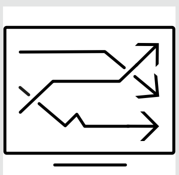
abrdn Asia-Pacific Income Fund

Quarterly Commentary

Quarter ended January 31, 2022

Fund performance



The abrdn Asia-Pacific Income Fund returned 19.27% [1] on a net value basis for the three-month period ended January 31, 2022, outperforming the 12.33% return of its blended benchmark.[2]

The single-largest factor contributing positively to the portfolio's relative performance was the overweight exposure to the Asian credit sector, which benefited from the decline in U.S. Treasury yields as well as narrowing credit spreads, especially in China where policy conditions have eased. An overweight exposure to the Indian local-currency market detracted value relative to the benchmark.

Asian local-currency markets delivered positive returns over the quarter as 10-year yields fell sharply. The biggest moves were seen in Hong Kong, Indonesia, South Korea, Thailand and Malaysia, which all outperformed U.S. Treasuries. U.S. Treasuries yields fell aggressively as policymakers slowed their pace of rate hikes amid falling inflation, albeit Federal Reserve rhetoric remains hawkish. In contrast, several central banks in Asia have reached, or are close to reaching, their terminal rates, notably Indonesia, Malaysia and South Korea. Market sentiment was further boosted by China announcing the long-awaited abandonment of its zero-COVID policy. Asian currencies strengthened against the U.S. dollar as the dollar continued to retrace from its autumn peak on the outlook for U.S. rate rises slowing. A very strong risk-on tone drove Asian credit and emerging market debt higher over the quarter.

Top 10 Holdings (%)

Mexico (Govt of) 8.5% 2029	2.2
Indonesia (Govt of) 8.75% 2031	2.0
Nota Do Tesouro Nacional 10% 2029	2.0
Korea (Govt of) 2.5% 2052	1.9
Indonesia (Govt of) 6.125% 2028	1.6
Hutchison 7 1/2% due 27	1.6
Indonesia (Govt of) 8.25% 2029	1.5
China (Govt of) 2.37% 2030	1.5
India (Govt Of) 7.26% 2029	1.4
Uruguay (Govt of) 8.25% 2031	1.4
Percent of Portfolio in Top Ten	**17.0**

Source: abrdn 01/31/2023.

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 Fund's blended benchmark comprises 40% Markit iBoxx Asian Local Bond Index, 35% J.P. Morgan Asia Credit Diversified Index, 15% J.P. Morgan GBI Emerging Market Global Diversified Index and 10% Bloomberg Ausbond Composite Index.

The Markit iBoxx Asian USD Bond Index family ("iBoxx ADBI") tracks the performance of U.S. dollar-denominated bonds from Asian based issuers.

The J.P. Morgan Asia Credit Diversified Index tracks the performance of actively traded U.S.-dollar denominated debt instruments in the Asia ex-Japan region.

The J.P. Morgan GBI Emerging Markets Global Diversified Index tracks the performance of liquid, fixed-rate, domestic-currency government bonds.

The Bloomberg AusBond Composite Index tracks the performance of the Australian debt market.

Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

Cumulative and annualised total return as of January 31, 2023 (%)

	NAV	Market Price
Since inception (p.a.)	6.80	6.41
10 Years (p.a.)	-0.06	-1.57
5 Years (p.a.)	-1.25	-1.72
3 Years (p.a.)	-3.62	-3.86
1 Year	-11.22	-12.10
Year to Date	6.65	10.80
3 Months	19.13	25.46
1 month	6.65	10.80

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The Fund is subject to investment risk, including the possible loss of principal. Returns for periods less than one year are not annualized.

Aberdeen Asia-Pacific Income Fund Distribution Rates[3]

Fund	FAX
NAV Yield[3]	10.48%
Market Yield[3]	12.64%

[3] As of ex-dividend date of January 31, 2023.

The following tables set forth the estimated amounts of the sources of the distributions for purposes of Section 19 of the 1940 Act and the rules adopted thereunder. The tables have been computed based on generally accepted accounting principles. The tables include estimated amounts and percentages for the current distributions to be paid as well as for the cumulative distributions paid relating to fiscal year to date, from the following sources: net investment income; net realized short-term capital gains; net realized long-term capital gains; and return of capital. The estimated compositions of the distributions may vary because the estimated composition may be impacted by future income, expenses and realized gains and losses on securities and currencies.

