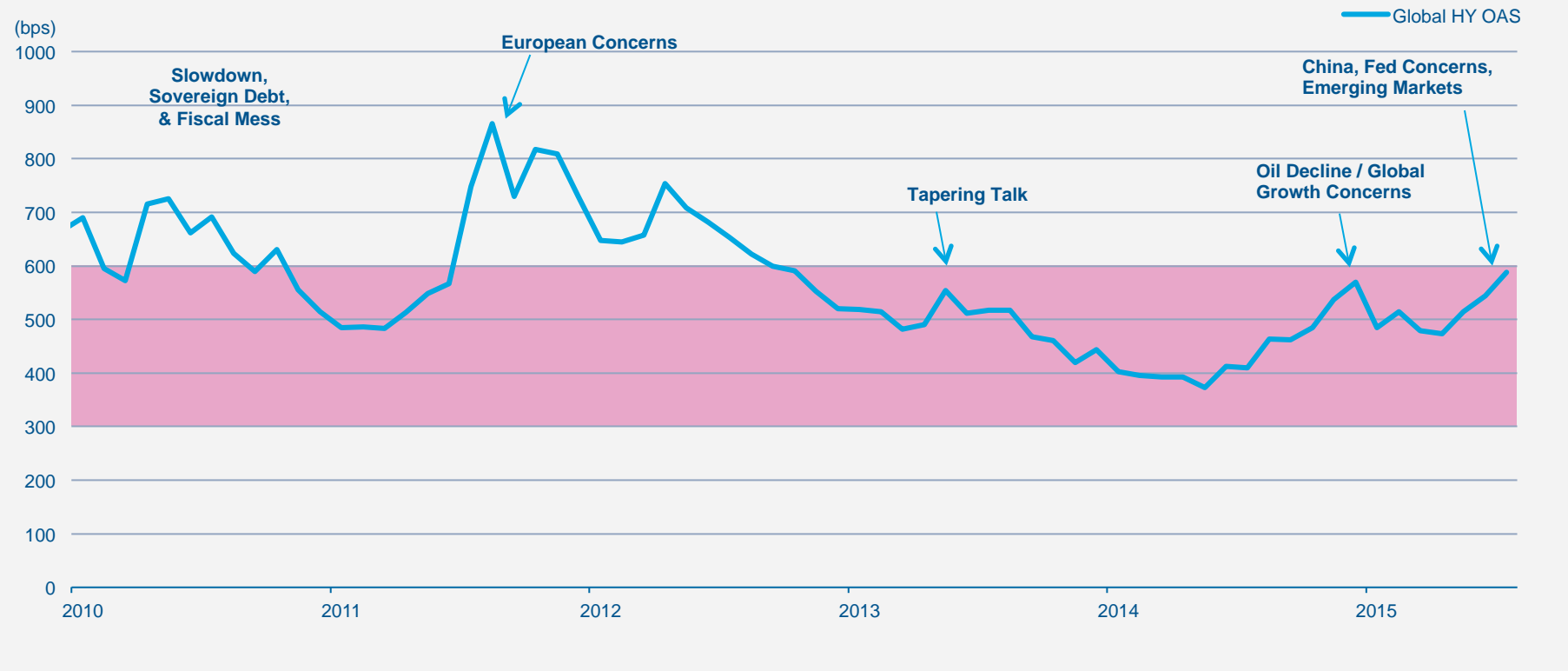
For illustrative purposes only

# Option adjusted spreads – At the upper end of our valuation range

High yield at current valuations is at almost 2x historical averages

## BofA Merrill Lynch Global High Yield Constrained Index

(Option adjusted spreads – 2/01/10 to 8/31/15)



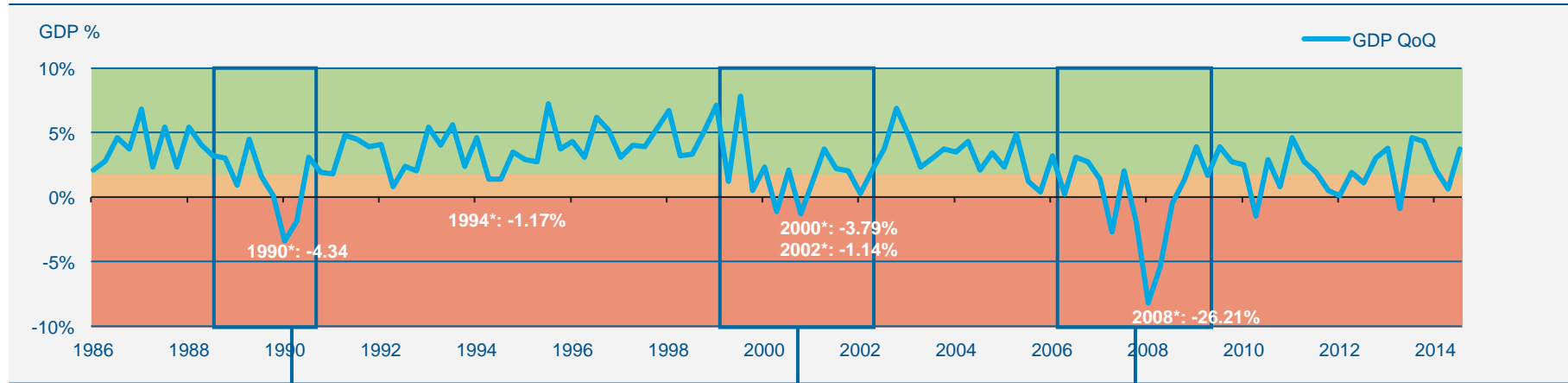
Shaded region represents Aberdeen's fair valuation range

