abrdn Emerging Markets Equity Income Fund

Quarterly Commentary

Fourth Quarter 2022

Fund performance

The abrdn Emerging Markets Equity Income Fund returned 12.00%[1] for the fourth quarter of 2022 on a net asset value basis, outperforming the 9.70% return of its benchmark, the MSCI Emerging Markets Net Index[2].

From a regional perspective, the Middle East was a key contributor to relative returns. The Fund is underweight Saudi Arabia and does not have exposure to the other oil-producing countries, which sold off on falling energy prices and a weaker U.S. dollar.

In Latin America, Mexico outperformed amid strong consumption and manufacturing trends. Brazil lagged following President Lula's election victory on concerns over his aggressive fiscal approach. Among our holdings, Mexican lender Banorte and bottling firm FEMSA, alongside Brazilian electric equipment producer WEG, fared well. The market reacted positively to Banorte's announcement that it was no longer in the running to take over Citigroup's Banamex unit. Conversely, Brazilian lender Bradesco lagged.

Fortunes were mixed within emerging Asia. In October, the Fund's exposure to China and Hong Kong had an overall negative impact on performance as sentiment did not improve following the 20th party congress. Subsequently, however, China's rapid pivot away from zero-Covid towards a full economic reopening triggered sharp rallies, though gains in December were limited by concerns over the swift rise in Covid cases. Broadly, the off-benchmark position in Hong Kong was overshadowed by negative China exposure over the three months.

Our holdings in Chinese consumer names, including luxury auto dealer Zhongsheng and China Tourism Group Duty Free, rose in anticipation of the post-Covid reopening.

The position in internet giant Alibaba Tencent was similarly additive. Wuxi Biologics shares, which were previously battered by regulatory woes, rebounded after the firm announced that both of its subsidiaries have been removed from the U.S. Unverified List. However, the Fund's exposure to Chinese renewables and electric vehicle battery materials did not participate in the rally. In Hong Kong, our holdings in insurer AIA and Hong Kong Exchanges and Clearing proved favorable as H-shares recovered. We view these companies as high-quality exposures to China's growth.

Elsewhere in South Korea, Samsung Electronics and LG Chem were major stock contributors. Samsung rebounded from September lows on expectations of recovery. LG Chem advanced on the market's realization that the company was a prime beneficiary of the US Inflation Reduction Act within the battery supply chain. Stock selection in Thailand was positive as PTT Exploration and Production benefitted from better-than-expected results and relatively elevated oil prices.

The exposure to Indonesia detracted as investors took profit. Telkom Indonesia trailed, but we continue to see good fundamentals over the longer term for the stock and view its current weakness as a function of profit-taking and capital rotation rather than a deterioration in the underlying outlook. The Fund's performance in India was in line with the benchmark, though SBI Life Insurance and consumer staples leader Hindustan Unilever hurt performance. They remain high-quality companies with strong longer-term fundamentals.

During the quarter, we participated in Middle East and North Africa-based Americana Restaurants' initial public offering and added three other companies. Saudi Arabian bank Al Rajhi is well positioned to benefit from the country's strong mortgage loan growth. Chinese e-commerce platform

[1] **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. Net asset value return data include investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions.**

[2] The MSCI Emerging Markets Net Index is an unmanaged index considered representative of stocks of developing countries. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

Meituan is uniquely placed to benefit from powerful secular tailwinds driving the growth of online local services. French oil and gas firm TotalEnergies, which has a significant proportion of assets in emerging market countries, has attractive commodity leverage and a credible and balanced energy transition strategy embedded across its fossil, renewables and new molecule businesses.

Conversely, we sold Bank of the Philippine Islands, China Merchants Bank, Sungrow, Tata Consultancy Services, Vodacom and Yunnan Energy New Material.

Top Ten Holdings (as of 12/31/22)

Taiwan Semiconductor Manufacturing Co Ltd	6.1
Tencent Holdings Ltd	5.9
Samsung Electronics Co Ltd	5.7
Alibaba Group Holding Ltd	3.7
Housing Development Finance Corp Ltd	2.9
JD.com Inc	2.5
AIA Group Ltd	2.1
LG Chem Ltd	2.0
Bank Rakyat Indonesia Persero Tbk PT	2.0
SBI Life Insurance Co Ltd	2.0
Percent of Portfolio in Top Ten	**34.9**

Source : abrdn 12/31/2022.

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. The top ten holdings are reported by share class. Certain companies listed may be held in additional share classes not listed above.

