abrdn Dynamic Distribution Fund

(formerly ASI Dynamic Distribution Fund)

Annual Long Report
For the year ended 31 March 2023

abrdn.com

Contents

Report of the Manager

abrdn Dynamic Distribution Fund (formerly ASI Dynamic Distribution Fund) (the "fund") is an authorised unit trust scheme under the Financial Services and Markets Act 2000. The effective date of the authorisation order made by the Financial Services Authority (the "FCA") was 8 February 2006.

The fund was established by Trust Deed entered into on 6 February 2006 and is an authorised unit trust scheme which falls into the category of non-UCITS retail scheme. The fund is also an alternative investment fund for the purposes of the FCA rules. Its FCA Product Reference Number ("PRN") is 442759.

Appointments

Manager

abrdn Fund Managers Limited (formerly Aberdeen Standard Fund Managers Limited)

Registered office

280 Bishopsgate
London
EC2M 4AG

Correspondence address

PO Box 12233
Chelmsford
Essex
CM99 2EE

Investment Adviser

abrdn Investment Management Limited

Registered office

1 George Street
Edinburgh
EH2 2LL

Trustee

Citibank UK Limited

Registered office

Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

Registrar

SS&C Financial Services Europe Limited
SS&C House
St Nicholas Lane
Basildon
Essex
SS15 5FS

Independent Auditor

KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS

The Investment Advisers have the authority of the Manager to make decisions on its behalf in all aspects of the investment management of the investments and other property of the fund. The main terms of the agreement with each investment adviser are that it should have the authority of the Manager to make decisions on its behalf in all aspects of the investment management of the investments and other property of the fund, including the fund's powers to enter into hedging transactions relating to efficient portfolio management. The adviser's powers extend to all of the property of the fund except any part which the Manager excludes from the adviser's powers. The adviser is to report details of each transaction to the Manager and to confer with the Manager when required by it. The Manager will notify the adviser of additional cash available for investment.

The Authorised Fund Manager ('the Manager') of the fund is abrdn Fund Managers Limited, which is a private company limited by shares incorporated on 7 November 1962. It's ultimate holding company is abrdn plc.

Financial details and Fund Managers' reviews of the fund for the year ended 31 March 2023 are given in the following pages of this report.

The fund operates as a single priced scheme, calculated with reference to the net asset value of the fund.

The daily price for the fund appears on the abrdn plc ("abrdn") website at **abrdn.com**.

The investment objective of the fund is disclosed within the Fund Profile and the investment activities are disclosed within the Investment Report.

Unitholders in the fund are not liable for the debts of the fund.

Significant Events

On 24 February 2022, Russia launched a military offensive against Ukraine resulting in widespread sanctions on Russia and heightened security and cyber threats. Market disruptions associated with the geopolitical event have had a global impact, and uncertainty exists as to the implications. Such disruptions can adversely affect assets of funds and performance thereon, specifically Russian and Ukrainian assets.

The Management Company has delegated various tasks to abrdn's Investor Protection Committee (IPC). The IPC is responsible for ensuring the fair treatment of investors.

The IPC undertakes regular reviews of the following:

- Market liquidity across each asset class and fund;
- Asset class bid-offer spread monitoring;
- Review of fund level dilution rate appropriateness;
- Review of daily subscriptions/redemptions to anticipate any potential concerns to meet redemption proceeds;
- Any requirement to gate or defer redemptions;
- Any requirement to suspend a fund(s);
- Any fair value price adjustments at a fund level.

abrdn's Valuation and Pricing Committee (VPC) also continue to review the valuation of assets and the recoverability of income from those assets making appropriate adjustments where necessary. The VPC is made up of a wide range of specialists across abrdn with a wide range of experience in asset pricing.

Developments and Prospectus Updates Since 1 April 2022

- On 1 August 2022, the prospectus and trust deed were updated to allow the authorised fund manager to make a mandatory conversion of units to a different unit class without instruction, in accordance with applicable Financial Conduct Authority regulation. Investors will be given prior notice of any exercise of such mandatory conversion rights in accordance with applicable regulation and guidance.
- On 1 August 2022, the Trust changed its name from ASI Dynamic Distribution Fund to abrdn Dynamic Distribution Fund. At the same time the Standard Life Accumulation unit class changed its name to ZC Accumulation. Additionally, the Manager of the Trust changed its name from "Aberdeen Standard Fund Managers Limited" to "abrdn Fund Managers Limited". Further details and a list of the renaming can be found at **https://www.abrdn.com/en/uk/investor/fund-centre/investor-communications**.
- On 7 December 2022, any references to the address: Bow Bells House, 1 Bread Street, London, EC4M 9HH were replaced with 280 Bishopsgate, London, EC2M 4AG.
- On 31 December 2022, Mrs. Rowan McNay resigned as a director of abrdn Fund Managers Limited.
- On 7 March 2023, Mr. Neil Machray was appointed as a director of abrdn Fund Managers Limited.
- The list of funds managed by the Manager was updated, where appropriate.
- Performance and dilution figures were refreshed, where appropriate.
- The list of sub-custodians was refreshed, where appropriate.
- The list of eligible markets was refreshed, where appropriate.
- The list of sub-investment advisors to the funds was refreshed, where appropriate.

- The risk disclosures in relation to the funds were refreshed, where appropriate.
- The Management Company has also evaluated, and will continue to evaluate, the operational resilience of all service providers. The Company's key suppliers do not have operations pertaining to the Company in Ukraine or Russia.

Assessment of Value

In 2017 the Financial Conduct Authority (FCA) published the final Asset Management Market Study. This introduced (among other reforms) new governance rules with the aim of enhancing duty of care and ensuring the industry acts in investors' best interests. The rules were outlined in the FCA policy statement PS18/8 and came into effect from 30 September 2019. As a result, abrdn Fund Managers Limited is required to perform a detailed annual assessment, determining whether our funds are "providing value to investors". The resulting findings will be published on a composite basis throughout the year, and can be found on the 'Literature' pages of our website.

Climate-related Financial Disclosures

The recommendations by the Taskforce for Climate-related Financial Disclosures (TCFD) – initiated by the Financial Stability Board in 2015 and adopted in 2017 – provide organisations with a consistent framework for disclosing financial impacts of climate-related risks and opportunities. The disclosure in line with TCFD recommendations enables external stakeholders to gain a better understanding of the climate-related risks and opportunities (including how they are managed) that are likely to impact the organisation's future financial position as reflected in its income statement, cash flow statement, and balance sheet. The TCFD has developed 11 recommendations which are structured around four thematic areas, notably governance, strategy, risk management and metrics and target. In Policy Statement 21/24 the Financial Conduct Authority (FCA) have created a regulatory framework for asset managers, life insurers and FCA-regulated pension providers to make climate-related disclosures consistent with the recommendations of the TCFD. As a result of the disclosure requirements abrdn Dynamic Distribution Fund is required to perform a detailed annual assessment, determining financial impacts of climate-related risks and opportunities. The resulting findings are published here **(Dynamic TCFDA_X4_D_311222_GBP_EN_4.pdf (abrdn.com).**

Statement of Manager's Responsibilities

The Collective Investment Schemes sourcebook published by the FCA, ("the COLL Rules") require the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the fund and of the net revenue and net capital gains or losses on the property of the fund for the period.

In preparing the financial statements the Manager is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the fund or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The Manager is responsible for the management of the fund in accordance with its Trust Deed, the Prospectus and the COLL Rules.

The Manager is responsible for the maintenance and integrity of the corporate and financial information included on its website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Manager's Statement

In accordance with the requirements of the COLL Rules as issued and amended by the Financial Conduct Authority, we hereby certify the report on behalf of abrdn Fund Managers Limited, the Authorised Fund Manager.

Adam Shanks
Director
24 July 2023

Denise Thomas
Director
24 July 2023

Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee to the Unitholders of abrdn Dynamic Distribution Fund ('the fund') for the year ended 31 March 2023

The Trustee is responsible for the safekeeping of all property of the fund which is entrusted to it and ensuring proper registration of tangible moveable property, and for the collection of income arising from all such scheme property.

It is the duty of the Trustee to take reasonable care to ensure that the fund is managed and operates in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("the Sourcebook"), the Financial Services and Markets Act 2000, as amended, and the Trust Deed and the Prospectus of the fund, concerning: the pricing of and dealing in fund Units; the application of income of the scheme; and the fund investment portfolio and borrowing activities.

Having carried out procedures and enquiries considered duly necessary to discharge our responsibilities as Trustee of the scheme, based on information and explanations provided to us, we believe that, in all material respects, the Manager:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the scheme's income in accordance with the Sourcebook, the Trust Deed and Prospectus;

(ii) has, observed the investment and borrowing powers and restrictions applicable to the scheme; and

(iii) has, otherwise, ensured the proper operation of the fund.

Citibank UK Limited

24 July 2023

Independent Auditor's Report to the Unitholders of abrdn Dynamic Distribution Fund ('the fund')

Opinion

We have audited the financial statements of the fund for the year ended 31 March 2023 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the Related Notes and Distribution Tables for the fund and the accounting policies set out on pages 26 to 27.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the financial position of the fund as at 31 March 2023 and of the net revenue and the net capital losses on the property of the fund for the year then ended; and
- have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the fund in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Manager has prepared the financial statements on the going concern basis as they do not intend to liquidate the fund or to cease their operations, and as they have concluded that the fund's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Manager's conclusions, we considered the inherent risks to the fund's business model and analysed how those risks might affect the fund's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Manager's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the fund's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the fund will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the fund's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Assessing the segregation of duties in place between the Manager, the Trustee, the Administrator and the Investment Adviser;
- Reading board minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is principally non-judgemental and based on publicly available information, with limited opportunity for manipulation. We did not identify any additional fraud risks.