Sources: Bloomberg, 31 Aug 15

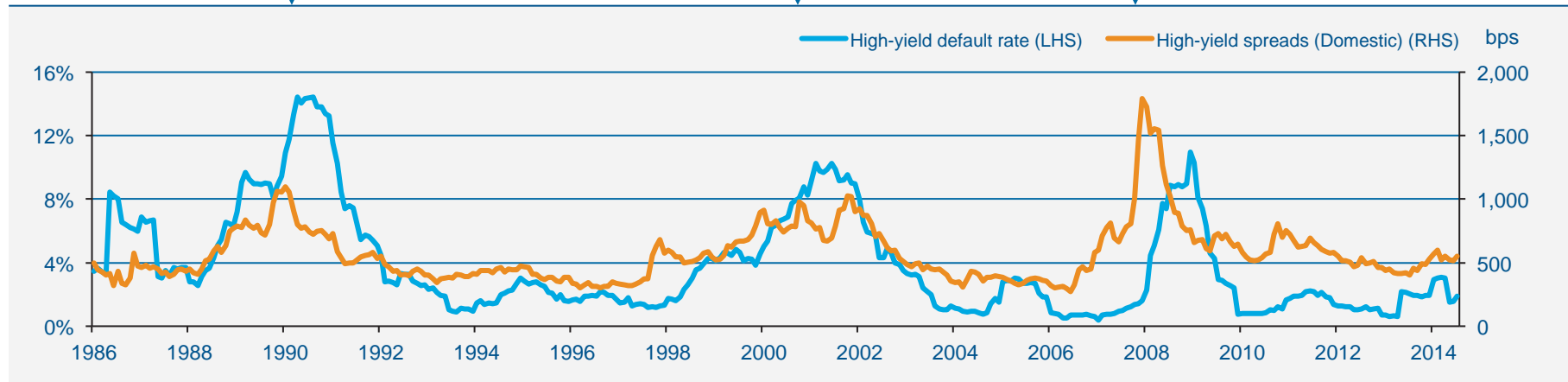
For illustrative purposes only

# Economic growth is the foundation for improving or deteriorating credit fundamentals

## Roadmap for high yield Investing



\* Positive returns for 25/29 years



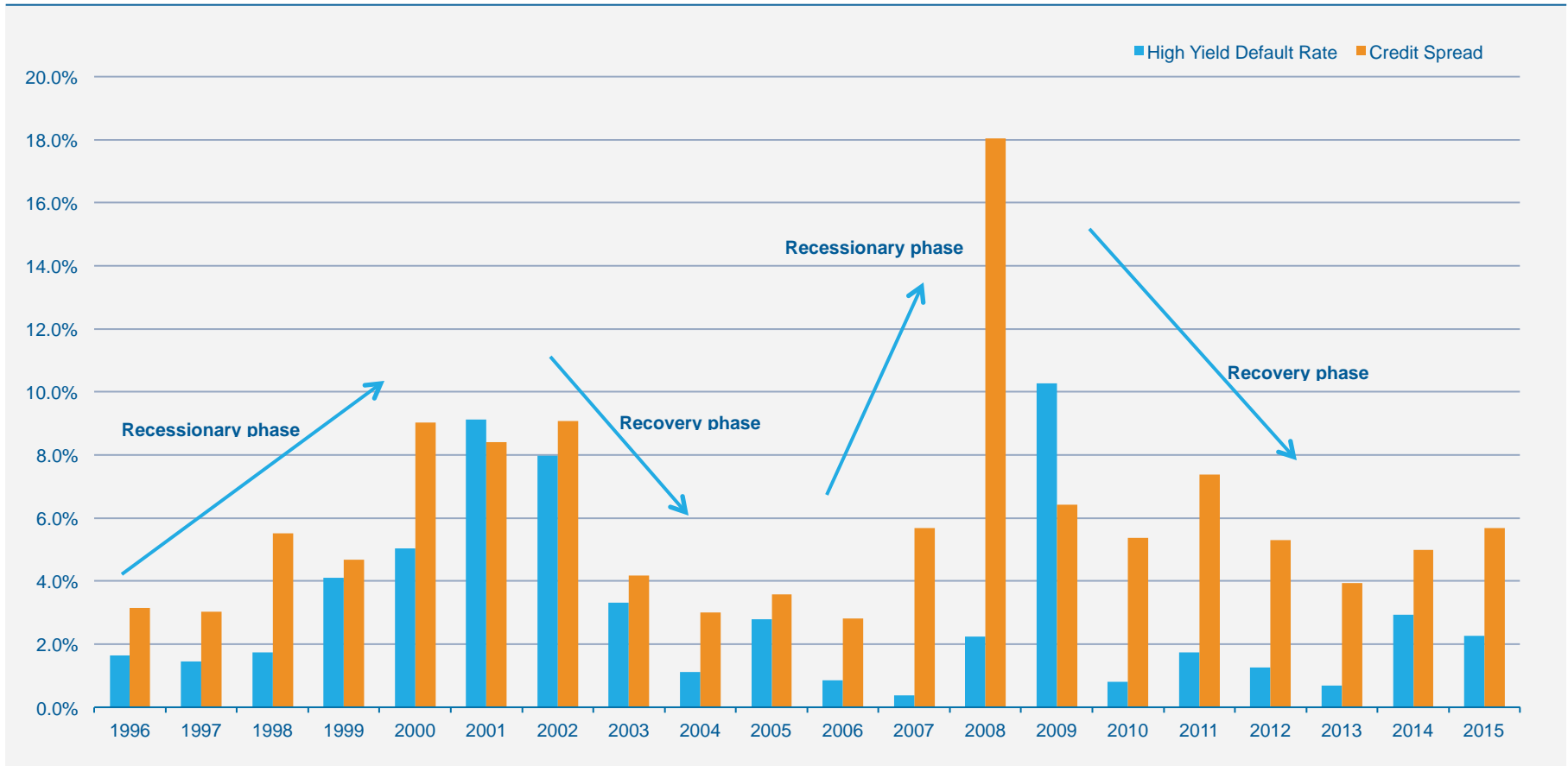
\* BofA Merrill Lynch US Cash Pay High Yield Index

For illustrative purposes only

Source: Aberdeen Asset Management Inc., Bloomberg, JP Morgan, 30 Jun 15



# Growth cycle a strong indicator of credit fundamentals



Source: BofA ML US High Yield Constrained Index, Moody's Investor Service, 31 Aug 15

Note: HY Default Rate from JPM Default Monitor

For illustrative purposes only

# Attractive diversification dynamics

Correlation of global high yield versus other asset classes 12/31/2002 – 8/31/2015

	Global High Yield	US Equities	US Investment Grade	International Equities
Global High Yield	1.00	0.70	0.24	0.76
US Equities	0.70	1.00	0.01	0.87
US Investment Grade	0.24	0.01	1.00	0.10
International Equities	0.76	0.87	0.10	1.00

Source: BofA Merrill Lynch Global Research, USD, Hedged, 31 Aug 15  
Correlation Matrix 12/31/2002 - 8/31/2015

Attribute=Total Return Percentage, gross of fees, Frequency=Monthly  
Global HY: The BofA Merrill Lynch Global High Yield Constrained Index  
US Equities: S&P 500 Index

US Investment Grade: The BofA Merrill Lynch US Corporate Index  
International Equities: MSCI AC World ex US Index

Hypothetical positions are used here and actual markets conditions may have a different impact on the portfolio  
Diversification does not ensure a profit or protect against a loss in a declining market. For illustrative purposes only

## Addressing perceived risks

# Negative articles continue to dominate headlines

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**Carl Icahn's Warning About the High Yield Market Bubble**  
Market Realist, May 15, 2015

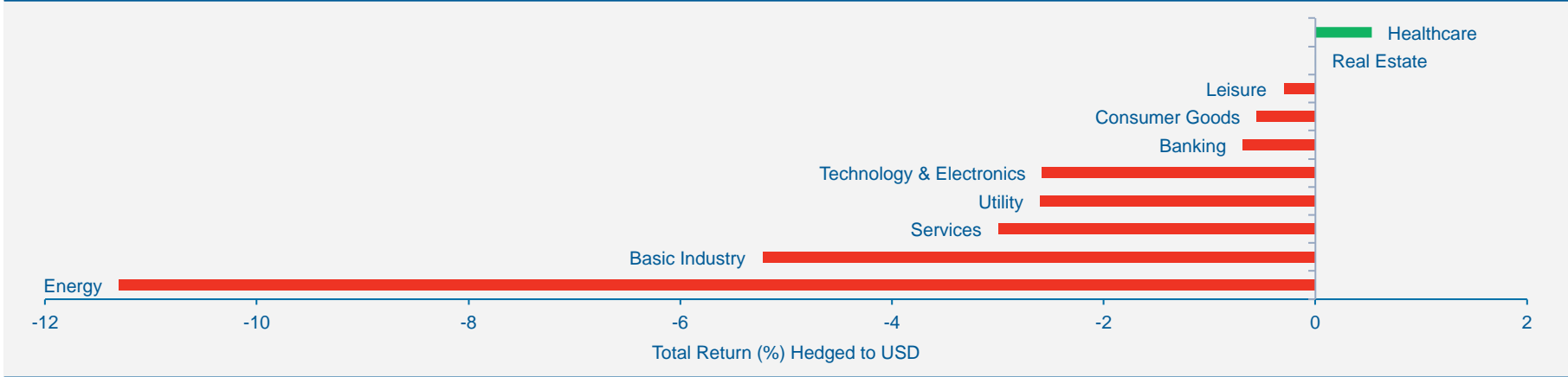
**Wall Street Sees Junk Bond Collapse, Prepares to Profit from it**  
Zero Hedge, Aug 13, 2015

**Junk Bond Market: Danger ahead**  
Market Watch, Sept 8, 2015

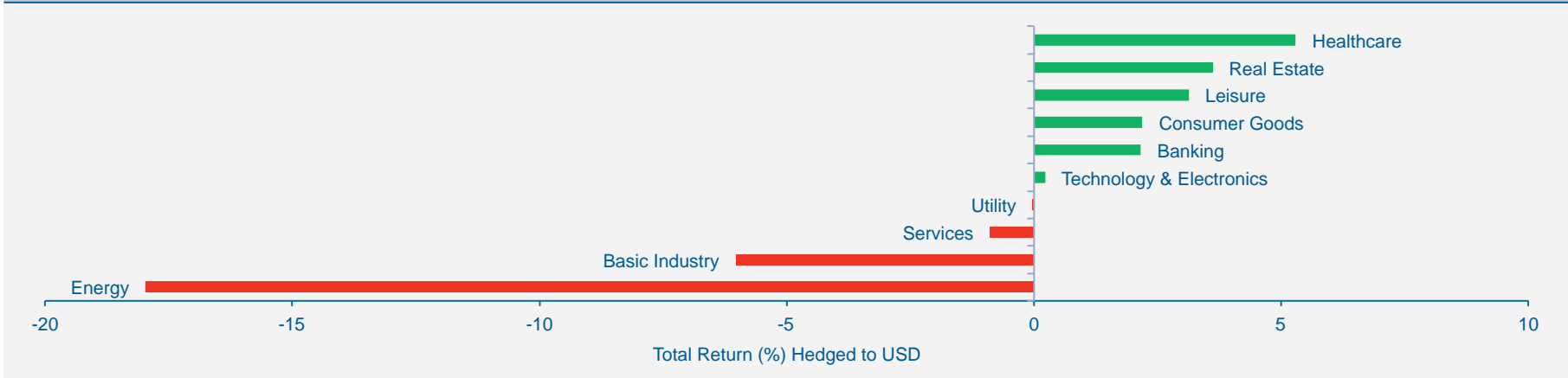
**Yet another measure of risk in junk-bond market flashing red**  
Market Watch, Sept 8, 2015