The Fund's estimated sources of the current distributions to be paid and for its current fiscal year to date are as follows:

Estimated Amounts of Current Distribution per Share

Fund	Distribution Amount	Net Investment Income		Net Realized Short-Term Gains[4]		Net Realized Long-Term Gains		Return of Capital	
FAX	$0.0275	$0.0143	52%	-	-	-	-	$0.0132	48%

Estimated Amounts of Fiscal Year to Date Cumulative Distributions per Share

Fund	Fiscal Year[5] to Date Distribution Amount	Net Investment Income		Net Realized Short-Term Gains[4]		Net Realized Long-Term Gains		Return of Capital	
FAX	$0.1100	$0.0572	52%	-	-	-	-	$0.0528	48%

[4] Includes currency gains.

[5] FAX has a 10/31 fiscal year end.

Where the estimated amounts above show a portion of the distribution to be a "Return of Capital," it means that the Fund estimates that it has distributed more than its income and capital gains; therefore, a portion of your distribution may be a return of capital. A return of capital may occur for example, when some or all of the money that you invested in a Fund is paid back to you. A return of capital distribution does not necessarily reflect the Fund's investment performance and should not be confused with "yield" or "income."

The amounts and sources of distributions reported in this notice are only estimates and are not being provided for tax reporting purposes. The final determination of the source of all distributions for the current year will only be made after year-end. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment experience during the remainder of the fiscal year and may be subject to change based on tax regulations. After the end of each calendar year, a Form 1099-DIV will be sent to shareholders for the prior calendar year that will tell you how to report these distributions for federal income tax purposes.

The following table provides the Fund's total return performance based on net asset value (NAV) over various time periods compared to the Fund's annualized and cumulative distribution rates.

Fund Performance and Distribution Rate Information

Fund	FAX
Average Annual Total Return on NAV for the 5 Year Period Ending 10/31/2022[6]	-1.23%
Current Fiscal Period's Annualized Distribution Rate on NAV[7]	10.00%
Cumulative Total Return on NAV[6]	19.27%
Cumulative Distribution Rate on NAV[7]	2.50%

[6] Return data is net of all fund expenses and fees and assumes the reinvestment of all distributions reinvested at prices obtained under the Fund's dividend reinvestment plan.

[7] Based on the Fund's NAV as of January 31, 2023.

Shareholders should not draw any conclusions about a Fund's investment performance from the amount of the Fund's current distributions or from the terms of the distribution policy (the "Distribution Policy").

Market review

Core government bond yields rallied strongly either side of a sharp December sell-off, which left the 10-year U.S. Treasury yield 54 basis points (bps) lower over the quarter at 3.51%. The 2-year Treasury yield fell 28bps to 4.20%.

Sentiment turned positive in November after lower-than-expected U.S. inflation fueled hopes that the Federal Reserve (Fed) would slow the pace of rate increases. Adding to the rally, China announced a long-awaited relaxation of its strict zero-COVID rules despite a sharp rise in infection rates. The Fed duly raised rates by 50bps in December after a series of 75bps moves, and by 25bps just after quarter-end. The European Central Bank and Bank of England also slowed their pace of tightening to 50bps in December after hiking by 75bps at their previous meetings.

The slower pace of rate rises was made possible by inflation continuing to cool. Core personal consumption expenditures, the Fed's preferred inflation gauge, fell to an annualized rate of 4.4% in December, its lowest level in over a year. Consumer price index (CPI) inflation had earlier printed at 6.5% for December on an annual basis, its sixth monthly decline since peaking at 9.1% in June. The Brent crude oil price slipped by almost 11% to $84.50 a barrel and fell further after quarter-end on abundant U.S. reserves and softer-than-expected demand from China.

Despite slowing the pace of rate hikes, a barrage of hawkish Fed rhetoric continued to push back against the market's pricing of a policy pivot in response to easing financial conditions. Supporting the case for the hiking cycle having further to run, the U.S. labor market smashed all expectations as payrolls data recorded 517,000 added jobs in January – more than twice the previous month's figure and way above expectations.