We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We substantively tested all material post-closing entries and, based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Manager and the Administrator, no further high-risk journal entries or other adjustments were identified.

Independent Auditor's Report to the Unitholders of abrdn Dynamic Distribution Fund ('the fund')

Continued

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Manager and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the fund is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related authorised fund legislation maintained by the Financial Conduct Authority) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the fund is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection and bribery and corruption legislation recognising the Fund's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Manager is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Manager's Report for the financial year is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

- proper accounting records for the fund have not been kept; or
- the financial statements are not in agreement with the accounting records.

Manager's responsibilities

As explained more fully in the statement set out on page 6, the Manager is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the fund or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Unitholders of abrdn Dynamic Distribution Fund ('the fund')

Continued

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the fund's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund and the fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Archer
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS
24 July 2023

Investment Report

Investment Objective

To generate income and some growth over the long term (5 years or more) by investing in a diversified range of abrdn funds.

Performance Target: To exceed the IA Mixed Investment 20-60% Shares Sector Average return over one year (after charges) and to be top quartile over rolling three year periods.

The performance target is the level of performance that the management team hopes to achieve for the fund. There is however no certainty or promise that they will achieve the performance target.

The fund targets a yield in excess of the income that would be delivered by a representative basket of assets (composed of 22.5% UK Equities (FTSE All-Share Index), 22.5% Global Equities (MSCI World ex UK) and 55% Sterling Bonds (ICE Bank of America Merrill Lynch Non-Gilts All Maturities).

Investment Policy

Portfolio Securities

- The fund will invest at least 80% in actively managed abrdn funds to obtain broad exposure to a range of diversified investments.
- It may invest up to 20% in passively managed funds (including those managed by abrdn).
- At least 30% of the fund will be invested in bonds (loans to a company or government) and cash or money market instruments.
- At least in 50% of the fund will be in sterling denominated assets, or in assets for which the impact of currency movements is mitigated (hedged).
- The rest of the fund will be invested in a selection of other funds investing in assets classes such as equities (company shares) commercial property and funds that can use a combination of traditional assets (such as equities and bonds) and investment strategies based on derivatives.

Management Process

- The management team use their discretion (active management) to select funds within each asset class and ensure that the strategic asset allocation (long term proportions in each asset class) meets the fund's objectives.
- In addition, they will take tactical asset allocations (changing short term proportions in each asset class) with the aim of improving returns.
- The fund will be subject to constraints which are intended to manage risk such as the fund must not hold more than 60% of its assets in equities. Due to the active nature of the management process, the fund's performance profile may deviate significantly from the IA's Mixed Investment 20-60% Shares Sector Average.

Derivatives and Techniques

- The fund is not expected to invest in derivatives directly however it may invest in other funds which use derivatives more extensively.

Market Review

Global equity markets were mostly negative over the past 12 months, with the US, China and emerging markets all posting negative returns. UK large-cap companies performed more positively than small and mid-cap companies. European markets were positive in aggregate over the period.

Early in the period, global markets had begun to bounce back after Russia's invasion of Ukraine and the tightening of monetary policy by global central banks. However, the rest of the period was defined by fluctuating market performances, as fears of high inflation and the risk of a global recession caused volatility. Global equities rebounded at the start of the fourth quarter of 2022, as US inflation data and the relaxing of China's strict Covid-19 restrictions gave investors cause for optimism, but then fell in December. Markets rose in January but fell again in February, as higher-than-expected inflation data sparked fresh fears of central bank action. At the end of the period, equity markets rose, as investors shrugged off unrest in the banking sector.

In fixed-income markets, most government bond prices fell during the period. Central banks acted to control inflation by reducing policy support and hiking interest rates. As a result, investors sold government bonds, pushing yields higher. Corporate bond prices also fell, as investor fears over the withdrawal of central bank support increased. In the UK, September's mini-Budget prompted a wave of selling in bond markets, driving Gilt yields higher and prompting intervention from the Bank of England (BoE). The US Federal Reserve (Fed) raised the federal funds rate by 25 basis points (bps) at its February meeting, with the European Central Bank (ECB) and the BoE both raising rates by 50 bps. In March, the Fed raised rates again by 25 bps, with the BoE also delivering a smaller rate hike of 25 bps. The ECB raised rates by 50 bps in March.

Investment Report

Continued

Performance Review

During the 12 months under review, the fund returned -4.04% (Source: Factset, Platform 1 Accumulation shares, net of fees), which compared favourably to the IA Mixed Investment 20-60% Shares sector average of -4.87% (Source: Morningstar).

Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use by abrdn**. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, abrdn** or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Neither the Owner nor any other third party sponsors, endorses or promotes the fund or product to which Third Party Data relates.

**abrdn means the relevant member of abrdn group, being abrdn plc together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

Please remember that past performance is not a guide to future returns. The price of shares and the revenue from them may fall as well as rise. Investors may not get back the amount originally invested.

Companies selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

The fund's performance was aided by the prevalence of short-dated fixed-income funds, in which we are relatively insulated from the global rise in interest rates and bond yields. Over the review period, the Markit iBoxx GBP Non-Gilts 1-5 Year Index fell -3.13% compared to the all-maturity equivalent index return of -10.2%. The performance of global corporate bonds was also more robust than their UK equivalents, with the Bloomberg Global Aggregate Corporate Bond Index GBP Hedged declining -6.52% across the review period.

The presence of global corporate bonds and short-dated sterling corporate bonds was a key pillar of the increased diversification that has been introduced to the fund over recent years, with a clear benefit to performance during this recent period of market adjustment.

In contrast to defensive fixed-income assets, risk assets generally performed well across the period but were subject to a far greater dispersion in returns. At the index level, the performance of UK equities was robust, with the FTSE All Share TR increasing by +2.9%. However, this masked significant divergences for different investment styles. Companies and investment strategies exposed to energy or more stable earnings streams, particularly if those earnings were in US dollars, benefitted, whereas more cyclical or small-cap exposures suffered. Accordingly, the abrdn UK High Income Fund (+0.38%) performed reasonably well while the abrdn UK Income Unconstrained Fund (-7.59%) and the abrdn UK Smaller Companies Fund (-25.45%) both experienced notable headwinds.

The best-performing regional equity was Europe, which performed admirably after the initial shock of Russia's invasion of Ukraine. Over the review period, the FTSE AW Europe excluding UK TR returned +8.7% and the abrdn Europe excluding UK Income Equity Fund exceeded that at +9.3%.

Property struggled with cyclical headwinds mounting across the period. There are concerns that property refinancing at higher rates of interest has the potential to produce forced sellers among institutional investors and banks. The listed market witnessed a rapid re-pricing in property valuations and the FTSE EPRA NARIET Developed TR Hedged GBP Index experienced a -19.1% decline. Against this, the abrdn Global Real Estate Share Fund underperformed (-24.3%). Performance in the physical market was more robust, with the IPD UK Property Index declining -10.7%, against which the abrdn UK Real Estate Fund returned -13.4%.

The fund benefitted significantly from other diversifying assets, which contribute significantly to its premium income generation. Emerging market local currency returned +5.73% over the review period and the abrdn Emerging Market Local Currency Fund produced stellar returns of +9.55%. Similarly, the abrdn Emerging Market Corporate Bond Fund produced modest declines (-4.1%) versus developed market equivalent indices. Emerging markets benefitted from the prudent and judicious rate hikes that emerging market central banks initiated in 2021, which were considerably ahead of the Fed and other developed market central banks.

Portfolio Activity and Review

The Dynamic Distribution Fund's strategy is to invest in a range of funds managed by abrdn to achieve a diversified investment mix across equities, bonds and property. The fund sits within the IA Mixed Investment 20-60% Shares sector.

The main change to the portfolio over the review period was the reduction in weight to the UK Physical Property Fund by more than half. We anticipate further headwinds for the sector and took the opportunity to reduce the exposure to this sector when the opportunity presented itself.

Investment Report

Continued

The balance of these proceeds has been reinvested into other diversifying asset classes, including emerging market local currency as well as a number of our diversifying growth assets, including emerging market corporate bonds and the abrdn Total Return Bond Fund, which we believe are best placed to perform well in the higher interest rate environment. We also believe that the relative performance between asset classes is likely to remain highly volatile and that diversification will remain vital to ensuring robust returns.

Portfolio Outlook and Strategy

Global equity markets will continue to face challenges in 2023, with investors concerned that entrenched inflation and sustained rate rises could result in an economic downturn. After the Federal Deposit Insurance Corporation rescued Silicon Valley Bank and Signature Bank, then UBS acquired Credit Suisse, the ECB in particular will be closely monitoring the unfolding banking crisis.

In fixed-income markets, the Fed, BoE and ECB all raised rates in March, with a 25 basis point (bp) rise from the Fed and BoE and a 50 bp rise from the ECB. This signalled a deceleration in the pace of interest rate hikes for the Fed and BoE. In the US, we expect that further tightening will be necessary to control inflation, especially if growth and inflation continue to hold up in the face of tighter policy. In the UK, we expect recession-like conditions to prevail for much of 2023. However, the BoE now forecasts some growth in late 2023, whereas it had previously predicted a recession. The outcome of the BoE's May meeting will depend heavily on inflation and wage growth over the next month. In Europe, although a deep winter recession was avoided, core inflation is still strong, meaning the ECB is expected to hike rates further.

Multi Manager Strategies Team.

April 2023

Investment Report

Continued

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the fund. The table below shows the fund's ranking on the Risk and Reward Indicator.

Typically lower rewards, lower risk ← → **Typically higher rewards, higher risk**

1	2	3	**4**	5	6	7

Risk and reward indicator table as at 31 March 2023.