# Not all is bad in global high yield

## Trailing 3-months



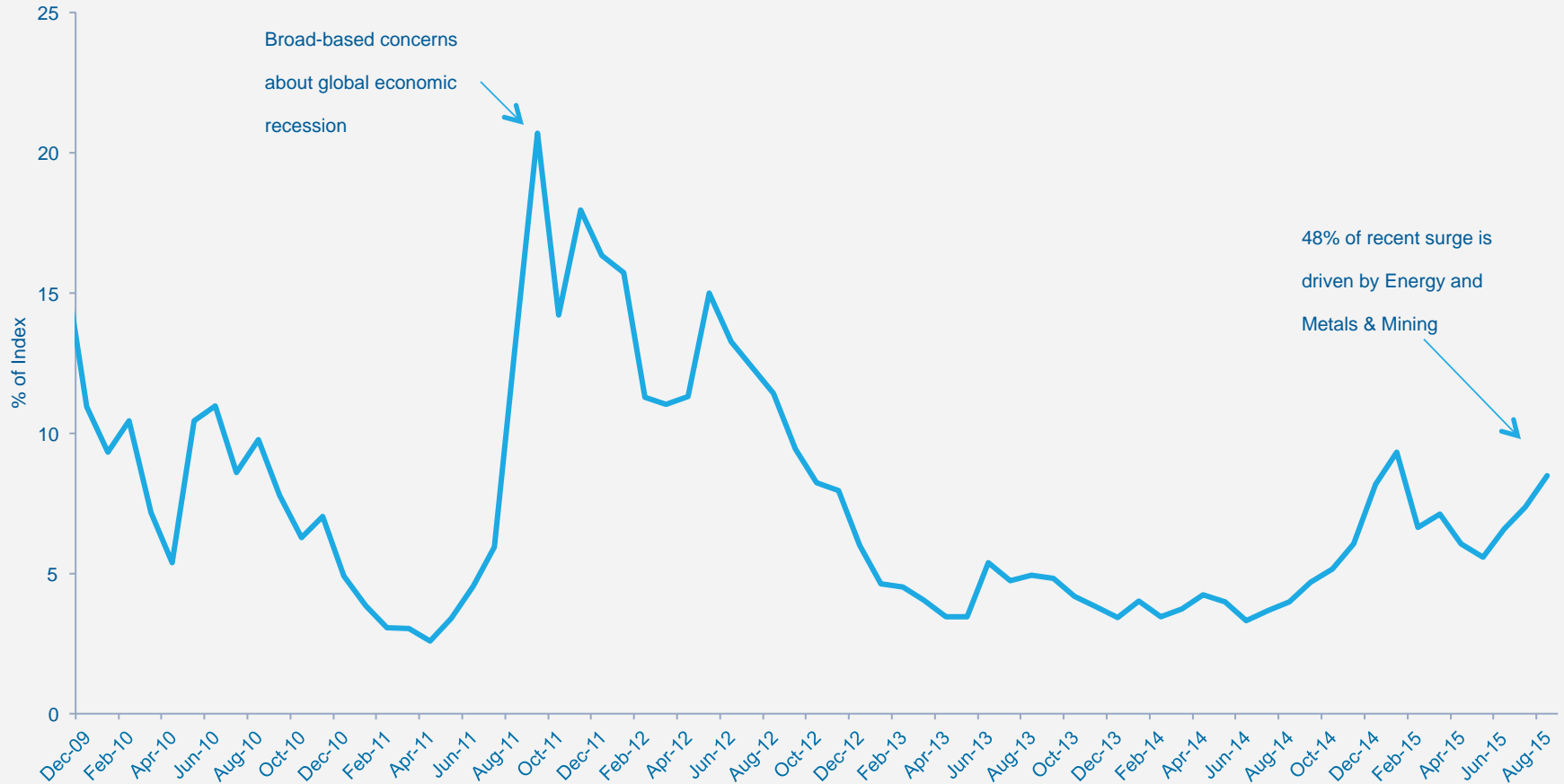
## Trailing 12-months



Source: BofA Merrill Lynch, 31 Aug 15 **Past performance is not an indication of future results** Performance of the index above is not indicative of the performance of the fund. For more information, please visit [aberdeen-asset.us](http://aberdeen-asset.us)

# 9% of Global high yield index trading at distressed levels

## Percentage of global high yield index trading at an option adjusted spread of above 1000



Source: BofA Merrill Lynch, 31 Aug 15  
For illustrative purposes only

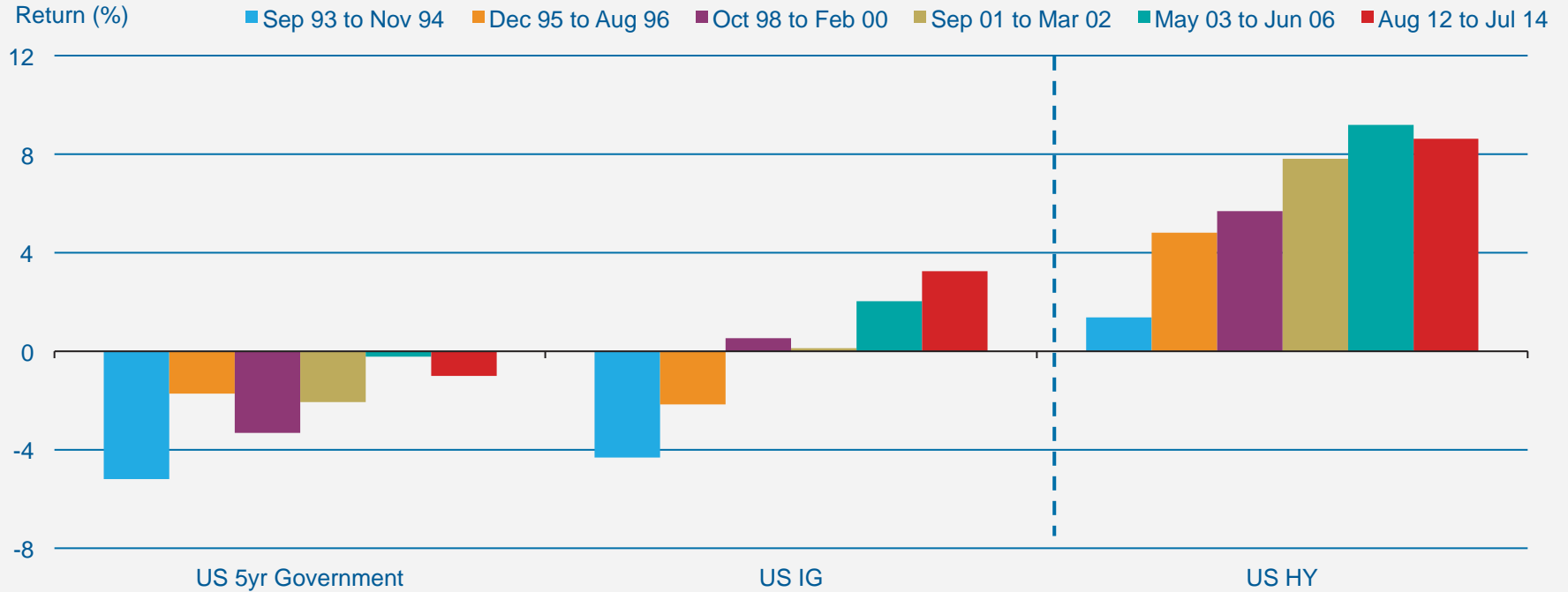
# This says it all...



"I sort of envy that guy — interest rates don't bother him a bit."

# High yield can protect from rising rates

## Total return (periods of five year treasury rates up by > 100bps)



Source: Bloomberg, BofA Merrill Lynch Current five year Index (GA05), BofA Merrill Lynch US Corporate Index (C0A0), CS Leveraged Loan Index (CS database) **Past performance is not an indication of future results** Performance of the index above is not indicative of the performance of the fund. For more information, please visit [aberdeen-asset.us](http://aberdeen-asset.us)

... Less sensitive to rates due to higher coupon and risk premium and low duration



# High yield performance surrounding a tightening cycle

<b>Rising Rate Period 1: February 4, 1994 - February 1, 1995</b>					
	<b>Calendar-year returns (before, during, after full period)</b>				
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	
Ending Fed Funds Rate	3.00%	5.50%	5.63%	7.00%	
US High Yield	17.18%	-1.17%	19.91%	11.06%	
Investment Grade Corporate	12.42%	-3.34%	21.55%	3.39%	
Five Year US Treasury	9.41%	-4.26%	16.93%	2.31%	
S&P 500	10.06%	1.31%	37.54%	22.91%	
<b>Rising Rate Period 2: June 30, 1999 - May 16, 2000</b>					
	<b>Calendar-year returns (before, during, after full period)</b>				
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	
Ending Fed Funds Rate	5.00%	5.25%	6.25%	1.25%	
US High Yield	3.66%	1.57%	-3.79%	6.21%	
Investment Grade Corporate	8.72%	-1.86%	9.14%	10.73%	
Five Year US Treasury	9.81%	-2.54%	11.88%	7.51%	
S&P 500	28.55%	21.03%	-9.10%	-10.92%	
<b>Rising Rate Period 3: June 30, 2004 - June 29, 2006</b>					
	<b>Calendar-year returns (before, during, after full period)</b>				
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Ending Fed Funds Rate	0.94%	2.25%	4.00%	5.38%	3.00%
US High Yield	27.23%	10.76%	2.83%	11.64%	2.17%
Investment Grade Corporate	8.31%	5.41%	1.97%	4.38%	4.64%
Five Year US Treasury	2.51%	2.4%	0.016%	2.81%	10.42%
S&P 500	28.66%	10.88%	4.91%	15.78%	6.30%
	<b>Investment Grade Corporate Index</b>		<b>US High Yield Index</b>		<b>Difference</b>
Annualized Return for Cumulative Period	6.39%		8.07%		1.68%