Performance

The latest available performance figures have been calculated net-of-fees in U.S. dollars for the period:

Cumulative and annualized total return as of 12/31/22 (%)

	NAV	Market Price	MSCI Emerging Markets Net	Custom AEF Emerging Markets Index
1 month	-3.16	1.93	-1.41	-1.41
3 months	12.00	14.17	9.70	9.70
Year to date	-28.31	-29.83	-20.09	-20.09
1 year	-28.31	-29.83	-20.09	-20.09
3 years (p.a.)	-7.27	-6.88	-2.69	-2.69
5 years (p.a.)	-2.99	-3.76	-1.40	-0.01
10 years (p.a.)	-2.49	-2.71	1.44	-1.62
Since inception (p.a.)	7.79	7.33	n/a*	n/a*

There is no since inception figure for the MSCI Emerging Markets Index (Net) because the inception date of the Index is December 29, 2000.

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 data quoted. NAV return data includes investment management fees, custodial charges, bank loan expenses 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.

Market review

Emerging market equities rebounded in the fourth quarter to finish an extremely challenging year for the asset class, keeping pace with developed markets thanks largely to a sharp rally in November. Investor sentiment was dominated by U.S. monetary policy and developments in China.

The U.S. Federal Reserve (Fed) eased its pace of interest rate hikes in December, but Fed chair Jerome Powell indicated that rates would likely rise further and remain elevated for longer to tame inflation. Meanwhile, China surprised markets by rapidly rolling back its zero-Covid policy following unprecedented street protests. Policymakers signalled support for bolstering economic growth and shoring up the troubled property sector.

In this environment, emerging Asia finished ahead of the wider asset class. All markets, except Indonesia, advanced. Latin America was weighed down by lackluster returns in Brazil. Europe, the Middle East and Africa also trailed, largely due to the underperformance of Middle Eastern oil-exporters.

Outlook

All in all, 2022 proved to be an incredibly challenging year for global emerging markets – dominated by Russia's invasion of Ukraine, the subsequent supply shocks in markets resulting in high inflation, a tighter monetary environment and multiple headwinds that dented international investor sentiment towards China. While the U.S. continues to unwind years of loose monetary policy to tackle inflation, emerging market central banks are approaching the tail end of their rates cycle. Larger emerging economies have relatively resilient currency reserves and current account positions compared to the past, while emerging market corporate balance sheets have emerged stronger from the pandemic, particularly as a global recession looms.

Meanwhile, the potential for a counter-cyclical recovery in China remains intact, aided by the country's rapid reversal of zero-Covid. Ultimately, we view this as a positive development. Macro policy is likely to stay accommodative, with more legroom to support growth due to relatively low inflationary pressures. Beyond China, other emerging markets are set to benefit from a global supply chain rearrangement post-pandemic – with international companies diversifying into markets like India and regions such as South-East Asia, where economic conditions have proven to be relatively resilient.

The portfolio remains focused on businesses with discernible quality characteristics, including sustainable free cash flow generation and earnings growth, pricing power and low debt levels. Such traits should help them manage any near-term supply disruption and cost pressure. We expect markets to refocus on company fundamentals in 2023.

Important information

Past performance is no guarantee of future results.

The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI" Parties) expressly disclaims all warranties (including without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages (www.msci.com).

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Fund's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the Fund's portfolio. The NAV is the value of an entity's assets less the value of its liabilities. The market price is the current price at which an asset can be bought or sold. There is no assurance that the Fund will achieve its investment objective. Past performance does not guarantee future results.

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging market investments.

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). The above is for informational purposes only and should not be considered as an offer, or solicitation, to deal in any of the investments mentioned herein. abrdn does not warrant the accuracy, adequacy or completeness of the information and materials contained in this document and expressly disclaims liability for errors or omissions in such information and materials.

Some of the information in this document may contain projections or other forward looking statements regarding future events or future financial performance of countries, markets or companies. These statements are only predictions and actual events or results may differ materially. The reader must make his/her own assessment of the relevance, accuracy and adequacy of the information contained in this document, and make such independent investigations, as he/she may consider necessary or appropriate for the purpose of such assessment.

Any opinion or estimate contained in this document is made on a general basis and is not to be relied on by the reader as advice. Any opinion or estimate contained in this document is made on a general basis and is not to be relied on by the reader as advice. Neither abrdn nor any of its agents have given any consideration to nor have they made any investigation of the investment objectives, financial situation or particular need of the reader, any specific person or for any loss arising whether directly or indirectly as a result of the reader, any person or group of persons acting on any information, opinion or estimate contained in this document.

abrdn reserves the right to make changes and corrections to its opinions expressed in this document at any time, without notice.

Accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the reader, any person or group of persons acting on any information, opinion or estimate contained in this document.

In the United States, abrdn is the marketing name for the following affiliated, registered investment advisers: abrdn Inc., Aberdeen Asset Managers Ltd., abrdn Australia Limited, abrdn Asia Limited, Aberdeen Capital Management, LLC, abrdn ETFs Advisors LLC and Aberdeen Standard Alternative Funds Limited.

For more information visit abrdn.com

US-070223-187546-19