

Performance of Closed End versus Open Ended and ETF's

For the Directors of the Aberdeen Closed End Funds

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Closed End are the winners...

Methodology

- Calculate performance of all funds by MS global peer groups for CE, OE, ETF
- Use performance periods of 1 year, 3 year, 5 year, and 10 years
- Compute weighted average performance of the group
- Using equal weighting of each of the periods, assign scores of
 - 3 for best performer
 - 2 for middle performer
 - 1 for worst performer

CE win in 5 of 7 categories ...

CE Equity losses result from investor shift from active to passive

Group/Investment	Score Equal Weighted		
	OE	CE	ETF
Equity <i>Peer Group Score</i>	10	4	10
Allocation <i>Peer Group Score</i>	9	12	4
Fixed Income <i>Peer Group Score</i>	6	12	4
Tax Preferred <i>Peer Group Score</i>	6	12	9
Commodities <i>Peer Group Score</i>	6	11	6
Alternative <i>Peer Group Score</i>	5	12	6
Convertibles <i>Peer Group Weighted Average</i>	9	6	9
Overall Total	51	69	48

Open Ended

Group/Investment	1 year	3 years	5 years	10 years
Equity <i>Peer Group Weighted Average</i>	24	29	82	73
Allocation <i>Peer Group Weighted Average</i>	14	18	48	60
Fixed Income <i>Peer Group Weighted Average</i>	3	8	13	53
Tax Preferred <i>Peer Group Weighted Average</i>	1	8	13	45
Commodities <i>Peer Group Average</i>	3	-24	-37	-53
Alternative <i>Peer Group Weighted Average</i>	5	4	9	14
Convertibles <i>Peer Group Weighted Average</i>	16	16	53	63

Only 4 wins
in 28 periods
(14%)

9 worsts in 28
periods
(32%)

- In Emerging Markets alone, Closed End were the winners in 3 categories, Open ended also in 3, and ETF only 1 category

	OE	CE	ETF
Emerging Markets Equity	12	6	7
Emerging Markets Fixed Income	8	6	10
India Equity	9	11	5
Asia Equity	12	6	8
Asia ex-Japan Equity	10	7	9
Greater China Equity	9	11	5
Latin America Equity	5	12	8

- Main reason for the worsening performance was the shrinking supply and liquidations as investors moved out of weak EM.
- Only half of the funds are still around over 10 years

	Alive	Dead	Total
Emerging Market equity	5	4	9
Emerging Market Fixed Interest	7	8	15
Asia ex japan equity	3	7	10
Latin American equity	2	3	5
Asia equity	1	1	2
Greater China	6	1	7
Total	24	24	48

Conclusion

- Closed end funds are still the best performer in 5 out of 7 sectors
- ETF only won in 1 category – Equities - as retail investors moved from active to passive
- Further losses in EM Equities due to retail short termism where half the funds disappeared
- This creates a great opportunity when the investment cycle completes and demand increases