Source: Bloomberg, 2007. **Past performance does not guarantee future results**

Investment Grade Corporate: The BofA Merrill Lynch US Corporate Index, US High Yield: The BofA Merrill Lynch US Cash Pay High Yield Index Performance of the index above is not indicative of the performance of the fund. For more information, please visit [aberdeen-asset.us](http://aberdeen-asset.us)

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# Lower ouch factor

Global high yield typically less sensitive to interest rate movements than other fixed income sectors

Period	10-Year Treasury	Barclays Aggregate	Short-Term Corporates	High-Yield Bonds	Floating-Rate Loans	Convertible Bonds	S&P 500
9/30/1993 - 11/30/1994	-9.5	-3.8	1.8	1.4	13.4	-2.6	1.9
1/31/1996 - 8/31/1996	-5.4	-1.6	1.8	3.2	5.4	9.1	4.9
9/30/1998 - 1/31/2000	-5.6	-0.3	5.2	5.1	6.1	58.1	35.2
6/30/2005 - 6/30/2006	-5.0	-0.6	2.2	4.9	7.4	9.0	7.9
12/31/2008 - 12/31/2009	-4.2	5.6	14.8	58.9	39.4	50.7	28.3
8/31/2010 -3/31/2011	-2.3	-0.6	1.6	10.2	7.8	19.2	27.8
7/31/2012 - 12/31/2013	-7.2	-1.5	3.3	14.0	11.1	33.7	37.7

Color gradations range from worst performing (red) to best performing (green)

Source: Source: Morningstar, 30 Jun 15 **Past performance is not an indication of future results** Performance of the index above is not indicative of the performance of the fund. For more information, please visit [aberdeen-asset.us](http://aberdeen-asset.us)

Citi Treasury Benchmark 10 Yr USD

Barclays US Agg Bond TR USD

BofAML US Corps 1-3 Yr TR USD

BofAML US HY Master II TR USD

Credit Suisse Leveraged Loan USD

BofAML All Convertible All Qualities

S&P 500 TR USD

# Higher treasury yields typically offset by narrower spreads

From	To	10Y Treasury Yield	High-Yield Spread	SPX Price
Mar '88	Mar '89	+1.15%	–	+7.9%
Aug '89	May '90	+1.22%	+1.32 bp	-4.4%
Oct '93	Dec '94	+2.52%	-66 bp	-1.1%
Feb '96	Sep '96	+1.36%	-94 bp	+2.5%
Oct '98	Feb '00	+2.25%	-122 bp	+37.1%
Nov '01	Apr '02	+1.16%	-227 bp	+8.3%
Jun '03	Jun '04	+1.28%	-228 bp	+16.3%
Jul '05	Jul '06	+1.22%	-43 bp	+6.6%
Jan '09	Jan '10	+1.63%	-962 bp	+23.5%
Sep '10	Apr '11	+1.00%	-207 bp	+26.4%
May '13	Sep '13	+1.11%	+41 bp	+2.2%
<b>Median</b>		<b>+1.22%</b>	<b>-108 bp</b>	<b>+7.9%</b>

Source: Citi Research, Bloomberg, 31 Mar 15

Note: All periods are month beginnings

# Lower treasury yields typically offset by higher spreads

From	To	10Y Treasury Yield	High-Yield Spread	SPX Price
Oct '87	Mar '88	-1.44%	–	-16.8%
Mar '89	Aug '89	-1.49%	+138 bp	+19.8%
May '90	Feb '91	-1.02%	+358 bp	+4.0%
Jul '91	Jan '92	1.53%	+3 bp	+12.4%
May '92	Oct '92	-1.23%	+45 bp	+0.7%
Dec '92	Oct '93	-1.56%	-48 bp	+6.4%
Dec '94	Jan '96	-2.33%	+64 bp	+35.8%
Apr '97	Oct '98	-2.48%	+335 bp	+34.3%
Feb '00	Mar '01	-1.77%	+240 bp	-11.1%
Jul '01	Nov '01	-1.18%	+142 bp	-13.4%
Apr '02	Oct '02	-1.80%	+379 bp	-28.9%
Jul '07	Apr '08	-1.62%	+507 bp	-12.0%
Nov '08	Jan '09	-1.74%	+122 bp	-6.8%
Apr '10	Sep '10	-1.36%	+106 bp	-10.3%
Apr '11	Oct '11	-1.56%	+309 bp	-14.7%
<b>Median</b>		<b>-1.56%</b>	<b>+140 bp</b>	<b>-6.8%</b>

Source: Citi Research, Bloomberg, 31 Mar 15

Note: All periods are month beginnings

# What is priced into the high yield market

Ex-energy expected default rate is expected to be 1.5%, well below what's priced in

Global High Yield	
OAS	588bp
Less Premium For Liquidity	100bp
Implied Default Risk Premium	488bp
<b>Expected Default Rate <math>4.88/(1 - 0.40) = 8.13\%</math></b>	

Global High Yield	
OAS-Ex Energy	519bp
Less Premium For Liquidity	100bp
Implied Default Risk Premium	419bp
<b>Expected Default Rate <math>4.19/(1 - 0.40) = 6.98\%</math></b>	

Source: JPMorgan, Bloomberg, Aberdeen Asset Management, 3 Sep 15

# New thoughts on liquidity and lower recovery rates

Global High Yield	
OAS	588bp
Less Premium For Liquidity	200bp
Implied Default Risk Premium	388bp
<b>Expected Default Rate <math>3.88/(1 - 0.38) = 6.25\%</math></b>	

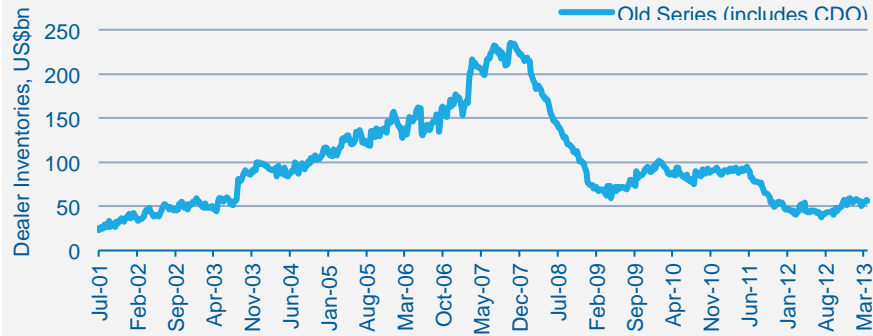
Global High Yield	
OAS-Ex Energy	519bp
Less Premium For Liquidity	200bp
Implied Default Risk Premium	319bp
<b>Expected Default Rate <math>3.19/(1 - 0.40) = 5.31\%</math></b>	

Source: JPMorgan, Bloomberg, Aberdeen Asset Management, 3 Sep 15

# Liquidity risk exaggerated? We think so...

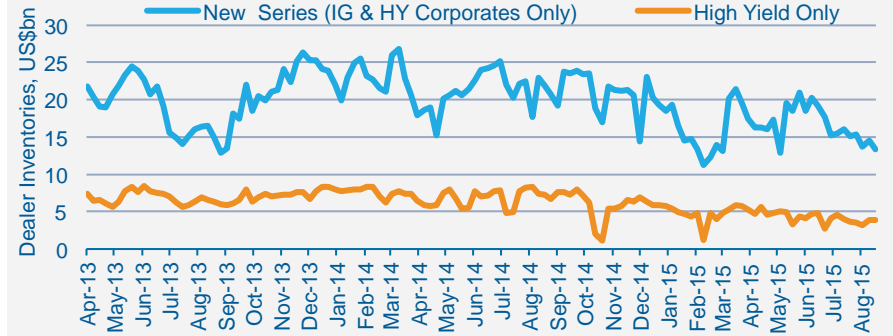
Markets historically not very liquid in global high yield

## Primary Dealer Positions in Corporate Securities (old)



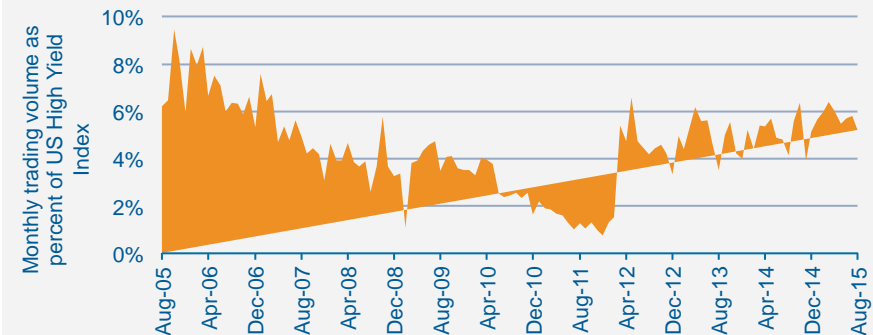
Source: Federal Reserve Bank of New York, 7 May 14