The fund is rated as 4 because of the extent to which the following risk factors apply:

- The fund invests in securities which are subject to the risk that the issuer may default on interest or capital payments.
- The fund price can go up or down daily for a variety of reasons including changes in interest rates, inflation expectations or the perceived credit quality of individual countries or securities.
- The fund invests in equity and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.
- The fund invests in emerging market equities and/or bonds. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- Commercial property is less liquid than other asset classes such as bonds or equities. Selling property can be a lengthy process so investors in the fund should be aware that they may not be able to sell their investment when they want to.
- Commercial property transaction charges are higher than those which apply in other asset classes. Investors should be aware that a high volume of transactions would have a material impact on fund returns.
- Property valuation is a matter of judgment by an independent valuer and is therefore a matter of the valuer's opinion rather than fact.
- The fund may hold money-market instruments, the value of which may be subject to adverse movements in extreme market conditions.
- The use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives may result in the fund being leveraged (where market exposure and thus the potential for loss by the fund exceeds the amount it has invested) and in these market conditions the effect of leverage will be to magnify losses.
- The fund invests in high yielding bonds which carry a greater risk of default than those with lower yields.
- The fund employs a single swinging pricing methodology to protect against the dilution impact of transaction costs. Due to the high transaction charges associated with the fund's assets, a change in the pricing basis will result in a significant movement in the fund's published price.

All investment involves risk. This fund offers no guarantee against loss or that the fund's objective will be attained.

The price of assets and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment.

Inflation reduces the buying power of your investment and income.

The value of assets held in the fund may rise and fall as a result of exchange rate fluctuations.

The fund could lose money if an entity (counterparty) with which it does business becomes unwilling or unable to honour its obligations to the fund.

In extreme market conditions some securities may become hard to value or sell at a desired price. This could affect the fund's ability to meet redemptions in a timely manner.

The fund could lose money as the result of a failure or delay in operational processes and systems including but not limited to third party providers failing or going into administration.

Comparative Tables

Retail accumulation	2023 pence per unit	2022 pence per unit	2021 pence per unit
Change in net assets per unit			
Opening net asset value per unit	95.29	94.53	79.96
Return before operating charges*	(3.05)	2.01	15.74
Operating charges	(1.16)	(1.25)	(1.17)
Return after operating charges*	(4.21)	0.76	14.57
Distributions	(3.45)	(3.10)	(2.79)
Retained distributions on accumulation units	3.45	3.10	2.79
Closing net asset value per unit	91.08	95.29	94.53
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	(4.42%)	0.80%	18.22%
Other information			
Closing net asset value (£'000)	4,951	7,024	8,029
Closing number of units	5,436,479	7,370,832	8,493,530
Operating charges	1.28%	1.29%	1.30%
Direct transaction costs	–	–	–
Prices			
Highest unit price	95.59	100.1	95.95
Lowest unit price	86.12	91.75	79.12

The closing net asset value (£'000) divided by the closing number of units may not calculate to the closing net asset value per unit (p) due to rounding differences. The published closing net asset value per unit (p) is based on unrounded values and represents the actual price.
The return after charges figures are based on the accounting NAV, as the financial statements are produced at a valuation point that is different from the published daily NAV.
Operating charges are expenses associated with the maintenance and administration of the fund on a day to day basis that are actually borne by the unit class.
Highest and Lowest prices are based on official published daily NAVs.

Comparative Tables

Continued

Retail income	2023 pence per unit	2022 pence per unit	2021 pence per unit
Change in net assets per unit			
Opening net asset value per unit	53.08	54.37	47.42
Return before operating charges*	(1.74)	1.18	9.27
Operating charges	(0.64)	(0.71)	(0.68)
Return after operating charges*	(2.38)	0.47	8.59
Distributions	(1.89)	(1.76)	(1.64)
Closing net asset value per unit	48.81	53.08	54.37
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	(4.48%)	0.86%	18.11%
Other information			
Closing net asset value (£'000)	683	1,064	1,292
Closing number of units	1,398,107	2,003,848	2,375,638
Operating charges	1.28%	1.29%	1.30%
Direct transaction costs	–	–	–
Prices			
Highest unit price	53.22	57.17	55.73
Lowest unit price	47.10	51.74	46.93

The closing net asset value (£'000) divided by the closing number of units may not calculate to the closing net asset value per unit (p) due to rounding differences. The published closing net asset value per unit (p) is based on unrounded values and represents the actual price.
The return after charges figures are based on the accounting NAV, as the financial statements are produced at a valuation point that is different from the published daily NAV.
Operating charges are expenses associated with the maintenance and administration of the fund on a day to day basis that are actually borne by the unit class.
Highest and Lowest prices are based on official published daily NAVs.

Comparative Tables

Continued

Institutional accumulation	2023 pence per unit	2022 pence per unit	2021 pence per unit
Change in net assets per unit			
Opening net asset value per unit	104.77	103.54	87.25
Return before operating charges*	(3.44)	2.10	17.10
Operating charges	(0.81)	(0.87)	(0.81)
Return after operating charges*	(4.25)	1.23	16.29
Distributions	(3.70)	(3.30)	(2.97)
Retained distributions on accumulation units	3.70	3.30	2.97
Closing net asset value per unit	100.52	104.77	103.54
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	(4.06%)	1.19%	18.67%
Other information			
Closing net asset value (£'000)	5,803	7,606	10,531
Closing number of units	5,773,220	7,259,265	10,171,303
Operating charges	0.81%	0.82%	0.83%
Direct transaction costs	-	-	-
Prices			
Highest unit price	105.1	109.8	105.1
Lowest unit price	94.89	100.9	86.34

The closing net asset value (£'000) divided by the closing number of units may not calculate to the closing net asset value per unit (p) due to rounding differences. The published closing net asset value per unit (p) is based on unrounded values and represents the actual price.
The return after charges figures are based on the accounting NAV, as the financial statements are produced at a valuation point that is different from the published daily NAV.
Operating charges are expenses associated with the maintenance and administration of the fund on a day to day basis that are actually borne by the unit class.
Highest and Lowest prices are based on official published daily NAVs.

Comparative Tables

Continued

Institutional income	2023 pence per unit	2022 pence per unit	2021 pence per unit
Change in net assets per unit			
Opening net asset value per unit	59.41	60.56	52.58
Return before operating charges*	(1.99)	1.28	10.23
Operating charges	(0.45)	(0.51)	(0.48)
Return after operating charges*	(2.44)	0.77	9.75
Distributions	(2.07)	(1.92)	(1.77)
Closing net asset value per unit	54.90	59.41	60.56
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	(4.11%)	1.27%	18.54%
Other information			
Closing net asset value (£'000)	1,304	1,797	3,605
Closing number of units	2,375,149	3,024,313	5,952,930
Operating charges	0.81%	0.82%	0.83%
Direct transaction costs	–	–	–
Prices			
Highest unit price	59.57	63.80	62.03
Lowest unit price	52.86	57.88	52.03

The closing net asset value (£'000) divided by the closing number of units may not calculate to the closing net asset value per unit (p) due to rounding differences. The published closing net asset value per unit (p) is based on unrounded values and represents the actual price.
The return after charges figures are based on the accounting NAV, as the financial statements are produced at a valuation point that is different from the published daily NAV.
Operating charges are expenses associated with the maintenance and administration of the fund on a day to day basis that are actually borne by the unit class.
Highest and Lowest prices are based on official published daily NAVs.

Comparative Tables

Continued

Institutional regulated accumulation	2023 pence per unit	2022 pence per unit	2021 pence per unit
Change in net assets per unit			
Opening net asset value per unit	108.97	107.38	90.24
Return before operating charges*	(3.66)	2.11	17.63
Operating charges	(0.48)	(0.52)	(0.49)
Return after operating charges*	(4.14)	1.59	17.14
Distributions	(3.78)	(3.34)	(3.00)
Retained distributions on accumulation units	3.78	3.34	3.00
Closing net asset value per unit	104.83	108.97	107.38
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	(3.80%)	1.48%	18.99%
Other information			
Closing net asset value (£'000)	67,417	85,561	95,983
Closing number of units	64,310,177	78,520,439	89,382,332
Operating charges	0.46%	0.47%	0.48%
Direct transaction costs	-	-	-
Prices			
Highest unit price	109.3	114.0	108.9
Lowest unit price	98.83	104.9	89.30

The closing net asset value (£'000) divided by the closing number of units may not calculate to the closing net asset value per unit (p) due to rounding differences. The published closing net asset value per unit (p) is based on unrounded values and represents the actual price.
The return after charges figures are based on the accounting NAV, as the financial statements are produced at a valuation point that is different from the published daily NAV.
Operating charges are expenses associated with the maintenance and administration of the fund on a day to day basis that are actually borne by the unit class.
Highest and Lowest prices are based on official published daily NAVs.

Comparative Tables

Continued

Platform 1 accumulation	2023 pence per unit	2022 pence per unit	2021 pence per unit
Change in net assets per unit			
Opening net asset value per unit	85.23	84.26	71.04
Return before operating charges*	(2.79)	1.72	13.92
Operating charges	(0.70)	(0.75)	(0.70)
Return after operating charges*	(3.49)	0.97	13.22
Distributions	(3.02)	(2.69)	(2.42)
Retained distributions on accumulation units	3.02	2.69	2.42
Closing net asset value per unit	81.74	85.23	84.26
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	(4.09%)	1.15%	18.61%
Other information			
Closing net asset value (£'000)	21,818	26,686	34,544
Closing number of units	26,692,374	31,309,661	40,995,412
Operating charges	0.86%	0.87%	0.88%
Direct transaction costs	-	-	-
Prices			
Highest unit price	85.50	89.33	85.49
Lowest unit price	77.17	82.05	70.29

The closing net asset value (£'000) divided by the closing number of units may not calculate to the closing net asset value per unit (p) due to rounding differences. The published closing net asset value per unit (p) is based on unrounded values and represents the actual price.
The return after charges figures are based on the accounting NAV, as the financial statements are produced at a valuation point that is different from the published daily NAV.
Operating charges are expenses associated with the maintenance and administration of the fund on a day to day basis that are actually borne by the unit class.
Highest and Lowest prices are based on official published daily NAVs.

