



13 January 2023

Investor Reference:

Investor Name:

Designation:

**IMPORTANT INFORMATION – abrdn European High Yield Bond Fund  
FUND MERGER PROPOSAL – ACTION REQUIRED**

Dear Investor,

**Proposed merger of the abrdn European High Yield Bond Fund, a sub-fund of abrdn OEIC I (the “Merging Fund”) into the abrdn High Yield Bond Fund, a sub-fund of abrdn OEIC II (the “Continuing Fund”).**

**Please read this letter carefully as it contains important information regarding a proposed merger in respect of the Merging Fund. Having read the letter, you may wish to consult with your financial adviser before taking any action.** In this letter, unless the context requires otherwise, the terms shall have the meaning set out in the Glossary of the Circular (as defined below).

We, abrdn Fund Managers Limited, are writing to provide you with the details of our proposal to merge the Merging Fund into the Continuing Fund. We refer to our proposal as the “Merger Proposal”.

As a Shareholder in the Merging Fund we are seeking your approval of the Merger Proposal which is outlined below. The enclosed ‘Information and Notice of Meeting to Shareholders’ contains a Scheme of Arrangement which sets out the terms and conditions of the merger and provides further detailed information about the Merger Proposal, and how you can vote on the Merger Proposal (the “Circular”).

Should you have any questions on the Merger Proposal, please call us on 0345 113 6966 or +44 (0) 1268 44 5488 if outside the UK. We are here between 9 am and 5:30 pm (UK time), Monday to Friday. Calls may be monitored and/or recorded to protect both you and us and help with our training. Please note that while we will be able to answer general questions on this letter and the Circular, we cannot provide financial advice.

**Background to the Merger Proposal**

We have undertaken a comprehensive review of our entire fund range to determine whether there are any funds which have similar investment objectives, investment policies and risk profiles. The review identified the Merging Fund and the Continuing Fund as similar funds and therefore it is proposed to merge the two funds.

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## **Comparison of the Merging Fund and the Continuing Fund**

Both the Merging Fund and the Continuing Fund aim to generate income and some growth over the long term (5 years or more). They both focus on sterling and euro denominated sub-investment grade (high yield) corporate bonds, and as a result the bonds held by the two funds are very similar. While the benchmark of the Merging Fund differs from the Continuing Fund and the Continuing Fund has a lower performance target, both funds invest in similar assets, including bonds issued by financial institutions. The historical performance of the respective benchmarks has been fairly aligned, however the Continuing Fund has performed better than the Merging Fund despite the Continuing Fund having a lower performance target. The permitted use of derivatives for the two funds is identical.

The risk profiles of the funds are the same and they have identical Synthetic Risk and Reward Indicators as set out in the Key Investor Information Documents. The costs in the Continuing Fund are the same or lower than the Merging Fund depending on the share class.

Due to these similarities, we believe that the Merger Proposal will enable shareholders in the funds to realise the benefits of economies of scale, which will allow fund expenses to be spread over a larger pool of assets, and in turn, is expected to reduce the expenses paid by the shareholders overall over time.

A comparison of the principal features of the Merging Fund and Continuing Fund including a comparison of the investment objectives and policies is set out in Appendix 3 of the Circular. The shares in the Continuing Fund may be subject to higher investment minima than the shares in the Merging Fund. Where this is the case, these higher investment minima will be waived for shareholders moving from the Merging Fund to the Continuing Fund, such that shareholders will continue to be subject to the investment minima of the Merging Fund. A comparison of the investment minima of both funds is set out in Appendix 3 of the Circular. Details of the past performance of the Merging Fund and the Continuing Fund is set out in Appendix 4 of the Circular.

Any direct costs relating to the merger will be paid for by abrdn, as set out in Appendix 1, paragraph 12.4 of the Circular. However, in advance of the merger, the holdings in the Merging Fund will be bought and sold so the portfolio aligns to the strategy of the Continuing Fund, and the cost of this rebalancing exercise will be borne by shareholders in the Merging Fund that haven't chosen to redeem or switch their investments by 15 February 2023. We estimate this cost to be 0.01% of the value of the Merging Fund (i.e. a cost of £1 for every £10,000 held), however, in practice these costs will be dependent on market conditions and the respective portfolios at the point of rebalancing and may be higher or lower. Please refer to paragraph 12.3 of Appendix 1 of the Circular for further details on the treatment of costs post merger.

## **Proposed Changes**

Our proposal is for the Merging Fund to be merged with the Continuing Fund. If approved by way of an Extraordinary Resolution of the Shareholders in the Merging Fund, this is currently planned for 3 March 2022.

The Merger Proposal involves the exchange of assets in the Merging Fund for shares in the Continuing Fund so investors of the Merging Fund become shareholders in the Continuing Fund.