## Primary Dealer Positions in Corporate Securities (new)



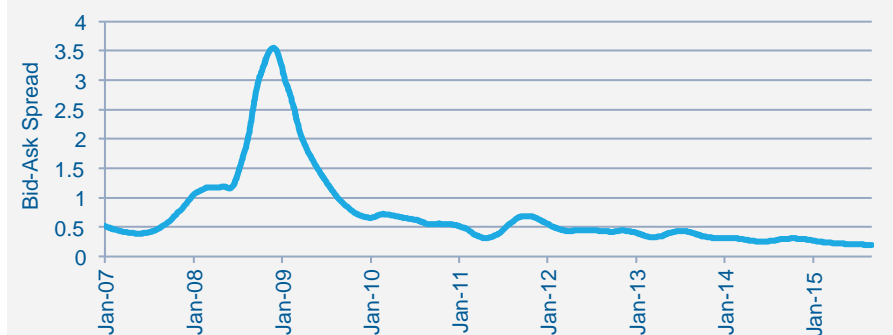
Source: Federal Reserve Bank of New York, 19 Aug 15

## High Yield US Corporate Bond Trading Volume as Percent of Index



Source: BofA Merrill Lynch Global Research, FINRA TRACE, 31 Aug 15

## MarketAxess High Yield Bid-Ask Spread

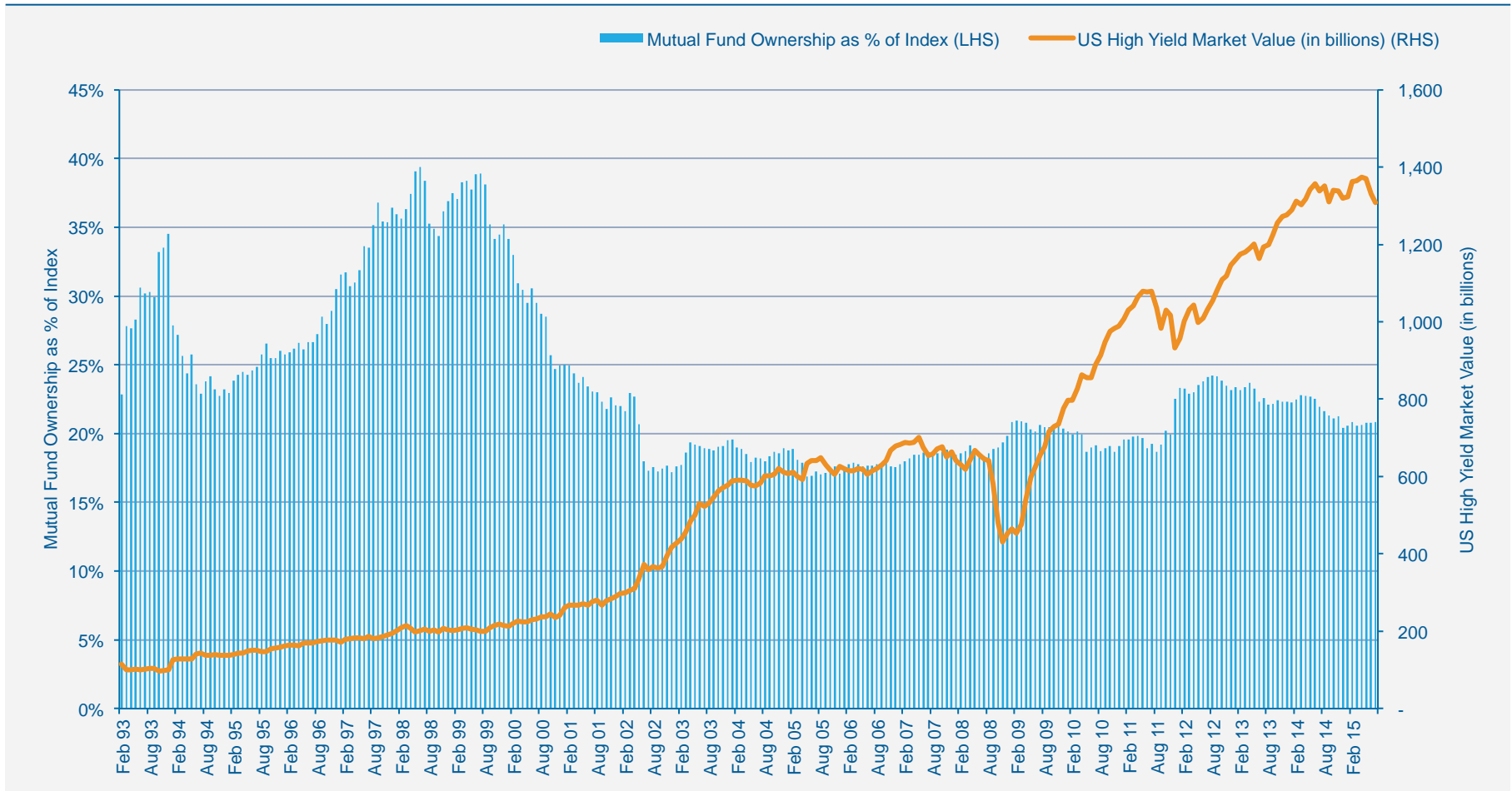


Source: MarketAxess, 31 Aug 15

The above data represents FINRA – BLP Active High Yield US Corporate Bond Index and the BofA Merrill Lynch US High Yield Constrained Index. For illustrative purposes only

# High yield mutual fund ownership over time

Mutual fund ownership not that significant in historical context



Source: Morningstar, BofA Merrill Lynch Global Research, 31 Jul 15. **Past performance is not indicative of future results**

The above data represents BofA Merrill Lynch US HY Cash Pay Index & Morningstar US Open-end High Yield Category and excludes ETFs, Money Market Funds, and Fund of Funds

For illustrative purposes only Performance of the index above is not indicative of the performance of the fund. For more information, please visit [aberdeen-asset.us](http://aberdeen-asset.us)



