

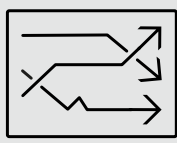


# abrdn Income Credit Strategies Fund

## Quarterly Commentary

Three-month period ended January 31, 2024

### Fund performance



The abrdn Income Credit Strategies Fund returned 13.39%<sup>1</sup> (on a net asset value basis) during the three-month period to January 31, 2024, outperforming the 8.21% return of its benchmark, the I.C.E. Bank of America (BofAML) Global High Yield Constrained Index (hedged to U.S. dollars).<sup>2</sup>

Sector wise, the supermarket sector contributed to relative performance, especially our exposures to Asda and Morrisons, both operating in the U.K., as a refinancing of the former appears increasingly probable and asset disposal in the latter drives de-leveraging prospects. Other industrials, particularly exposure to Modulaire, also added to returns. Meanwhile, the cable & satellite sector, including holdings in Virgin Media and Altice International, benefitted the Fund, with the latter experiencing significant buying interest in its Portuguese business. Conversely, our exposure to the packaging and other financial sectors were key detractors from performance as weak demand and margin pressure hurt earnings in glass packaging, in particular, while debt collectors are suffering from a materially higher implied cost of debt.

In terms of ratings<sup>3</sup>,Bs, CCCs and BBs were notable contributors to relative performance while BBBs detracted.

### Top 10 Fund holdings (as of December 31, 2023)

Monitchem Holdco 8.75% 2028	2.1
Albion Financing 2Sarl 8.75% 2027	1.9
Encore Capital 5.375% 2026	1.9
Ht Troplast 9.5% 2028	1.8
Summer Bidco 9% 2025	1.7
Virgin Media Vendor Fin 4.875% 2028	1.7
Tk Elevator Holdco Gmbh 6.625% 2028	1.6
888 Acquisitions 7.558% 2027	1.6
Chrome Holdco 5% 2029	1.5
Venture Global 9.875% 2032	1.5
<b>Percent of Portfolio in Top Ten</b>	<b>17.4</b>

Holdings are subject to change and are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities shown.

Figures may not always sum to 100 due to rounding.

<sup>1</sup> The performance quoted represents past performance, which does not guarantee future results. 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 [abrdn.us](https://abrdn.us).

<sup>2</sup> I.C.E. BofAML Global High Yield Constrained Index tracks the performance of U.S. dollar-, Canadian dollar-, British pound- and euro-denominated below-investment-grade corporate debt publicly issued in the major domestic or eurobond markets. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Index performance is not an indication of the performance of the Fund itself. For complete fund performance, please visit [abrdn.us](https://abrdn.us).

<sup>3</sup> S&P Global Ratings, Fitch Ratings and Moody's Investors Service are independent, unaffiliated research companies that rate fixed income securities on the basis of risk and the borrower's ability to make interest payments. S&P and Fitch assign ratings ranging from AAA (reliable and stable) to D (high risk) to communicate the agency's opinion of relative level of credit risk. Moody's credit ratings range from Aaa to C, with Aaa being the highest quality and C the lowest quality.



## Cumulative and annualized total return as of December 31, 2023 (%)

	NAV	Market Price
Since inception (p.a.)	3.81	3.18
10 Years (p.a.)	2.70	2.90
5 Years (p.a.)	3.01	5.54
3 Years (p.a.)	-0.98	-0.45
1 Year	22.47	19.69
Year to date	22.47	19.69
3 months	8.87	4.84
1 month	5.51	11.99

Past Performance is no guarantee of future results. Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. NAV return data includes investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions.

The Fund is subject to investment risk, including the possible loss of principal. Returns for periods less than one year are not annualized. Aberdeen Standard Investments Inc. (the "Adviser") became the Fund's adviser on December 1, 2017. For periods prior to that date, the returns reflect performance information from a prior, unaffiliated adviser.

## Market review

In November and December, markets celebrated the apparent end of the developed-market hiking cycle with inflationary data continuing to trend lower across the globe, providing central bankers the necessary wiggle room to soften the hawkish rhetoric. For example, the U.S. Federal Reserve's (Fed) communications in December shifted to markedly dovish, indicating a surprisingly sharp retreat from the 'higher for longer' message a few months ago. As a result, the Treasury market rallied sharply, pricing in not only the end of rate increases, but increased conviction that several rate cuts would occur in 2024. Helped by the now widely accepted 'soft landing' narrative and a constructive technical backdrop, spreads rallied in as well.

Financial markets started the new year with a bit of a hangover after the ebullience of December quickly faded away as the calendar turned to 2024. Near-term rate cut expectations were pushed out further as January unfolded after a string of strong economic data led to Fed Chairman Jerome Powell declaring that the battle against inflation is not over. Rates were higher in the U.S., serving as a drag on total returns for high-yield (HY) bonds.

From a geographic perspective, sterling-denominated bonds posted the strongest returns, followed by euro and U.S.-dollar bonds. New issuance picked up in the three-month period after a slow October, with primary volume expectations for 2024 expected to grow materially year on year as corporates look to take advantage of lower borrowing costs and approaching debt maturity profiles.

## Outlook

A mix of positive economic data and supportive technicals buoyed the HY market over recent months. With a backdrop of stable corporate fundamentals and increasingly accommodative central banks, there is little in today's market that points to a reversal of fortune in the immediate future. However, current valuations are reflective of this investor optimism, not only in our market but across the financial landscape, leaving investors wondering where we go from here. With the HY asset class offering an attractive overall yield of over 7.5%, investors are being paid an equity-like return in what is likely to be a sideways market over the near term. Capturing this return can be done in a prudent manner via security selection without over-extending out the risk spectrum within the asset class. This approach also protects returns to the downside should we see spreads go wider. Over the medium term, we would expect a pickup in volatility to materialize at some point throughout the year. At this point, we are saving our risk budget for a time when valuations among the lowest quality issuers in our market more accurately reflect the risk versus reward proposition.

## Important Information

### **Past performance is no guarantee of future results.**

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

**Investors should carefully consider a fund's investment objectives, risks, fees, charges and expenses before investing any money. To obtain this and other fund information, please call 866-667-9231 to request a summary prospectus and/or prospectus, or download at [abrdn.us](http://abrdn.us). Please read the summary prospectus and/or prospectus carefully before investing any money.**

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