We do not anticipate that there will be any tax implications as a result of the Merger Proposal for UK shareholders. For non-UK shareholders please refer to the Circular for further information.

## **Further Information**

With this letter you will find full details of the Merger Proposal set out in the Circular. We strongly recommend that you read this as it gives:

- details of the Merger Proposal and process, as well as a side by side comparison of the Merging Fund with the Continuing Fund;
- details of the New Shares that you will receive in the Continuing Fund (if the Merger Proposal is approved);
- further information for regular savers and ISA holders;
- the process for approving the Merger Proposal;
- the key dates; and
- any action you need to take.

## **Approving the Merger Proposal**

The Merger Proposal needs to be approved by Shareholders in the Merging Fund. Accordingly, we are calling an Extraordinary General Meeting (the "Meeting") and are inviting you to vote on an Extraordinary Resolution in respect of the Merger Proposal.

The Meeting will be held at 11.15 am (UK time) on 8 February 2023 in 1 George Street, Edinburgh EH2 2LL.

For the Merger Proposal to be approved, not less than 75% of the votes validly cast must be in favour of the Merger Proposal.

### **Should you wish to exercise your right to vote on the Merger Proposal, you can:**

- **complete the enclosed Form of Proxy** and return it in the pre-paid envelope provided or by way of email to [abrdn@castavote.co.uk](mailto:abrdn@castavote.co.uk) in accordance with the instructions provided in the enclosed document, as soon as possible so that it arrives not later than 48 hours before the start of the Meeting (i.e. by 11.15 am (UK time) on 6 February 2023); and
- **also attend the Meeting in person and cast your vote at the Meeting.**

## **Outcome of the Meeting**

We will publish the results of the Meeting on our website at [www.abrdn.com/en/uk/investor/fund-centre/investor-communications](http://www.abrdn.com/en/uk/investor/fund-centre/investor-communications) as soon as possible following the conclusion of the Meeting. Alternatively, you can contact our Investor Servicing Centre on 0345 113 6966 (or +44 1268 44 5488 if outside the UK) from 4 pm (UK time) on 8 February 2023 to find out the results of the Meeting. We are open from Monday to Friday between 9 am and 5.30 pm (UK time).

## **What happens if the Merger Proposal is Approved?**

If the Merger Proposal is approved, the merger will be binding on all shareholders, even those that voted against it or did not vote at all and will be undertaken in accordance with the terms set out in Appendix 1 of the Circular.

The shares you hold in the Merging Fund will therefore be exchanged for equivalent shares in the Continuing Fund. The Merging Fund will then be terminated. We have set out in Appendix 1 of the Circular the mapping of the share classes in the Merging Fund and the share class in which you will receive New Shares in the Continuing Fund.

## **Your options if you do not wish to participate in the Merger Proposal**

If you do not wish to participate in the Merger Proposal, you may either redeem your holding or switch your holding to another of our UK funds free from any switch or redemption charges or, depending on how you hold your investment, transfer to another manager. No changes will be made to the Merging Fund until 16 February 2023 to allow those who do not wish to participate in the Merger Proposal to leave the Merging Fund without incurring any rebalancing costs. Please refer to Appendix 2 of the Circular for the full details of your options.

**If you do switch into another fund or cash in, you should note it will be treated as a disposal of shares for tax purposes and, unless you are invested through an ISA, you may be liable to tax on any gains arising from switching or redemption of your shares. If you are unsure about your personal tax position, please seek professional tax advice.** Please refer to Appendix 2 of the Circular for the full details of your options.

## **Suspension of Dealings**

In order to facilitate the implementation of the Merger Proposal, dealings in shares in the Merging Fund will be suspended immediately after 12 noon (UK time) on 2 March 2023. The last time you can deal in your shares before the merger will be at the dealing cut-off point at 12 noon (UK time) on 2 March 2023. If you send instructions to deal which we receive up to the dealing cut-off on 2 March 2023, your instructions will be dealt with in the usual way at the 12 noon (UK time) valuation point on 2 March 2023. Any instructions received after the dealing cut-off time, as noted above, will be rejected.

You will be able to deal in the New Shares you receive in the Continuing Fund from 9 am (UK time) on 6 March 2023.

**What do you need to do?**

We strongly recommend that you read the enclosed Circular carefully and take time to consider the Merger Proposal.

**We believe that the Merger Proposal is in the best interests of the Shareholders and recommend you to vote in favour.**

You can find copies of this communication at [www.abrdn.com/en/uk/investor/fund-centre/investor-communications](http://www.abrdn.com/en/uk/investor/fund-centre/investor-communications). We will keep this page up to date with all further client communications relating to the changes we are making.

Thank you for continuing to invest with abrdn.

Yours faithfully,

Adam Shanks  
On behalf of abrdn Fund Managers Limited