## Current Opportunities

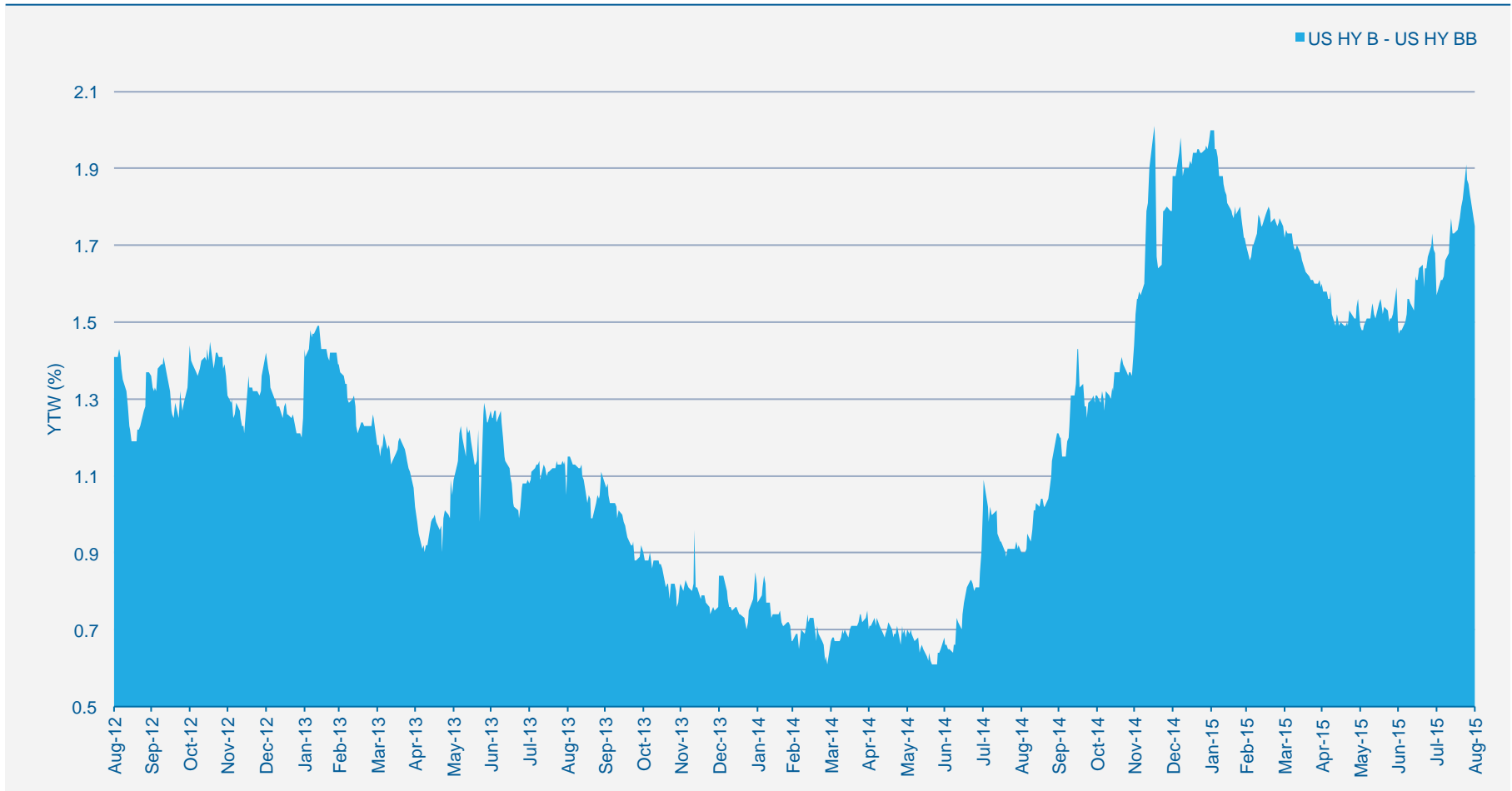
# Opportunities going forward

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- Fertile ground for credit picking
  - Specifically in single B space
- Energy
  - Wide dispersion in trading levels creates opportunities to find value
- EM
  - Selloff will create appealing entry points
- Loans
  - Approximately 14% of the strategy is in loans with an average YTW of 9.5%
- Europe
  - Underweight Europe but finding attractive opportunities

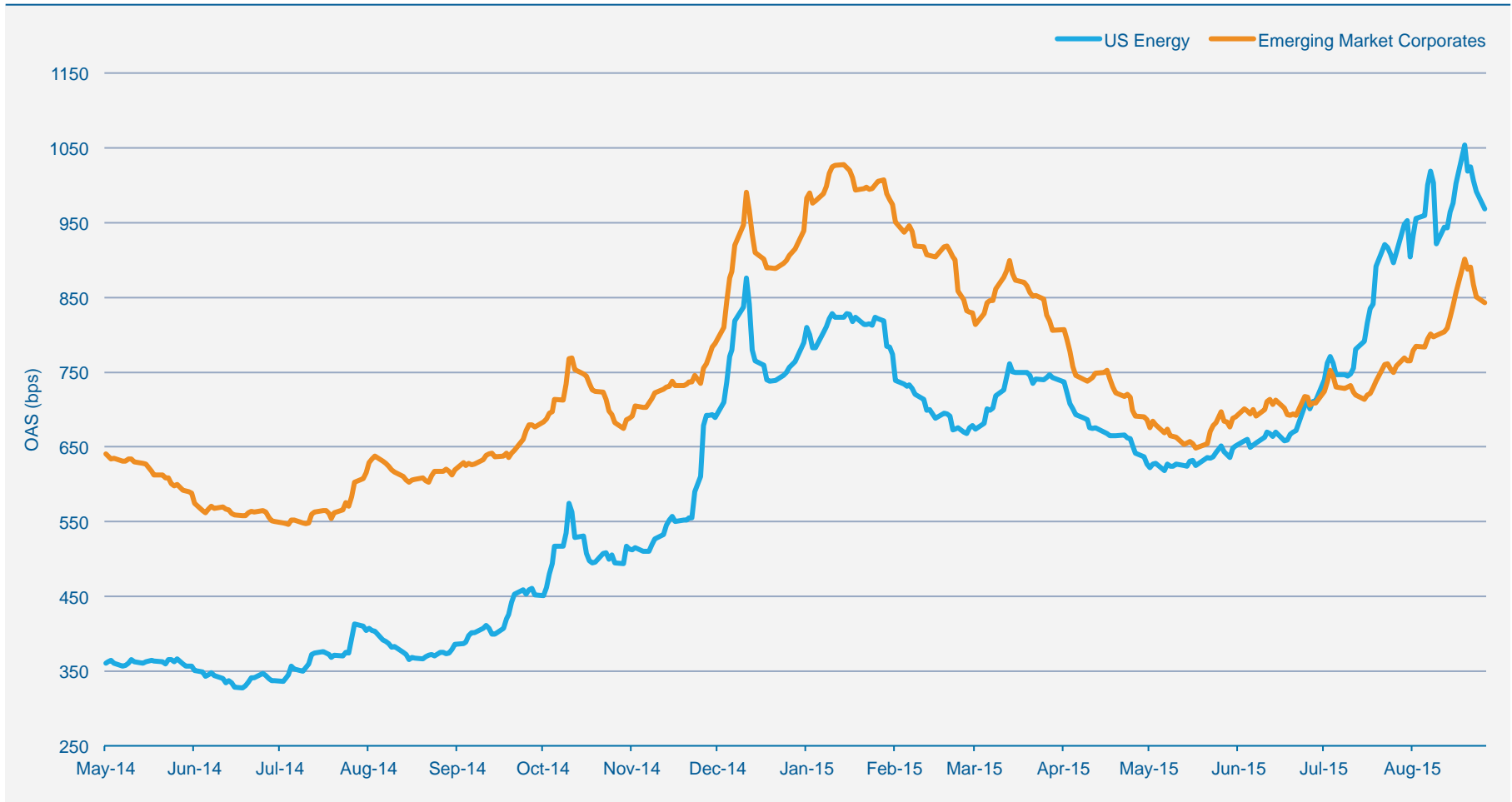
Source: Aberdeen Asset Management, Citi Research, Bloomberg, 31 Aug 15

# Single B to BB spread is the widest in 3 years



Sources: BofA Merrill Lynch, 31 Aug 15  
For illustrative purposes only

# US energy and emerging market corporate OAS spread



Source: BofA Merrill Lynch, 31 Aug 15  
 US Energy is represented by the BofA Merrill Lynch US High Yield Energy Index. Emerging Market Corporates are represented by the BofA Merrill Lynch US Emerging Markets Corporate Plus Index. For illustrative purposes only

# High yield energy sector default rate sensitivity analysis

Current valuations are consistent with lower for longer oil prices

Case	Scenario	Annual Default Rate			Average	Cumulative
		2015	2016	2017		
<b>Modest Recovery</b>	<b>\$55 oil, \$2.75 gas</b>	<b>4.6%</b>	<b>3.8%</b>	<b>11.6%</b>	<b>6.7%</b>	<b>20.0%</b>
% Services		24.3%	70.3%	53.7%		
% E&P		75.7%	29.7%	46.3%		
<b>Spot Market</b>	<b>\$45 oil, \$2.75 gas</b>	<b>4.6%</b>	<b>6.4%</b>	<b>18.6%</b>	<b>9.9%</b>	<b>29.6%</b>
% Services		24.3%	66.3%	25.0%		
% E&P		75.7%	33.7%	75.0%		
<b>Unsustainably Low</b>	<b>\$35 oil, \$2.75 gas</b>	<b>4.6%</b>	<b>20.0%</b>	<b>10.7%</b>	<b>11.8%</b>	<b>35.3%</b>
% Services		24.3%	44.3%	11.2%		
% E&P		75.7%	55.7%	88.8%		

Energy Index Pricing	
OAS	1026bp
Less Premium For Liquidity	400bp
Implied Default Risk Premium	626bp
<b>Expected Default Rate <math>6.26/(1 - 0.20) = 7.82\%</math></b>	

Source: J.P. Morgan estimates, 11 Aug 15; Aberdeen Asset Management, Bloomberg, 31 Aug 15

Projections are offered as opinion and are not reflective of potential performance. Projections are not guaranteed and actual events or results may differ materially

# High yield energy sector

- Midstream 5% to 8% YTW
- Services 8% to 42% YTW
  - Offshore
  - Onshore
- Refining 3% to 8% YTW
- Exploration & Production 5% to 78% YTW

Ranges of Yield to Worst by Tier		
Tier 1	30% of E & P	5% - 8%
Tier 2	28% of E & P	8% - 11%
Tier 3	17% of E & P	11% - 15%
Tier 4	10% of E & P	15% - 20%
Tier 5	15% of E & P	> 20%

Source: BofA Merrill Lynch, Aberdeen Asset Management 31 Aug 15

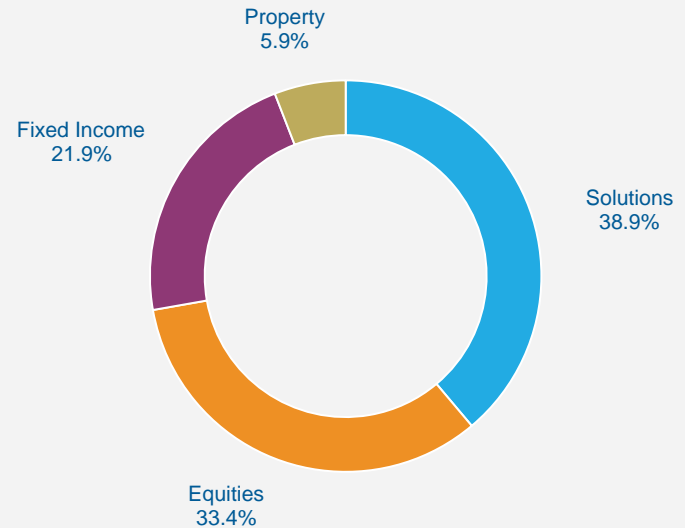
# Aberdeen's Strength

# Aberdeen's footprint

- Aberdeen Asset Management PLC (Aberdeen) is an asset management company, founded through a management buyout in 1983
- Aberdeen is publicly traded and listed on the London Stock Exchange since 1991
- Fixed Income investment offices located in New York, London, Philadelphia, Singapore, Sydney, Kuala Lumpur, Edinburgh, Budapest, São Paulo, Bangkok and Jakarta