Comparative Tables

Continued

Platform 1 income	2023 pence per unit	2022 pence per unit	2021 pence per unit
Change in net assets per unit			
Opening net asset value per unit	59.83	61.02	53.00
Return before operating charges*	(2.01)	1.28	10.33
Operating charges	(0.48)	(0.54)	(0.52)
Return after operating charges*	(2.49)	0.74	9.81
Distributions	(2.09)	(1.93)	(1.79)
Closing net asset value per unit	55.25	59.83	61.02
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	(4.16%)	1.21%	18.51%
Other information			
Closing net asset value (£'000)	6,307	7,572	10,445
Closing number of units	11,414,624	12,656,600	17,117,358
Operating charges	0.86%	0.87%	0.88%
Direct transaction costs	–	–	–
Prices			
Highest unit price	59.99	64.27	62.51
Lowest unit price	53.21	58.29	52.45

The closing net asset value (£'000) divided by the closing number of units may not calculate to the closing net asset value per unit (p) due to rounding differences. The published closing net asset value per unit (p) is based on unrounded values and represents the actual price.
The return after charges figures are based on the accounting NAV, as the financial statements are produced at a valuation point that is different from the published daily NAV.
Operating charges are expenses associated with the maintenance and administration of the fund on a day to day basis that are actually borne by the unit class.
Highest and Lowest prices are based on official published daily NAVs.

Comparative Tables

Continued

ZC accumulation	2023 pence per unit	2022 pence per unit	2021 pence per unit
Change in net assets per unit			
Opening net asset value per unit	111.09	109.21	91.55
Return before operating charges*	(3.79)	2.07	17.85
Operating charges	(0.17)	(0.19)	(0.19)
Return after operating charges*	(3.96)	1.88	17.66
Distributions	(3.79)	(3.34)	(2.98)
Retained distributions on accumulation units	3.79	3.34	2.98
Closing net asset value per unit	107.13	111.09	109.21
* after direct transaction costs of:	-	-	-
Performance			
Return after charges	(3.56%)	1.72%	19.29%
Other information			
Closing net asset value (£'000)	288	291	715
Closing number of units	268,846	261,918	655,190
Operating charges	0.16%	0.17%	0.18%
Direct transaction costs	-	-	-
Prices			
Highest unit price	111.5	116.1	110.7
Lowest unit price	100.9	106.9	90.60

The closing net asset value (£'000) divided by the closing number of units may not calculate to the closing net asset value per unit (p) due to rounding differences. The published closing net asset value per unit (p) is based on unrounded values and represents the actual price.
The return after charges figures are based on the accounting NAV, as the financial statements are produced at a valuation point that is different from the published daily NAV.
Operating charges are expenses associated with the maintenance and administration of the fund on a day to day basis that are actually borne by the unit class.
Highest and Lowest prices are based on official published daily NAVs.

Portfolio Statement

As at 31 March 2023

Holding	Investment	Market value £'000	Percentage of total net assets
Collective Investment Schemes (98.18%)		**105,880**	**97.52**
Absolute Return Funds (6.10%)		**5,583**	**5.14**
644,603	ASI Total Return Credit SICAV Z Inc+	5,583	5.14
Bond Funds (42.58%)		**48,912**	**45.05**
5,548,414	abrdn Corporate Bond Fund ZA Inc+	2,462	2.27
1,368,146	abrdn Emerging Market Local Currency Debt Fund SICAV Z Inc+	11,069	10.19
680,288	abrdn Emerging Markets Corporate Bond Fund SICAV Z Inc Hdgd+	5,366	4.94
190,528	abrdn Frontier Markets Bond Fund SICAV Z Inc Hdgd+	1,345	1.24
378,291	abrdn Global Inflation-Linked Bond Fund SICAV Z Inc Hdgd+	3,581	3.30
105,955	abrdn Global Short Dated Corporate Bond Fund SICAV II Z Inc Hdgd+	978	0.90
5,952,829	abrdn Investment Grade Corporate Bond Fund ZA Inc+	2,478	2.28
10,415,486	abrdn Short Dated Corporate Bond Fund ZA Inc+	4,835	4.45
3,981,973	abrdn Short Duration Global Inflation-Linked Bond Fund ZA Inc+	1,918	1.77
3,780,347	abrdn Strategic Bond Fund ZA Inc+	2,277	2.10
399,010	ASI Global Corporate Bond Fund SICAV Z Inc Hdgd+	3,364	3.10
1,137,332	ASI Global High Yield Bond SICAV Z Inc Hdgd+	9,239	8.51
Equity Funds (41.47%)		**45,333**	**41.76**
5,674,725	abrdn American Income Equity Fund ZA Inc+	4,473	4.12
4,641,852	abrdn Asia Pacific ex-Japan Equity Tracker Fund X Inc+	4,798	4.42
6,229,122	abrdn Emerging Markets Income Equity Fund ZA Inc+	4,872	4.49
5,002,825	abrdn Europe ex UK Income Equity Fund ZA Inc+	6,308	5.81
5,458,816	abrdn Japan Equity Tracker Fund X Inc+	5,726	5.27
7,876,367	abrdn UK High Income Equity Fund ZA Inc+	4,929	4.54
6,190,028	abrdn UK Income Equity Fund Z Inc+	7,140	6.58
9,812,436	abrdn UK Income Unconstrained Equity Fund ZA Inc+	4,675	4.31
1,141,211	abrdn UK Smaller Companies Fund ZA Inc+	2,412	2.22

Portfolio Statement

As at 31 March 2023 continued

Holding	Investment	Market value £'000	Percentage of total net assets
Property Funds (8.03%)		**6,052**	**5.57**
2,948,095	abrdn Global Real Estate Fund ZA Inc+	1,811	1.67
5,037,293	abrdn Global Real Estate Share Fund ZA Inc+	1,989	1.83
5,106,782	abrdn UK Real Estate Fund ZA Inc+	2,252	2.07
Total investment assets		105,880	97.52
Net other assets		2,691	2.48
Total Net Assets		**108,571**	**100.00**

All investments are listed on recognised stock exchanges and are approved securities within the meaning of the FCA rules.
The percentage figures in brackets show the comparative holding as at 31 March 2022.
+ Managed by subsidiaries of abrdn plc.

Financial Statements

Statement of Total Return

For the year ended 31 March 2023

		2023		2022	
	Notes	£'000	£'000	£'000	£'000
Income:					
Net capital losses	3		(9,184)		(1,074)
Revenue	4	4,825		5,209	
Expenses	5	(665)		(882)	
Net revenue before taxation		4,160		4,327	
Taxation	6	(460)		(480)	
Net revenue after taxation			3,700		3,847
Total return before distributions			**(5,484)**		**2,773**
Distributions	7		(4,359)		(4,718)
Change in net assets attributable to unitholders from investment activities			**(9,843)**		**(1,945)**

Statement of Change in Net Assets Attributable to Unitholders

For the year ended 31 March 2023

	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		**137,601**		**165,144**
Amounts receivable on the issue of units	575		1,433	
Amounts payable on the cancellation of units	(23,654)		(31,213)	
		(23,079)		(29,780)
Change in net assets attributable to unitholders from investment activities (see above)		(9,843)		(1,945)
Retained distribution on accumulation units		3,889		4,182
Unclaimed distributions		3		-
Closing net assets attributable to unitholders		**108,571**		**137,601**

Financial Statements

Continued

Balance Sheet

As at 31 March 2023

		2023		2022	
	Notes	£'000	£'000	£'000	£'000
Assets:					
Fixed assets:					
Investment assets			105,880		135,100
Current assets:					
Debtors	8	396		454	
Cash and bank balances	9	3		5	
Cash equivalents	9	2,924		2,795	
			3,323		3,254
Total assets			**109,203**		**138,354**
Liabilities:					
Creditors	10	(520)		(626)	
Distribution payable		(112)		(127)	
			(632)		(753)
Total liabilities			**(632)**		**(753)**
Net assets attributable to unitholders			**108,571**		**137,601**

Notes to the Financial Statements of abrdn Dynamic Distribution Fund

For the year ended 31 March 2023

1 Accounting Policies

a. Basis of preparation

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Association in May 2014 (IMA SORP 2014), FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The Manager has undertaken a detailed assessment, and continues to monitor, the fund's ability to meet its liabilities as they fall due, including liquidity, declines in global capital markets and investor redemption levels. Based on this assessment, the fund continues to be open for trading and the Manager is satisfied the fund has adequate financial resources to continue in operation for at least the next 12 months and accordingly it is appropriate to adopt the going concern basis in preparing the financial statements.

b. Valuation of investments

Listed investments have been valued at fair value as at the close of business on 31 March 2023. The SORP defines fair value as the market value of each security, in an active market, this is generally the quoted bid price.

Unlisted, unapproved, illiquid or suspended securities are valued at the Managers' best estimate of the amount that would be received from an immediate transfer at arm's length. The Manager has appointed a Fair Value Pricing committee to review valuations.

Collective Investment Schemes are valued by reference to their net asset value. Dual priced funds have been valued at the bid price. Single priced funds have been valued using the single price.

