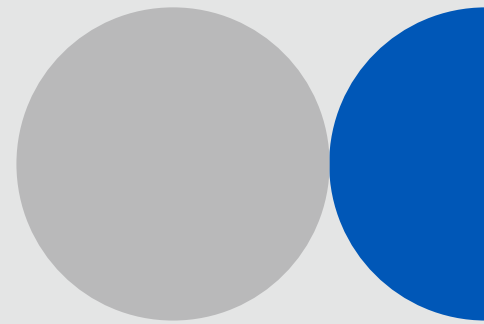




abrdrn Life Sciences Investors

Quarterly Commentary

Second Quarter 2024



Fund performance

The abrdrn Life Sciences Investors Fund returned 3.19%¹ for the second quarter of 2024 on a net asset value basis and outperformed the 2.84% return of its benchmark, the NASDAQ Biotechnology Index².

At the stock level, Alnylam Pharmaceuticals' stock rose after positive Phase III results from its Helios-B clinical trial, which achieved statistical significance in both primary and all secondary endpoints in overall treatment and monotherapy with its investigational RNA interference therapeutic for amyloid transthyretin amyloidosis with cardiomyopathy. Amgen traded positively after its CEO provided an upbeat statement on the early results of the company's experimental obesity drug, MariTide. An antibody-based approach to obesity has the potential for once-a-month dosing. Vertex also continued to trade positively on the back of clinical data presented in late 2023, demonstrating the potential for a first-in-class non-opioid pain therapeutic.

Conversely, Gilead Sciences hurt absolute performance. It is a large commercial biotechnology company with a broad revenue stream from antivirals to treat the human immunodeficiency virus and is looking to expand its presence in oncology. A clinical trial readout for its drug Trodelvy to treat breast cancer disappointed investors, which drove its share-price decline. Illumina, a company that manufactures and sells equipment used for the sequencing of genomes, underperformed, likely due to the lack of clarity around the contentious spin-off of its cancer diagnostic platform known as Grail. Apellis Pharmaceuticals, a company that is selling a drug for Geographic Atrophy, a form of age-related macular degeneration, underperformed over the quarter, on continued concerns over the relative safety of its drug versus those of competitors.

In terms of activity, we initiated several new positions, generally representing attractive small to mid-capitalization exposures across a variety of therapeutic indications and various stages of development in the biotechnology sector. These new positions included Arrowhead Pharmaceuticals,

Abeona Therapeutics, Axsome Therapeutics, Iovance Biotherapeutics, Rhythm Pharmaceuticals, Arvinas, Dyne Therapeutics, Nuvalent, and Structure Therapeutics.

The Fund also participated in another round of financing for Endeavor Biosciences, which is seeking to develop therapies for idiopathic pulmonary fibrosis.

Conversely, the Fund sold several positions due to falling conviction, including United Therapeutics, BridgeBio Pharma, Mirum Pharmaceuticals, and Zentalis Pharmaceuticals.

Top 10 Holdings (as of June 30, 2024)

Amgen	9.73
Regeneron Pharmaceuticals	8.16
Vertex Pharmaceuticals	7.04
Gilead	5.81
AstraZeneca	4.86
Biogen	4.60
Alnylam Pharmaceuticals	3.11
BioMarin Pharm	3.01
Sarepta Therapeutics	2.89
Neurovance	2.57
Percent of portfolio in top ten	51.79

Source : abrdrn 06/30/2024.

The above tables summarize the composition of the Fund's portfolio, expressed as a percentage of total assets. Holdings are subject to change and are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities shown. Figures may not always sum to 100 due to rounding.

¹ Past performance is no guarantee of future results. Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. Net asset value return data include investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions.

² The NASDAQ Biotechnology Index is a modified capitalization-weighted index that includes securities of NASDAQ-listed companies classified according to the Industry Classification Benchmark as biotechnology or pharmaceuticals.