China's struggles against COVID-19 continue to challenge the global recovery. The country's abrupt abandonment of its long-held zero-COVID policy has unleashed surging infection rates that have caused labor shortages not dissimilar to those caused by strict lockdowns earlier in the pandemic. While the runaway spread of the virus is likely to constrain economic activity in the short term, should authorities be able to contain infection rates, China's reopening could provide a significant boost to global economic activity. We also expect positive spillovers to the Asian region via outbound tourism and, to a lesser extent, goods trade.

Bond markets continue to signal elevated risks of recession, most notably in the U.S., where the yield curve is more deeply inverted than before the 2001 and 2008 recessions, according to research by Bloomberg. In Asia, yield curves ended the quarter inverted in Hong Kong, Singapore and South Korea.

Asia's inflation outlook remains encouraging, helped by strengthening currencies limiting imported price pressures. The latest prints show CPI inflation falling below expectations in Indonesia, Malaysia and Thailand, albeit inflation rose faster than expected in South Korea and marginally above expectations in Hong Kong.

Economic activity in Asia continues to be challenged by weaker external demand and soft conditions in the semiconductor sector. Korean exports have been notably weak in recent months and manufacturing purchasing managers' indices across the region still show a mixed outlook, with north Asia underperforming and ASEAN (Association of South-East Asian Nations) holding up better on average. That said, Asia is still delivering higher growth outcomes than most other regions.

Asian local-currency bond markets delivered positive returns over the quarter as 10-year yields fell sharply. The biggest moves were seen in Hong Kong (-85bps), Indonesia (-82bps), South Korea (-95bps), Thailand (-65bps) and Malaysia (-56bps), which all outperformed U.S. Treasuries. Benchmark yields fell by 46bps in Singapore and 10bps in India and rose by 25bps in China.

Despite the slowing pace of Fed rate hikes, U.S. policymakers have consistently pointed to the hiking cycle having further to run. In contrast, several central banks in Asia have reached, or are close to reaching, their terminal rates. The Bank of Thailand, which has generally lagged in terms of its policy normalization, hiked its policy rate by 25bps, while Indonesia's central bank guided that its rate increases since last August may be sufficient. Earlier, Malaysia's central bank unexpectedly left its policy rate unchanged, given mounting risks to growth.

Asian currencies strengthened against the U.S. dollar as the dollar continued to retrace from its autumn peak on the slowing outlook for Fed rate rises. The Korean won and Thai baht led regional performance as they gained more than 13% while the Malaysian ringgit rose by 9.6%, China's offshore yuan by 7.9%, the Singapore dollar by 7.2% and the Philippine peso by 5.7%. There were more moderate gains for the Indonesian rupiah (+3.9%) and Indian rupee (+1%) while the Hong Kong dollar edged marginally higher. The DXY dollar index fell by 8.5% over the quarter. Illustrating the reduced pressure on Asian currencies, countries such as India and Korea were able to increase their foreign exchange reserves during the quarter.

A very strong risk-on tone drove Asian credit higher over the quarter, with the JPMorgan Asian Credit Index Diversified (JACI) delivering a quarterly return of 10.2%. High-yield bonds (24.4%) outperformed investment-grade credit (7.2%) as the benchmark spread tightened by 136bps over the quarter to 235bps. All index countries and sectors were in positive returns territory.

Risk appetite was initially boosted by lower-than-expected U.S. inflation raising hopes of a policy pivot by the Fed. Sentiment turned yet more positive after China announced a long-awaited relaxation of its zero-COVID restrictions and the government provided stronger support for the troubled real estate sector. These measures helped drive a rally in Chinese credit, particularly privately owned entities.

Chinese real estate rebounded and erased the losses incurred over much of the fourth quarter as positive policy momentum provided a clear direction towards supporting a broader spectrum of developers. Developers continued to demonstrate growing access to capital markets, with Country Garden raising finance via a share placement and other names continuing to make use of onshore bond issuance guaranteed by China Bond Insurance Corporation.