Any open positions in derivative contracts or forward foreign currency transactions at the year-end are included in the Balance Sheet at their mark to market value.

c. Foreign Exchange

Assets and liabilities denominated in foreign currencies are translated into Sterling at the prevailing exchange rates as at the close of business on the reporting date.

Foreign currency transactions are translated at the rates of exchange ruling on the date of such transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

d. Dilution

In certain circumstances (as detailed in the Prospectus) the Manager may apply a dilution adjustment on the issue or cancellation of shares, which is applied to the capital of the fund on an accruals basis. The adjustment is intended to protect existing investors from the costs of buying or selling underlying investments as a result of large inflows or outflows from the fund.

e. Revenue

Revenue from collective investment schemes is recognised when the investments are quoted ex dividend.

Accumulation distributions from shares held in collective investment schemes are reflected as revenue and form part of the distribution.

Equalisation received from distributions or accumulations on units in underlying investments is treated as capital and deducted from the cost of the investment.

Interest on bank deposits is recognised on an accruals basis.

Interest from short-term deposits is recognised on an accruals basis.

Notes to the Financial Statements of abrdn Dynamic Distribution Fund

For the year ended 31 March 2023 continued

f. Expenses

All expenses are charged against capital for distribution purposes. All expenses are accounted for on an accruals basis.

Expenses relating to the purchases of investments are charged to the cost of investment and expenses relating to the sales of investments are deducted from the proceeds on sales.

g. Taxation

Provision is made for corporation tax at the current rate on the excess of taxable income over allowable expenses.

UK dividends are disclosed net of any related tax credit.

Overseas dividends are disclosed gross of any foreign tax suffered and the tax element is separately disclosed in the taxation note.

The tax accounting treatment follows that of the principal amount, with charges or reliefs allocated using the marginal basis regardless of any alternative treatment that may be permitted in determining the distribution.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date other than those differences regarded as permanent. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Deferred tax assets are only recognised to the extent that it is regarded more likely than not that there will be taxable profits against which the reversal of underlying timing differences can be offset.

The fund does not apply marginal tax relief as permitted in the SORP.

h. Distributions

All of the net revenue available for distribution at the year end will be distributed. Where the fund has accumulation unitholders, this will be reinvested. Where the fund has income unitholders, this will be paid.

The Manager has elected to recognise the equalisation received from Collective Investment Schemes within the distribution.

Further details with regards to the distribution policy and deductions from capital can be found in the distribution note where it applies.

i. Equalisation

Equalisation appears within the fund reports as part of the distribution. This represents the net revenue in the fund unit price attached to the issue and cancellation of units. It will form part of any distributions at the period end attributable to unitholders.

2 Risk management policies

Generic risks that the abrdn range are exposed to and the risk management techniques employed are disclosed below. Numerical disclosures and specific risks, where relevant, are disclosed within the financial statements.

The Financial Conduct Authority (FCA) Collective Investment Schemes Sourcebook (COLL) and FCA Funds Sourcebook (FUND) rules require the Management Company to establish, implement and maintain an adequate and documented Risk Management Process (RMP) for identifying the risks they manage, or might be, exposed to. The RMP must comprise of such procedures as are necessary to enable abrdn to assess the exposure of each fund it manages to market risk, liquidity risk, counterparty risk, operational risk and all other risks that might be material.

abrdn functionally and hierarchically separates the functions of risk management from the operating units and portfolio management functions, to ensure independence and avoid any potential or actual conflicts of interest. The risk management function has the necessary authority, access to all relevant information, staff and regular contact with senior management and the Board of Directors of the Company. The management of investment risk within abrdn is organised across distinct functions, aligned to the well-established 'three lines of defence' model.

1. Risk ownership, management and control.
2. Oversight of risk, compliance and conduct frameworks.
3. Independent assurance, challenge and advice.

The risk management process involves monitoring the fund on a regular and systematic basis to identify, measure and monitor risk and where necessary escalate appropriately, including to the relevant Board, any concerns and proposed mitigating actions.

The risk team, in line with client expectations and the investment process, develops the risk profiles for the fund in order to set appropriate risk limits. Regulatory limits as well as those agreed, are strictly enforced to ensure that abrdn does not inadvertently (or deliberately) breach them and add additional risk exposure. In addition, there is an early warnings system of potential changes in the portfolio risk monitoring triggers. Where possible, these are coded into the front office dealing system, in a pre-trade capacity, preventing exposures or breaching limits before the trade is actually executed.

Risk Definitions & Risk Management Processes

i) Market Risk is the risk that economic, market or idiosyncratic events cause a change in the market value of Client assets.

Market Risk can be broadly separated into two types:

(1) Systematic risk stems from any factor that causes a change in the valuation of groups of assets. These factors may emerge from a number of sources, including but not limited to economic conditions, political events or actions, the actions of central banks or policy makers, industry events or, indeed, investor behaviour and risk appetite.

(2) Specific or Idiosyncratic Risk, which is the part of risk directly associated with a particular asset, outside the realms of, and not captured by Systematic Risk. In other words, it is the component of risk that is peculiar to a specific asset, and may manifest itself in various guises, for example: corporate actions, fraud or bankruptcy.

Portfolios are subject to many sub-categories of market risk. Many of these risks are interlinked and not mutually exclusive. Examples of these types of investment risk include: Country risk; Sector risk; Asset-class risk; Inflation/deflation risk; Interest rate risk; Currency risk; Derivatives risk; Concentration risk; and Default risk. Factors that cause changes in market risks include: future perceived prospects (i.e. changes in perception regarding the future economic position of countries, companies, sectors, etc.); shifts in demand and supply of products and services; political turmoil, changes in interest rate/inflation/taxation policies; major natural disasters; recessions; and terrorist attacks.

There are several ways in which to review and measure investment risk. The risk team recognises that each method is different and has its own unique insights and limits, and applies the following measurements for each fund, where relevant:

- **Leverage:** has the effect of gearing a fund's expected performance by allowing it to gain greater exposure to underlying investment opportunities (gains and losses). The higher the leverage the greater the risk (potential loss).
- **Value-at-Risk (VaR) and Conditional VaR (CVaR):** VaR measures with a degree of confidence the maximum the fund could expect to lose in any given time frame. Assuming a normal (Gaussian) distribution, this is a function of the volatility of the fund's returns. The higher the volatility, the higher the VaR, the greater the risk. CVaR calculates the expected tail loss, under the assumption that the VaR has been reached.

- **Volatility, Tracking Error (TE):** Volatility measures the size of variation in returns that the fund is likely to expect. The higher the volatility the higher the risk. TE measures the expected magnitude of divergence of returns between the fund and benchmark over a given time.
- **Risk Decomposition:** Volatility, tracking error and VaR may be broken down to show contribution from market related factors ("Systematic" Risk) and instrument specific (Idiosyncratic Risk). This is not a different measure as such, but is intended to highlight the sources of volatility and VaR.
- **Concentration Risk:** By grouping the portfolio into various different exposures (e.g. country, sector, issuer, asset, etc.), we are able to see where, if any, concentration risk exists.
- **Stress Tests and Scenario Analysis:** This captures how much the current portfolio will make or lose if certain market conditions occur.
- **Back Testing:** This process helps to assess the adequacy of the VaR model and is carried out in line with UCITS regulatory requirements (FCA COLL 6.12). Excessive levels of overshoots and the reasons behind them are reported to the Board.

To generate these risk analytics the risk team relies on third party calculation engines, such as APT, Bloomberg PORT+, RiskMetrics and Axioma. Once the data has been processed, it is analysed by the risk team, generally reviewing absolute and relative risks, change on month and internal peer analysis. Any issues or concerns that are raised through the analysis prompt further investigation and escalation if required. Breaches of hard limits are also escalated immediately. All client mandated and regulatory risk limits are monitored on a daily basis.

Stress tests are intended to highlight those areas in which a portfolio would be exposed to risk if the current economic conditions were likely to change. An economic event may be a simple change in the direction of interest rates or return expectations, or may take the form of a more extreme market event such as one caused through military conflict. The stress test itself is intended to highlight any weakness in the current portfolio construction that might deliver unnecessary systematic exposure if the market were to move abruptly.

Stress testing is performed on a regular basis using relevant historical and hypothetical scenarios.

ii) **Liquidity risk** is defined as the risk that a portfolio may need to raise cash or reduce derivative positions on a timely basis either in reaction to market events or to meet client redemption requests and may be obliged to sell long term assets at a price lower than their market value. Liquidity is also an important consideration in the management of portfolios: Portfolio Managers need to pay attention to market liquidity when sizing, entering and exiting trading positions.

Measuring liquidity risk is subject to three main dimensions:

- Asset Liquidity Risk – how quickly can assets be sold.
- Liability Risk - managing redemptions as well as all other obligations arising from the liabilities side of the balance sheet.
- Contingency Arrangements or Liquidity Buffers – utilising credit facilities etc.

Liquidity Risk Management Framework

abrdn has a liquidity risk management framework in place applicable to the fund and set out in accordance with its overall Risk Management Process, relative to the size, scope and complexity of the fund. Liquidity assessment and liquidity stress testing is typically performed monthly, monitoring both the asset and liability sides. Asset side stressed scenarios are considered based on the nature of different asset classes and their liquidity risks to demonstrate the effects of a market stress on the ability to sell-down a fund. Liability side analysis includes stress scenarios on the investor profile as well as liabilities on the balance sheet. Any particular concerns noted or liquidity risk limit breaches are escalated to the relevant Committees and Boards, if material.