Performance

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

Cumulative and annualized total return as of June 30, 2024 (%)

	NAV	Market price
Quarter to date	3.19	7.61
Year to date	5.86	12.14
1 year	13.82	16.88
3 years (p.a.)	-0.24	-4.01
5 years (p.a.)	6.92	6.05
10 years (p.a.)	6.24	5.65
Since inception (p.a.)	9.01	8.33

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For periods prior to that date, the returns reflect performance information from a prior, unaffiliated adviser. The Fund is subject to investment risk, including the possible loss of principal. Returns for periods less than one year are not annualized.

Market review

U.S. equities ended higher over the quarter. The U.S. economy, particularly the labor market, has continued to prove resilient and robust despite slowing. Consequently, annual consumer price inflation was higher than expected over the first three months of this year before meeting expectations in April, although it came in lower than forecast in May. Meanwhile, heightened tensions in the Middle East have brought additional inflationary risks due to the potential effect on crude supplies and shipping costs.

At its June meeting, the U.S. Federal Reserve (Fed) kept the target range for its fed funds rate at a 23-year high of 5.25–5.50%, marking the seventh consecutive time it has left rates unchanged. The latest 'dot plot' from the Fed's committee members forecasted just one rate cut in 2024—whereas three had been predicted back in March—with further easing likely in 2025 and 2026. However, after steadily falling over the course of last year, the Fed's targeted inflation measure—the annual core Personal Consumption Expenditures (PCE) Price Index—has only slightly declined in the first five months of 2024. Against this backdrop, Fed Chair Jerome Powell reiterated at the June meeting that the central bank requires more evidence of core PCE inflation sustainably

moving towards the 2% target before considering policy easing. Therefore, the Fed aims to maintain a restrictive policy stance, proceeding cautiously with a data-dependent approach as it seeks greater clarity on underlying economic trends. As a result, investors now anticipate only one or two rate cuts in 2024, starting in the autumn at the earliest. Previously, investors had been factoring in as many as six or seven cuts from June onwards. Moreover, some Fed officials are in favor of further tightening to keep stubborn inflation at bay. However, Fed Chair Jerome Powell has stated that the central bank's next move is unlikely to be a rate hike, which has reassured investors somewhat.

The performance of the U.S. healthcare sector lagged that of the S&P 500 Index over the quarter, as investor risk appetite increased. The information technology and, to a lesser degree, communication services sectors outperformed the index over the quarter. These sectors contain many growth companies, the valuations of which are more exposed to the prospect of interest rates being cut later this year. There was also continued optimism surrounding the growth prospects of companies operating in artificial-intelligence-related areas.

Outlook

Macroeconomic factors remain as unpredictable as ever, with intense scrutiny over data and predictions as to when a pause or pivot in interest-rate direction occurs. Geopolitical pressures remain elevated throughout the world. Recessionary concerns are all too present, as global growth stagnates while inflationary pressures remain. Our main focus for the portfolio is at the stock level, ensuring the portfolio is well diversified on both a regional and sector basis, and robust enough to preserve capital in periods of market weakness. We aim to have exposure to higher-quality businesses with the financial strength to withstand volatility and exposure to strong structural drivers for long-term growth.

Important Information

Past performance is no guarantee of future results.

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

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

Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in the market value of an investment), credit (changes in the financial condition of the issuer, borrower, counterparty, or underlying collateral), prepayment (debt issuers may repay or refinance their loans or obligations earlier than anticipated), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase). The above is for informational purposes only and should not be considered as an offer, or solicitation, to deal in any of the investments mentioned herein. abrdn does not warrant the accuracy, adequacy or completeness of the information and materials contained in this document and expressly disclaims liability for errors or omissions in such information and materials.

Investments in HQH, HQL, THQ, and THW may be subject to additional risks including limited operating history, security selection, concentration in the healthcare industries, pharmaceuticals sector, biotechnology industry, managed care sector, life science and tool industry, healthcare technology sector, healthcare services sector, healthcare supplies sector, healthcare facilities sector, healthcare equipment sector, healthcare distributors sector, healthcare REIT, interest rate, credit/default, non-investment grade securities, key personnel, discount to NAV, anti-takeover provisions, related party transactions, non-diversification, government intervention, market disruption, geopolitical, and potential conflicts of interest.

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