The Chinese reopening narrative also helped Macau record a strong bounce in hotel bookings over the Chinese New Year period, which led ratings agencies to start removing negative outlooks from the sector. Meanwhile, pressure on the tech sector continued to ease with China's government expected to take 'golden shares' in Alibaba and Tencent to maintain influence over the internet giants.

The primary market showed signs of renewed activity but petered out over January's Chinese New Year holidays. Nevertheless, January saw the Chinese real estate sector make a surprising return to the new issues market as Dalian Wanda priced a 2-year deal.

Within emerging market (EM) debt, over the three months, in hard-currency debt, the JPMorgan EMBI Global Diversified Index returned 11.4%, with the spread on the index tightening by 95bps. High-yield names (13.6%) outperformed higher-quality investment-grade bonds (9.2%). Africa led performance by region, followed by Latin America and Asia. Argentina (55.6%), Sri Lanka (53.1%), El Salvador (40.3%), Pakistan (37.7%), Ethiopia (35.1%) and Zambia (34.2%) led performance by country.

Argentina's government launched a sovereign debt buyback operation for more than $1 billion, focused primarily on the country's global 2029 and 2030 bonds. The plan was endorsed by the International Monetary Fund (IMF) and was received positively by the market. Pakistan's foreign exchange reserves fell below one month's imports, bringing default closer without resumption of its IMF program. The United Arab Emirates and Saudi Arabia have offered $4 billion in financing support to prevent the country from defaulting. Sri Lanka's central bank governor said that the country will not hold detailed talks on domestic debt until the anticipated $2.9 billion in IMF funding had been approved. Elsewhere, the IMF said that it will proceed with its first review of Zambia's program and will make a scheduled second disbursement.

In local-currency debt, the JPMorgan GBI-EM Global Diversified Index (unhedged in U.S. dollar terms) returned 14.2%, while the yield on the index fell by 82bps to 6.61%. Europe led regional performance while Chile and Hungary were notable outperformers by country. Egypt lagged amid surging inflation, sharp currency depreciation and market disappointment at the small size of the $3 billion IMF financing package.

Outlook

Our focus remains on finding opportunities to extend duration. Following the strong start to the year in both local and U.S. dollar-denominated markets, the more recent pullback in bond yields should provide better levels at which to add duration risk. Markets could remain tentative as investors reassess what U.S. data means for Fed policy. Should the resilience in data see some follow-through as opposed to being driven by some seasonality, this could raise terminal rate expectations and the anticipation of second-half rate cuts. As with rates, volatility in foreign exchange (FX) could give rise to additional opportunities to add some short U.S. dollar risk as the market recalibrates expectations, although some caution is warranted as the move in the dollar could have room to extend in the short term.

While the possibility of economic recession clouds the outlook for Asia credit and the Asian region more broadly, we see the Chinese reopening story continuing to drive a rebound and as a factor in softening the blow of a global slowdown. While rapid spread compression has left Asian investment-grade spreads looking fair, we expect positive technicals to support the segment, with muted expectations for net supply (given cheaper and abundant financing onshore for many issuers) and attractive overall yields. Within the high-yield universe, Chinese corporates look to offer the most attractive opportunities. We are selective in the high-yield sector given expected near-term volatility and instead see better risk/reward in subordinated issuance from both financials and strong corporates.

The sizeable improvement in market sentiment for EMs since spreads reached wides in mid-October has reduced some of the value we had seen opening up in certain areas of EM debt. That said, we remain cautiously optimistic on aspects of the asset class. Despite a busy January of primary issuance, investors' high cash balances and large inflows into the asset class have helped to drive positive returns across corporate, local-currency and hard-currency sovereign bonds. While nervousness about the global growth outlook remains, risk assets have been boosted by China's reopening, a more benign European energy market and the prospect of the Fed engineering a 'soft landing'. Should U.S. inflation continue to print below consensus, the market would likely price out rate hikes and thus boost EM FX.

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 Company'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 Company's portfolio. The net asset value (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 Company will achieve its investment objective. Past performance does not guarantee future results.

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).

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.

Concentrating investments in the Asia-Pacific region subjects the Company to more volatility and greater risk of loss than geographically diverse funds.

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