Notes to the Financial Statements of abrdn Dynamic Distribution Fund

For the year ended 31 March 2023 continued

iii) Counterparty credit risk is the risk of loss resulting from the fact that the counterparty to a transaction may default on its obligations prior to the final settlement of the transaction's cash flow. Credit risk falls into both market risk and specific risk categories. Credit risk is the risk that an underlying issuer may be unable (or unwilling) to make a payment or to fulfil their contractual obligations. This may materialise as an actual default or, or to a lesser extent, by a weakening in a counterparty's credit quality. The actual default will result in an immediate loss whereas, the lower credit quality will more likely lead to mark-to-market adjustment.

Transactions involving derivatives are only entered into with counterparties having an appropriate internal credit rating that has been validated by the credit research team and approved by the relevant credit committee. Appropriate counterparty exposure limits will be set and agreed by these committees and the existing credit exposures will be assessed against these limits.

iv) Operational Risk

Operational risk can be defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk also includes the breakdown of processes to comply with laws, regulations or directives.

Operational Risk Management

An Operational Risk Management Framework is in place to identify, manage and monitor appropriate operational risks, including professional liability risks, to which the Management Company and the fund are or could be reasonably exposed. The operational risk management activities are performed independently as part of one of the functions of the Risk Division.

The Group's Risk Management Framework is based upon the Basel II definition of operational risk which is "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events".

The Group's management of operational risk is therefore aimed at identifying risks in existing processes and improving existing controls to reduce their likelihood of failure and the impact of losses. The Group has developed a framework that embodies continuous improvement to internal controls and ensures that the management of risk is embedded in the culture of the Group.

The identification, management, monitoring and resolution of events, risks and controls are facilitated via the Group's risk management system, Shield. The system is designed to facilitate the convergence of governance, risk and compliance programmes and automate a comprehensive review and assessment of operational risks.

3 Net Capital Losses

	2023 £'000	2022 £'000
Non-derivative securities*	(9,183)	(1,074)
Transaction charges	(1)	-
Net capital losses*	**(9,184)**	**(1,074)**

* Includes net realised gains of £587,000 and net unrealised gains of £8,596,000 (2022: net realised gains of £3,773,000 and net unrealised losses of £4,853,000). Where realised gains/(losses) include gains/(losses) arising in previous periods, a corresponding (loss)/gain is included in unrealised gains/(losses).

Notes to the Financial Statements of abrdn Dynamic Distribution Fund

For the year ended 31 March 2023 continued

4 Revenue

	2023 £'000	2022 £'000
Bank and margin interest	55	4
Income from Overseas Collective Investment Schemes		
Unfranked income	2,095	2,473
Income from UK Collective Investment Schemes		
Franked income	1,859	1,925
Unfranked income	127	142
Interest income	526	479
Property income	163	186
Total revenue	**4,825**	**5,209**

5 Expenses

	2023 £'000	2022 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge	554	728
Dealing charge	15	20
General administration charge*	90	56
Registration fees**	-	61
	659	865
Payable to the Trustee or associates of the Trustee, and agents of either of them:		
Safe custody fees	6	-
Trustee fees*	-	10
	6	10
Other:		
Audit fee**	-	7
	-	7
Total expenses	**665**	**882**

Irrecoverable VAT is included in the above expenses, where relevant.
* The fixed general administration charge was introduced from 1 October 2021. The fee is paid to the Manager and covers fees payable to facilitate payment of certain common fund costs inclusive of the ongoing registration and general administration expenses of the fund. This is exclusive of the Manager's periodic charge. The fund may additionally pay out of its scheme property other fees and expenses including those incurred by the Custodian.
The audit fee for the year, including VAT, was £15,480 (2022: £14,340).
** These figures represent the charges to 30 September 2021, which have now been replaced by the fixed general administration charge.

Notes to the Financial Statements of abrdn Dynamic Distribution Fund

For the year ended 31 March 2023 continued

6 Taxation

	2023 £'000	2022 £'000
(a) Analysis of charge in year		
Corporation tax	460	480
Double taxation relief	(12)	(13)
Overseas taxes	12	13
Total taxation (note 6b)	**460**	**480**

(b) Factors affecting current tax charge for the year

The tax assessed for the year is less than (2022: less than) the standard rate of corporation tax in the UK for authorised unit trusts (20%). The differences are explained below:

	2023 £'000	2022 £'000
Net revenue before taxation	**4,160**	**4,327**
Corporation tax at 20% (2022: 20%)	832	865
Effects of:		
Revenue not subject to taxation	(372)	(385)
Overseas taxes	12	13
Double taxation relief	(12)	(13)
Total tax charge for year (note 6a)	**460**	**480**

Authorised Unit Trusts are exempt from tax on capital gains in the UK. Therefore, any capital gain is not included in the above reconciliation.

(c) Factors that may affect future tax charge

At the year end there are no surplus expenses and therefore no deferred tax asset in the current or prior year.

7 Distributions (including the movement between net revenue and distributions)

	2023 £'000	2022 £'000
First interim distribution	952	1,033
Second interim distribution	1,122	1,099
Third interim distribution	705	795
Final distribution	1,439	1,631
	4,218	4,558
Add: Income deducted on cancellation of units	153	169
Deduct: Income received on issue of units	(12)	(9)
Total distributions for the year	**4,359**	**4,718**

Notes to the Financial Statements of abrdn Dynamic Distribution Fund

For the year ended 31 March 2023 continued

	2023 £'000	2022 £'000
Movement between net revenue and distributions		
Net revenue after taxation	3,700	3,847
Expenses charged to capital	659	865
Equalisation on Collective Investment Schemes	–	6
Total distributions for the year	**4,359**	**4,718**

Expenses taken to capital include the Annual management charge, Registration, Dealing expenses and the General administration charge. This policy only applies to the income classes.

Where deductions are made from capital these may limit the growth in value of the relevant fund. However, more income is generally available to distribute to unitholders.

Details of the distribution per unit are set out in this fund's distribution tables.

8 Debtors

	2023 £'000	2022 £'000
Accrued revenue	390	446
Amounts receivable from the Manager for the issue of units	6	8
Total debtors	**396**	**454**

9 Liquidity

	2023 £'000	2022 £'000
Cash and bank balances		
Cash at bank	3	5
	3	**5**
Cash equivalents		
Deposits with original maturity of less than 3 months	2,924	2,795
Total cash equivalents	**2,924**	**2,795**
Net liquidity	**2,927**	**2,800**

Notes to the Financial Statements of abrdn Dynamic Distribution Fund

For the year ended 31 March 2023 continued

10 Creditors

	2023 £'000	2022 £'000
Accrued expenses payable to the Manager	58	64
Accrued expenses payable to the Trustee or associates of the Trustee	1	-
Amounts payable to the Manager for cancellation of units	303	417
Corporation tax payable	151	138
Other accrued expenses	7	7
Total creditors	**520**	**626**

11 Related Party Transactions

abrdn Fund Managers Limited, as Authorised Fund Manager, is a related party and acts as principal in respect of all transactions of units in the fund.

The aggregate monies received through issue and paid on cancellation of units are disclosed in the statement of change in net assets attributable to unitholders.

Any amounts due from or due to abrdn Fund Managers Limited at the end of the accounting year are disclosed in notes 8 and 10.

Amounts payable to abrdn Fund Managers Limited, in respect of expenses are disclosed in note 5 and any amounts due at the year end in note 10.

12 Portfolio Transaction Costs

There are no transaction costs associated with the purchases or sales of collective investment schemes during the year, or in the prior year.

Collective investments operate within the terms of the offer document or prospectus. Typically we do not invest into funds that require an initial charge to be made. The underlying price may contain an estimation of cost known as a dilution levy which is applied from time to time.

	Purchases		Sales	
Trades in the year	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Collective investment schemes	-	4,000	20,118	30,700
Trades in the year before transaction costs	**-**	**4,000**	**20,118**	**30,700**
Total net trades in the year after transaction costs	**-**	**4,000**	**20,118**	**30,700**

At the balance sheet date the average portfolio dealing spread (i.e. the spread between bid and offer prices expressed as a percentage of the offer price) was 0.00% (2022: 0.00%), this is representative of the average spread on the assets held during the year.

13 Units in Issue Reconciliation

	Opening units 2022	Creations during the year	Cancellations during the year	Conversions during the year	Closing units 2023
Retail accumulation	7,370,832	13,236	(637,884)	(1,309,705)	5,436,479
Retail income	2,003,848	18,236	(174,497)	(449,480)	1,398,107
Institutional accumulation	7,259,265	69,743	(1,579,605)	23,817	5,773,220
Institutional income	3,024,313	18,590	(620,558)	(47,196)	2,375,149
Institutional regulated accumulation	78,520,439	261,097	(14,471,359)	-	64,310,177
Platform 1 accumulation	31,309,661	102,997	(6,163,257)	1,442,973	26,692,374
Platform 1 income	12,656,600	184,864	(1,871,339)	444,499	11,414,624
ZC accumulation	261,918	15,713	(72)	(8,713)	268,846

14 Fair Value Hierarchy

The three levels of the fair value hierarchy under FRS 102 are described below:

Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for the identical unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

Fair value of investment assets	2023 £'000 Level 1	2023 £'000 Level 2	2023 £'000 Level 3	2022 £'000 Level 1	2022 £'000 Level 2	2022 £'000 Level 3
Collective Investment Schemes	-	105,880	-	-	135,100	-
Total investment assets	**-**	**105,880**	**-**	**-**	**135,100**	**-**

15 Risk Management Policies and Disclosures

The risks inherent in the fund's investment portfolio are as follows:

Foreign currency risk

The fund's net exposure to foreign currencies (including any instruments used to hedge against foreign currencies) is not significant. Therefore, the financial statements are not subject to any significant risk of currency movements. This is consistent with the exposure during the prior year.