- **Total assets US\$490.8bn**

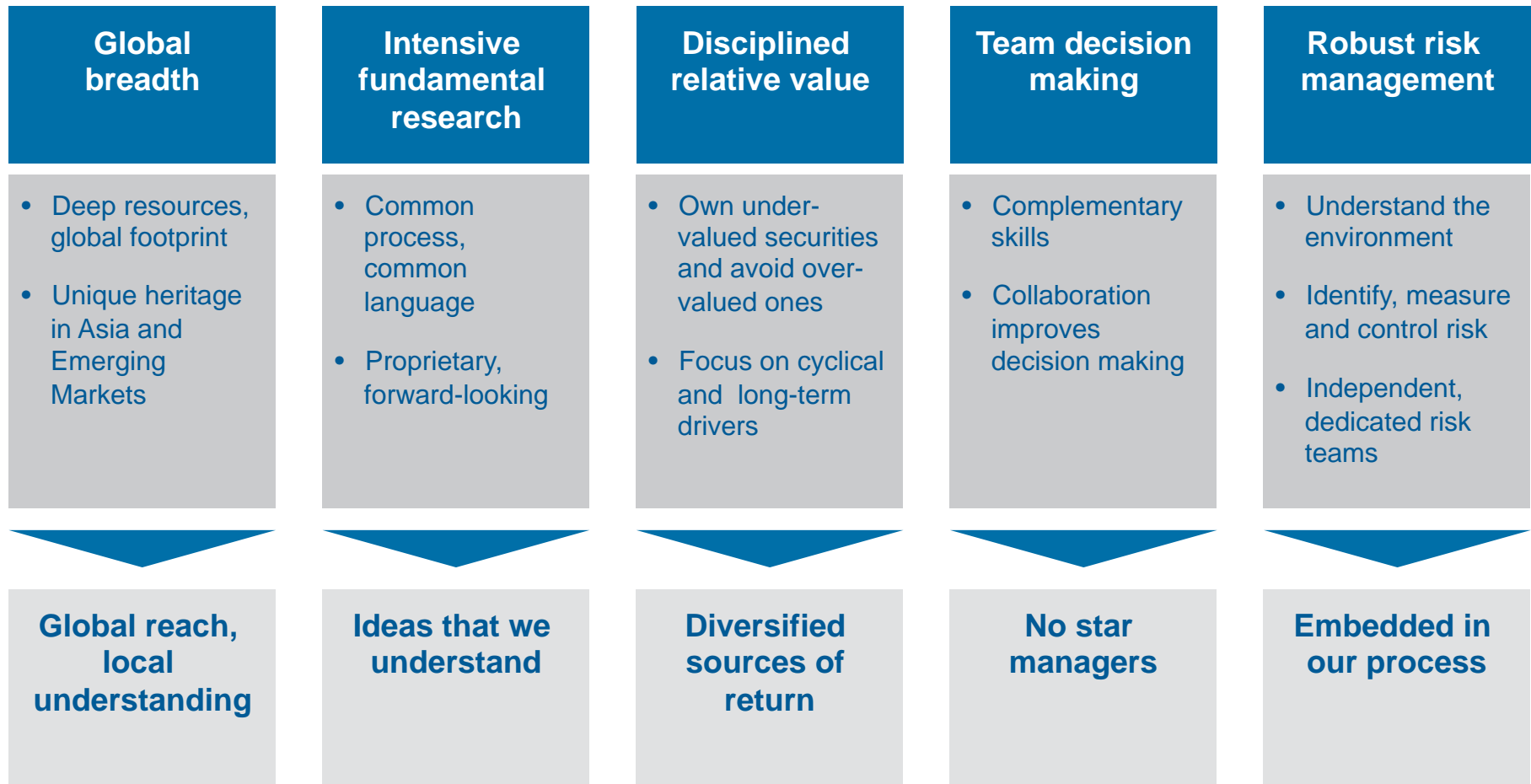
- US\$107.5bn in total fixed income assets
- US\$15.6bn in N. American fixed income assets



Source: Aberdeen Asset Management PLC, 31 Mar 15  
Figures may appear not to add due to rounding. For illustrative purposes only



# Hallmarks of Aberdeen fixed income



Simply asset management

# What defines Aberdeen Global High Income?

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- We are *global*, not just U.S.
  - Additional return opportunities vis-à-vis other high yield offerings
  - A more diversified offering / enhanced correlation benefits
  - Exposure to more volatile markets e.g. emerging markets
- We are bottom-up *value* investors
  - We *don't* try to predict interest rates, currencies, or macro phenomena
  - We *don't* chase momentum
  - We *do* stick to our analysis, *not* the market's daily opinion
- Global in terms of both geography and investment toolkit
  - Investing across geographies (US, Europe, EM)
  - Up and down the balance sheet (loans, bonds, preferreds, etc.)

Source: Aberdeen Asset Management, June 2015

# The High Yield Investment Team

## US High Yield

Keith Bachman – Head of US High Yield  
Brendan Dillon – Senior Investment Manager

## North American High Yield Team

Keith Bachman	Jason Greenblath
Jamie Chiarieri	Greg Hopper
Michael Concklin	Toby Lewis
Timothy Crawmer	John Ly
Ron Diamond	Maurus Maissen
Brendan Dillon	Ryan Miller
Scott Ellis	Geoff Roth
Robert Friebe	

## Global High Yield

Greg Hopper – Head of Global High Yield  
Robert Friebe – Senior Investment Manager  
Timothy Crawmer – Senior Investment Manager

## European High Yield

Felix Chung  
Lesley Dunn  
Stephen Fang  
Steve Logan  
Lauri Lutsar  
Julien Martin  
Ben Pakenham  
Paul Reed  
Alex Roy  
Mark Sanders  
Adam Tabor  
Surya Ysebaert

## Dealers

David Cunningham, Neal Rayner

## EM Debt

Russell Beer  
Samuel Bevan  
Patty Cao  
Neil Clayton  
Kathy Collins  
Siddharth Dahiya  
Kevin Daly  
Brett Diment  
Edwin Gutierrez  
May Hoang  
Cecely Hugh  
Paul Lukaszewski  
Henrique Morato  
Flora Sexton  
Anthony Simond  
Andrew Stanners  
Viktor Szabó  
Imre Tajti  
Max Wolman



## Asia Pacific Bond

Thomas Drissner  
Mohammad Hasif  
Eric Liu  
Gareth Nicholson  
Jeremy Teng

## Global Resources

Investment Grade Credit resources – 11 investment managers / analysts  
Investment Grade resources – 4 traders  
Global Macro resources – 5 investment managers / analysts  
Quantitative/Risk Analysis – 9 investment managers / analysts

Source: Aberdeen Asset Management, Jun 15  
Includes affiliated persons operating under an inter-company agreement

# Aberdeen Global High Income Fund: Experience and performance

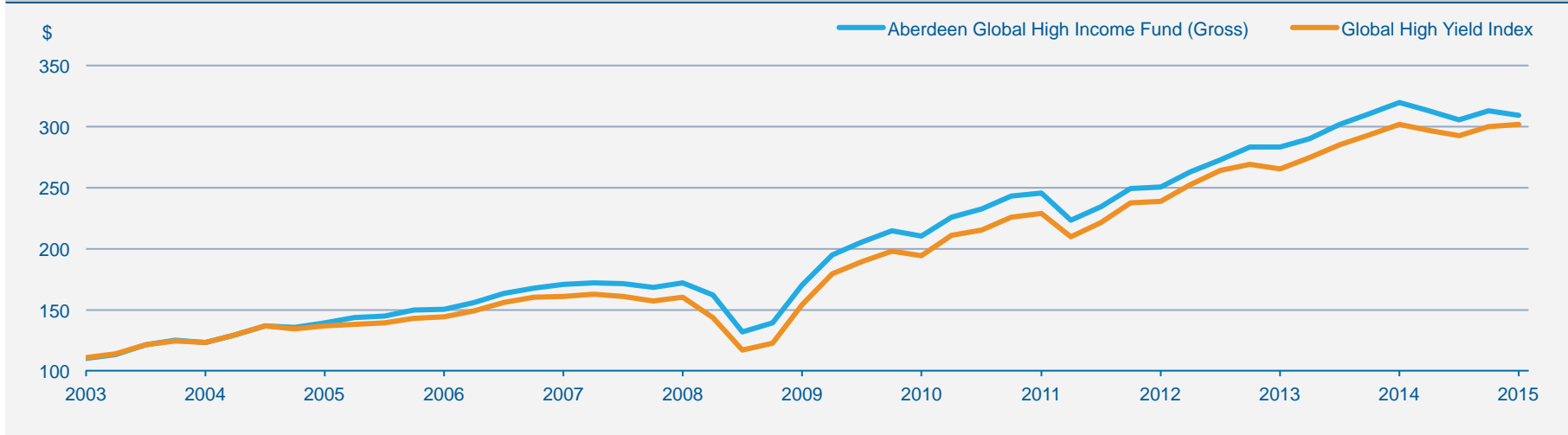
## Experience...