Interest rate risk

The majority of the fund's financial assets are in non-interest bearing assets. Therefore, the fund's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the prior year.

Notes to the Financial Statements of abrdn Dynamic Distribution Fund

For the year ended 31 March 2023 continued

Other price risk

The fund's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Adviser in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers mitigate the risk of excessive exposure to any particular type of security or issuer.

An increase or decrease in market values will therefore have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the fund.

As at 31 March 2023, if the prices of investments held by the fund increased or decreased by 5%, with all other variables remaining constant, then net assets attributable to the unitholders would increase or decrease by approximately £5,294,000 (2022: £6,755,000).

Financial derivatives instrument risk

The fund had no exposure to derivatives as at 31 March 2023 (2022: £Nil).

Leverage

	Derivative Exposure Percent - Fund Commitment	Gross Leverage Percent - Fund Leverage
2023	97.38%	97.38%
2022	97.71%	96.04%

Liquidity risk

All of the fund's financial liabilities are payable on demand or in less than one year, 2023 £632,000 (2022: £753,000).

Distribution Tables

For the year ended 31 March 2023 (in pence per unit)

First interim dividend distribution

Group 1 - units purchased prior to 1 April 2022
Group 2 - units purchased between 1 April 2022 and 30 June 2022

	Revenue	Equalisation	Distribution paid 31/08/22	Distribution paid 31/08/21
Retail accumulation				
Group 1	0.7185	-	0.7185	0.6535
Group 2	0.3502	0.3683	0.7185	0.6535
Retail income				
Group 1	0.4001	-	0.4001	0.3764
Group 2	0.0681	0.3320	0.4001	0.3764
Institutional accumulation				
Group 1	0.7665	-	0.7665	0.6924
Group 2	0.5241	0.2424	0.7665	0.6924
Institutional income				
Group 1	0.4345	-	0.4345	0.4070
Group 2	0.1118	0.3227	0.4345	0.4070
Institutional regulated accumulation				
Group 1	0.7785	-	0.7785	0.6981
Group 2	0.3438	0.4347	0.7785	0.6981
Platform 1 accumulation				
Group 1	0.6256	-	0.6256	0.5655
Group 2	0.3454	0.2802	0.6256	0.5655
Platform 1 income				
Group 1	0.4389	-	0.4389	0.4097
Group 2	0.1831	0.2558	0.4389	0.4097
ZC accumulation				
Group 1	0.7774	-	0.7774	0.6930
Group 2	0.3822	0.3952	0.7774	0.6930

Distribution Tables

For the year ended 31 March 2023 (in pence per unit) continued

Second interim dividend distribution

Group 1 - units purchased prior to 1 July 2022
Group 2 - units purchased between 1 July 2022 and 30 September 2022

	Revenue	Equalisation	Distribution paid 30/11/22	Distribution paid 30/11/21
Retail accumulation				
Group 1	0.8932	-	0.8932	0.7254
Group 2	0.4144	0.4788	0.8932	0.7254
Retail income				
Group 1	0.4935	-	0.4935	0.4146
Group 2	0.0391	0.4544	0.4935	0.4146
Institutional accumulation				
Group 1	0.9604	-	0.9604	0.7706
Group 2	0.4345	0.5259	0.9604	0.7706
Institutional income				
Group 1	0.5403	-	0.5403	0.4521
Group 2	0.0868	0.4535	0.5403	0.4521
Institutional regulated accumulation				
Group 1	0.9807	-	0.9807	0.7792
Group 2	0.9807	-	0.9807	0.7792
Platform 1 accumulation				
Group 1	0.7827	-	0.7827	0.6295
Group 2	0.2631	0.5196	0.7827	0.6295
Platform 1 income				
Group 1	0.5452	-	0.5452	0.4535
Group 2	0.2062	0.3390	0.5452	0.4535
ZC accumulation				
Group 1	0.9842	-	0.9842	0.7749
Group 2	0.4507	0.5335	0.9842	0.7749

Distribution Tables

For the year ended 31 March 2023 (in pence per unit) continued

Third interim dividend distribution

Group 1 - units purchased prior to 1 October 2022
Group 2 - units purchased between 1 October 2022 and 31 December 2022

	Revenue	Equalisation	Distribution paid 28/02/23	Distribution paid 28/02/22
Retail accumulation				
Group 1	0.5974	-	0.5974	0.5556
Group 2	0.2946	0.3028	0.5974	0.5556
Retail income				
Group 1	0.3273	-	0.3273	0.3145
Group 2	0.0122	0.3151	0.3273	0.3145
Institutional accumulation				
Group 1	0.6337	-	0.6337	0.5849
Group 2	0.3215	0.3122	0.6337	0.5849
Institutional income				
Group 1	0.3533	-	0.3533	0.3385
Group 2	0.0583	0.2950	0.3533	0.3385
Institutional regulated accumulation				
Group 1	0.6422	-	0.6422	0.5869
Group 2	0.2311	0.4111	0.6422	0.5869
Platform 1 accumulation				
Group 1	0.5174	-	0.5174	0.4791
Group 2	0.2021	0.3153	0.5174	0.4791
Platform 1 income				
Group 1	0.3566	-	0.3566	0.3419
Group 2	0.0814	0.2752	0.3566	0.3419
ZC accumulation				
Group 1	0.6395	-	0.6395	0.5775
Group 2	0.3062	0.3333	0.6395	0.5775

Distribution Tables

For the year ended 31 March 2023 (in pence per unit) continued

Final dividend distribution

Group 1 - units purchased prior to 1 January 2023
Group 2 - units purchased between 1 January 2023 and 31 March 2023

	Revenue	Equalisation	Distribution paid 31/05/23	Distribution paid 31/05/22
Retail accumulation				
Group 1	1.2369	-	1.2369	1.1606
Group 2	0.4734	0.7635	1.2369	1.1606
Retail income				
Group 1	0.6720	-	0.6720	0.6549
Group 2	0.0358	0.6362	0.6720	0.6549
Institutional accumulation				
Group 1	1.3401	-	1.3401	1.2514
Group 2	0.2691	1.0710	1.3401	1.2514
Institutional income				
Group 1	0.7418	-	0.7418	0.7196
Group 2	0.0814	0.6604	0.7418	0.7196
Institutional regulated accumulation				
Group 1	1.3786	-	1.3786	1.2803
Group 2	0.3474	1.0312	1.3786	1.2803
Platform 1 accumulation				
Group 1	1.0919	-	1.0919	1.0196
Group 2	0.2119	0.8800	1.0919	1.0196
Platform 1 income				
Group 1	0.7481	-	0.7481	0.7246
Group 2	0.0768	0.6713	0.7481	0.7246
ZC accumulation				
Group 1	1.3913	-	1.3913	1.2899
Group 2	0.3288	1.0625	1.3913	1.2899

Equalisation

This applies only to units purchased during the distribution period (group 2 units). It is the average amount of revenue included in the purchase price of group 2 units and is refunded to the holders of these units as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

Remuneration

Alternative Investment Fund Managers Directive (AIFMD)
Remuneration Disclosure AIF Annual Report and Accounts

Remuneration Policy

The abrdn plc Remuneration Policy applies with effect from 1 January 2022. The purpose of the abrdn plc Remuneration Policy (the "Policy") is to document clearly the remuneration policies, practices and procedures of abrdn as approved by the abrdn plc Remuneration Committee (the "Committee"). The Policy is available on request.

The Policy applies to employees of the abrdn group of companies ("Group" or "abrdn") including AIFMD Management Companies ("ManCos") and the AIFMD funds that the ManCo manages.

Remuneration Principles

abrdn applies Group wide principles for remuneration policies, procedures and practices ensuring that:

- Remuneration within the Group is simple, transparent and fair.
- Our Policy supports our long-term strategy by reinforcing a performance-driven culture. It aligns the interests of our employees, shareholders and, importantly, our clients/customers.
- Our remuneration structure recognises the different challenges and priorities of roles and Vectors and Functions across the organisation as appropriate.
- Remuneration policies, procedures and practices promote good conduct, including sound and effective risk management and do not encourage risk taking that exceeds the level of tolerated risk appetite.
- Remuneration extends beyond the provision of fixed and variable pay, with a focus on the retirement provision and the wellbeing needs of our employees, as part of our remuneration philosophy.

Total remuneration delivered is affordable for the Group.

Remuneration Framework

Employee remuneration is composed of fixed and variable elements of reward as follows:

a) Fixed reward (fixed remuneration: salary and cash allowances, if appropriate); and Benefits (including pension).

b) Variable reward (bonus, a proportion of which may be subject to retention or deferral depending on role and regulatory requirements; and senior employees may also be awarded a long-term incentive award).

Appropriate ratios of fixed: variable remuneration will be set to as to ensure that:

a) Fixed and variable components of total remuneration are appropriately balanced and

b) The fixed component is a sufficiently high proportion of total remuneration to allow abrdn to operate a fully flexible policy on variable remuneration components, including having the ability to award no variable remuneration component in certain circumstances where either individual and/or Group performance does not support such award.

Remuneration

Continued

Base salary	Base salary provides a core reward for undertaking the role and depending on the role, geographical or business market variances or other indicators, additional fixed cash allowances may make up a portion of fixed remuneration. Periodic reviews take into account the employee's role, scope of responsibilities, skills and experience, salary benchmarks (where available) and, where relevant, any local legislative or regulatory requirements.
Benefits (including retirement benefit where appropriate)	Benefits are made up of core benefits which are provided to all employees; and extra voluntary benefits that may be chosen by certain employees which may require contribution through salary sacrifice or other arrangements. Retirement benefits are managed in line with the relevant legislative requirements and governance structures. In certain, very limited circumstances, a cash allowance may be offered in lieu of a retirement arrangement.
Annual Performance Bonus Awards	Employees who have been employed during a performance year (1 January to 31 December) may be eligible to be considered for an annual bonus in respect of that year. Annual bonuses are based upon Group, Vector, Function, Team and Individual performance (with individual performance assessed against agreed goals and behaviours). The variable remuneration pool for all eligible employees, including Identified Staff or Material Risk Takers ("MRTs"), is determined initially by reference to profitability and other quantitative and qualitative financial and non-financial factors including risk considerations (on an ex-post and ex-ante basis). In reaching its final funding decision, the Committee exercises its judgement to ensure that the outcome reflects holistic Company performance considerations. abrdn Fund Managers Limited has specific obligations to act in the best interests of the AIFMD funds it manages and its investors. Accordingly, the performance of the underlying funds and the interests of investors (including, where relevant, investment risk) are also taken into account as appropriate. The Risk and Capital Committee and the Audit Committee formally advise the Committee as part of this process. The overall bonus pool is allocated to vectors and functions based on absolute and relative performance for each vector and function, and their alignment with strategic priorities and risk considerations. Allocation by region and subdivision/team is determined on a discretionary basis by the vector, regional and functional heads based on the absolute and relative performance of the constituent teams and alignment with strategic priorities. Individual annual bonus awards are determined at the end of the 12-month performance period with performance assessed against financial and nonfinancial individual objectives, including behaviour and conduct. Individual awards for Identified Staff are reviewed and approved by the Committee (with some individual award approvals delegated, as appropriate, to the Group's Compensation Committee, over which the Committee retains oversight). In carrying out these approvals, the Committee seeks to ensure that outcomes are fair in the context of overall Group performance measures and adjusted, where appropriate, reflect input from the Risk and Capital Committee and the Audit Committee. Variable remuneration awards are subject to deferral for a period of up to three years. A retention period may also be applied as required by the relevant regulatory requirements. Deferral rates and periods comply, at a minimum, with regulatory requirements and may exceed these. In addition to the application of ex-ante adjustments described above, variable remuneration is subject to ex-post adjustment (malus / clawback arrangements).
Other elements of remuneration – selected employees	The following remuneration arrangements may be awarded in certain very limited circumstances: **Carried Interest Plans** – These arrangements are designed to reward performance in roles where a carried interest plan is appropriate. Selected employees are granted carried interest shares in private market funds established by the Group. **Buy-Out Awards/Guaranteed Bonuses** – These are intended to facilitate/support the recruitment of new employees. Buy-outs are not awarded, paid or provided unless they are in the context of hiring new employees. Guaranteed bonuses are not awarded, paid or provided unless they are exceptional and in the context of hiring new employees and limited to the first year of service. These awards are only made where such a payment or award is permitted under any relevant remuneration regulations and are designed to compensate for actual or expected remuneration foregone from previous employers by virtue of their recruitment. **Retention and Special Performance Awards / LTIP** - Supports retention and/or the delivery of specific performance outcomes. The Company may determine that it is appropriate to grant an exceptional award in limited circumstances. Awards are structured to deliver specific retention and/or performance outcomes. Retention and/or special performance awards comply with all relevant regulatory requirements. **Severance Pay** - Payment made to support an employee whose role is considered to be redundant. Severance payments comply with any legislative and regulatory requirements and any payments are inclusive of any statutory entitlement. In the event of severance, the treatment of any individual elements of an employee's remuneration is governed, as appropriate, by relevant plan or scheme rules.

Remuneration

Continued

Control Functions

The Group ensures that, as appropriate, senior employees engaged in a control function are independent from the business units they oversee and have appropriate authority to undertake their roles and duties. These include, but are not necessarily limited to, Risk, Compliance and Internal Audit function roles. Senior employees engaged in a control function are remunerated in a way that ensures they are independent from the business areas they oversee, have appropriate authority, and have their remuneration directly overseen by the Remuneration Committee.

Conflicts of interest

The Remuneration Policy is designed to avoid conflicts of interest between the Group and its clients and is designed to adhere to local legislation, regulations or other provisions. In circumstances or jurisdictions where there is any conflict between the Policy and local legislation, regulations or other provisions then the latter prevail. Where the Committee receives input from members of management on the remuneration arrangements in operation across the Group this never relates to their own remuneration.

Personal Investment Strategies

The Company adheres to the regulatory principles and industry best practice on the use of personal hedging strategies which act in restricting the risk alignment embedded in employee remuneration arrangements.

AIFMD Identified Staff / MRTs

The 'Identified Staff' or MRTs of abrdn Fund Managers Limited are those employees who could have a material impact on the risk profile of abrdn Fund Managers Limited or the AIFMD Funds it manages. This broadly includes senior management, decision makers and control functions. For the purposes of this disclosure, 'Identified Staff' includes employees of entities to which activities have been delegated.

Quantitative remuneration disclosure

The table below provides an overview of the following:

- Aggregate total remuneration paid by abrdn Fund Managers Limited to its entire staff; and
- Aggregate total remuneration paid by abrdn Fund Managers Limited to its AIFMD 'Identified Staff'.

Amounts shown reflect payments made during the financial reporting period in question. The reporting period runs from **1 January 2022 to 31 December 2022** inclusive.

	Headcount	Total Remuneration £'000
abrdn Fund Managers Limited[1]	**855**	**141,552**
of which		
Fixed remuneration		101,713
Variable remuneration		39,839
abrdn Fund Managers Limited 'Identified Staff'[2]	**113**	**62,151**
of which		
Senior Management[3]	46	34,570
Other 'Identified Staff'	67	27,581

[1] As there are a number of individuals indirectly and directly employed by abrdn Fund Managers Limited this figure represents an apportioned amount of abrdn's total remuneration fixed and variable pay, apportioned to the Management Company on an AUM basis, plus any carried interest paid. The Headcount figure provided reflects the number of beneficiaries calculated on a Full Time Equivalent basis.
[2] The Identified Staff disclosure relates to AIFMD MRTs and represents total compensation of those staff of the Management Company who are fully or partly involved in the activities of the Management Company
[3] Senior management are defined in this table as Management Company Directors and members of the abrdn plc Board, together with its Executive Committee, Investment Management Committee and Group Product Committee.

Further Information

abrdn Dynamic Distribution Fund is an authorised unit trust scheme under FCA regulations.

Consumers' rights and protections, including any derived from EU legislation, are currently unaffected by the result of the UK referendum to leave the European Union and will remain unchanged unless and until the UK Government changes the applicable legislation.

Documentation and Prices

Copies of the current Prospectus and Key Investor Information Documents (KIIDs) for the abrdn Dynamic Distribution Fund, daily prices, together with the latest Annual (and if issued later the interim) Report and Accounts for any fund, are available to download at **abrdn.com**. A paper copy of the Report and Accounts is available on request from the Manager.

Notices/Correspondence

Please send any notices to abrdn Fund Managers Limited, PO Box 12233, Chelmsford, Essex, CM99 2EE. Any notice to the Manager will only be effective when actually received by the Manager. All notices will be sent to the investor at the address set out in the Application form or the latest address which the investor has notified to the Manager, and will be deemed to have been received three days after posting. Events detailed in these terms and conditions will be carried out on the dates specified, unless the dates are a non-business day, when they will be carried out on the next business day.

Complaints and Compensation

If you need to complain about any aspect of our service, you should write to the Complaints Team, abrdn, PO Box 12233, Chelmsford, CM99 2EE, who will initiate our formal complaints procedure. If you prefer, you may call the Complaints Team on 0345 113 6966 or email **complaints@abrdn.com** in the first instance.

Alternatively if you have a complaint about the Company or Funds you can contact the Trustee directly. A leaflet detailing our complaints procedure is available on request. We will endeavour to respond to your complaint as soon as possible and will notify you of our outcome within 8 weeks. If the complaint is not resolved by us to your satisfaction then you may have the right take your complaint to the Financial Ombudsman Service (FOS). To contact the FOS Service you should write to The Financial Ombudsman Service, Exchange Tower, London, E14 9SR, email **complaint. info@financial-ombudsman.org.uk** or telephone 0800 023 4567 (free for landlines and mobiles) or 0300 123 9123 (calls cost no more than calls to 01 and 02 numbers) or +44 20 7964 0500 (available from outside the UK – calls will be charged).

We are covered by the Financial Services Compensation Scheme, which means if we become insolvent, you may be entitled to compensation. The level of compensation will depend on the type of business and the circumstances of your claim. Investments are covered up to £85,000 for claims against firms that fail on or after 1 April 2019. Details are available from the FSCS Helpline on 0800 678 1100 or 020 7741 4100 and on the FSCS website: **www.fscs.org.uk**.

Important Information

The above document is strictly for information purposes only and should not be considered as an offer, investment recommendation or solicitation, to deal in any of the investments or funds mentioned herein and does not constitute investment research. abrdn Fund Managers Limited (abrdn) does not warrant the accuracy, adequacy or completeness of the information and materials. Any research or analysis used in the preparation of this document has been procured by abrdn for its own use and may have been acted on for its own purpose. The results thus obtained are made available only coincidentally and the information is not guaranteed as to its accuracy. 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 their own assessment of the relevance, accuracy and adequacy of the information contained in this document and make such independent investigations, as they 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. Neither abrdn nor any of its employees, associated group companies or agents have given any consideration to nor have they or any of them made any investigation of the investment objectives, financial situation or particular need of the reader, any specific person or group of persons. 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. abrdn reserves the right to make changes and corrections to any information in this document at any time, without notice.

Issued by abrdn Fund Managers Limited. Authorised and regulated by the Financial Conduct Authority in the United Kingdom.