- ... 15 managers with 165 combined years of experience
- ... over 30 additional investment professionals with boots on the ground globally

## Performance...

- ...returns of 9.8% pa (**plus 44 bps pa** versus the index)
- ...with a much **lower** volatility; 145 bps **below** the index

### Performance gross of fees (2003 – 2015)



Source: Aberdeen Asset Management, Morningstar, 31 Jul 15. **Past performance is not indicative of future results**

Performance inception 4/1/2003

Benchmark is the BofA Merrill Lynch Global High Yield Constrained Index thru 28 Feb 14, then BofA Merrill Lynch Global High Yield Constrained Index (USD Hedged), Morningstar Global High Yield Fixed Income median universe, Volatility analysis monthly annualized

Performance is gross of fees and assumes the reinvestment of all distributions. Return information does not include fund expenses or the sales charges for the Fund, if these charges were included, the returns shown would have been lower.

# Performance: Aberdeen Global High Income Fund

Total Return (%)	Cumulative (as of July 31, 2015)			Annualized (as of July 31, 2015)				
	1 Mo.	3 Mo.	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception **
<b>Class A w/o Sales Charges</b>	-0.94%	-2.72%	-0.21%	-4.29%	5.29%	5.92%	6.90%	8.58%
<b>Class I (Inception Date – 1/30/03)</b>	-0.86%	-2.59%	-0.04%	-4.03%	5.58%	6.20%	7.18%	8.87%
<b>BofA Merrill Lynch Global High Yield Constrained (hedged to USD)</b>	-0.25%	-1.29%	3.01%	0.73%	6.78%	7.99%	7.96%	9.56%

	Ticker	Gross / Net Expense Ratio
<b>Aberdeen Global High Income Fund (Class A)</b>	BJBHX	1.01%/1.00%
<b>Aberdeen Global High Income Fund (Institutional Class)</b>	JHYIX	0.75% / 0.75%

\*\* The inception date for benchmark performance data is 12/17/02 which is the inception date of the Class A share, the oldest share class of the Fund.

**The performance quoted represents past performance, which does not guarantee future results. Class A shares have a 0.25% 12b-1 fee. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by calling 800-387-6977 or visiting [aberdeen-asset.us](http://aberdeen-asset.us).**

Total returns assume the reinvestment of all distributions. Investment performance reflects fee waivers and, in the absence of such waivers, returns would have been lower. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

Aberdeen Asset Management Inc. (the "Adviser") became the Fund's adviser on May 22, 2013. For periods prior to that date, the returns reflect performance information from a prior, unaffiliated adviser.

Expenses stated as of the fund's most recent prospectus. All classes of the Fund have contractual waivers in place until 2/29/16 or the effective date of the 2016 annual update to the registration statement, whichever occurs first.

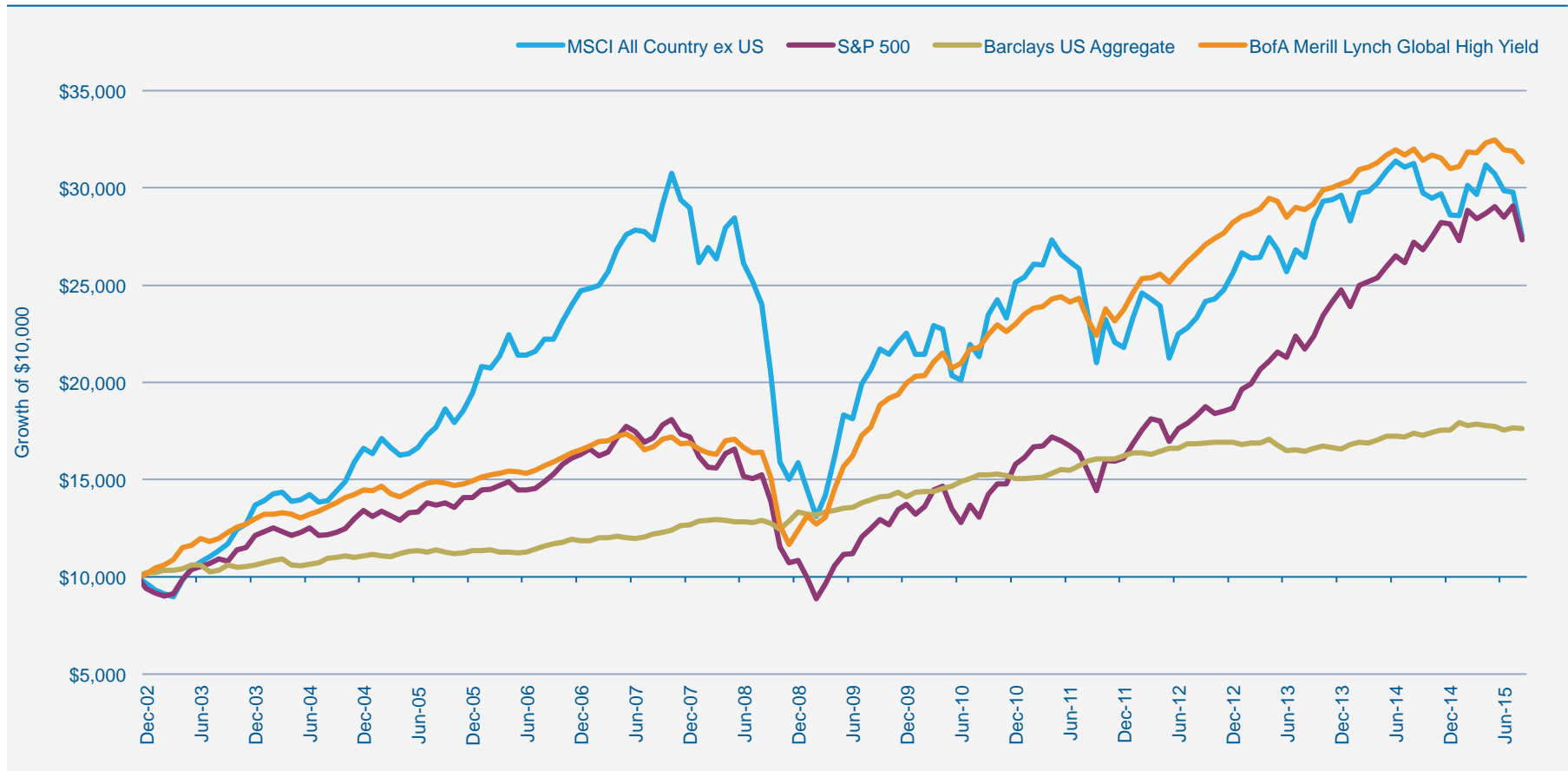
Source: Aberdeen Asset Management, 31 July 15  
 Benchmark: BofA Merrill Lynch Global High Yield Constrained Index (hedged to USD)

# Summary

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- High Yield should be viewed as a ‘hybrid’ security combining elements of both equity and investment-grade bonds
  - Downside protection with potential for significant capital appreciation
- Global high yield is a strategic component of portfolio
  - Steady, income-driven returns with correlations which drive benefits in investment portfolios
  - Yield-driven returns
- While real, challenges are manageable in context of current market pricing
  - asset class continues to offer attractive relative value in our opinion
- Our global approach gives us the flexibility to best capitalize on opportunities
  - Single B rated credit, emerging markets, energy, select leveraged loans
- Aberdeen’s globally integrated fixed income footprint enables us to deliver a truly global high yield offering to investors

# What makes global high yield attractive?



Source: Bloomberg, BofA Merrill Lynch Global Research, 31 Aug 15. **Past performance is not an indication of future results**  
 Cumulative Performance of Monthly Index Returns hedged to USD Performance of the index above is not indicative of the performance of the fund. For more information, please visit [aberdeen-asset.us](http://aberdeen-asset.us)  
 For illustrative purposes only

# Important Information

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## Past performance is not indicative of future results -

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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).

Non-investment-grade debt securities (high yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

Derivatives are speculative and may hurt the Fund's performance. They present the risk of disproportionately increased losses and/or reduced gains when the financial asset or measure to which the derivative is linked changes in unexpected ways.

The Fund may invest in foreign securities. Foreign securities are more volatile, harder to price and less liquid than U.S. securities. These risks are enhanced in developing market countries.

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# Important Information

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