Jan 2019

Aberdeen Standard Absolute Return Global Bond Strategies Fund

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Aberdeen Standard Investments

The Aberdeen Standard Absolute Return Global Bond Strategies Fund*** is invested primarily in the Standard Life Investments Global SICAV Absolute Return Global Bond Strategies Fund (the "fund") which aims to provide positive investment returns in the form of income and capital growth in all market conditions over the medium to long term. The fund is actively managed, with a wide investment remit to target a level of return over rolling three-year periods equivalent to cash plus three per-cent a year, gross of fees. It exploits market inefficiencies through active allocation to a diverse range of market positions. The fund uses a combination of traditional assets (such as bonds, cash and money market instruments) and investment strategies based on advanced derivative techniques, resulting in a highly diversified portfolio. The fund can take long and short positions in markets, securities and groups of securities through derivative contracts.

The value of investments within the fund can fall as well as rise and is not guaranteed – you may get back less than you pay in. The fund may use derivatives for the purpose of efficient portfolio management and to meet its investment objective. The value of overseas assets held in the fund may rise and fall as a result of exchange rate fluctuations.

Absolute Return

Monthly

Fund Manager	Multi-Asset Investing Team	Buy/Sell Spread*	Buy +0.34%/Sell -0.34%
Launch Date	2 June 2014	Redemption Price**	$1.085916
Base Currency	AUD	ARSN Number	125 896 988
Current NAV	$27.1m	APIR Code	ETL0134AU
Benchmark	Bloomberg AusBond Bank Bill Index		

*This is the current buy / sell spread and it is reviewed monthly. If you wish to confirm the buy /sell spread, please contact the Investment manager on 1800-636-888 prior to making an investment or redemption.

** Unit price as at last valuation point of the report period.

*** Formerly The Standard Life Investments Absolute Return Global Bond Strategies Trust (The Trust).

Important information

The key service providers have not changed in the reporting period.There has been no material change to the risk level or strategy of the fund for the reporting period.There has been no material change to the expected risk profile or investment objective of the fund for the reporting period.

Due to rounding, the underlying sections may not sum to the total.
This communication is intended for investment professionals only and must not be relied on by anyone else.

Strategy Information as at 31 December 2018*

Stand-alone risk contribution by strategy grouping

	Stand alone volatility (%)
Credit	1.30
Inflation	0.85
Duration	0.57
Cross Market	0.47
FX	0.44
Curve	0.22
Cash	0.14
Volatility	0.06
Total Stand alone vol	**4.04**
Diversification:	**2.14**
Overall Volatility:	**1.91**

Return contribution by strategy grouping

	Q4 Contribution** (%)
Credit	0.04
Cross Market	0.20
Curve	0.09
Duration	-0.17
FX	-0.02
Inflation	-0.36
Volatility	0.13
Cash	**0.05**
Residual	**-0.59**
Total	**-0.64**

Top 10 risk contributions by strategy

	Stand alone volatility (%)
Short UK Inflation	0.86
Short US Interest Rates	0.75
Short Dated Credit	0.52
Swedish Flattener vs Canadian Steepener	0.51
Brazilian Government Bonds	0.40
Long NOK vs EUR	0.36
Canadian Interest Rates	0.33
European vs Swedish Interest Rates	0.29
Long US Inflation	0.26
Long USD vs KRW	0.25

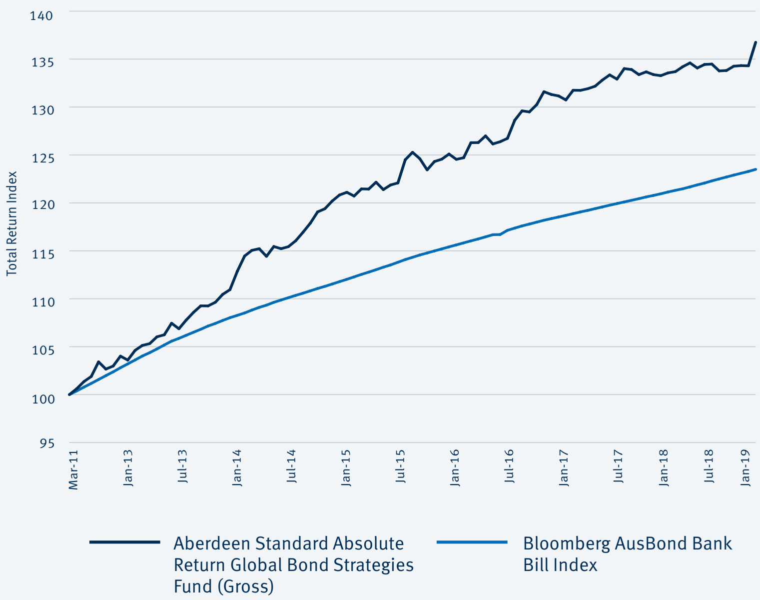
Top 5 Return Contributors by strategy

Top Contributors	Q4 Contribution (%)
Brazilian Government Bonds	0.47
Canadian Interest Rates	0.43
Swedish Flattener vs Canadian Steepener	0.29
Long Interest Rate Volatility	0.13
Short Dated Credit	0.11

Bottom Contributors	Q4 Contribution (%)
Short US Interest Rates	-0.60
High Yield Credit	-0.19
Long US Inflation	-0.18
Contingent Capital Bonds	-0.17
Short UK Inflation	-0.13

*The strategy information is updated on a quarterly basis (31 March, 30 June, 30 September & 31 December).
Return contributions are based on the performance of the underlying master fund in its base currency (GBP)
**Contributions may not sum to total due to rounding.

Strategy Performance as on 31 January 2019



Figures quoted are calculated on a redemption basis over periods to 31 January 2019.

The Aberdeen Standard Absolute Return Global Bond Strategies Fund (ARSN 125 896 988) commenced on 02 June 2014. For information purposes, we show the historical performance of the underlying master fund, the SICAV Absolute Return Global Bond Strategies Fund in GBP share class converted from Sterling to Australian Dollar from inception (30 March 2011) to 18 October 2012; then Australian Dollar Share class from 18 October 2012 to 2 June 2014 and the Australian Fund thereafter.

Source: State Street Australia Limited / Aberdeen Standard Investments (Fund) and FactSet (Benchmark)

Index @ Inception = 100

Cumulative Performance

Source: State Street Australia Limited / Aberdeen Standard Investments (Fund) and FactSet (Benchmark)

	YTD (%)	1 month (%)	3 months (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Launch (% p.a.)
Aberdeen Standard Absolute Return Global Bond Strategies (Gross)	1.83	1.83	1.86	1.72	2.39	2.73	2.81	4.12
Aberdeen Standard Absolute Return Global Bond Strategies (Net)	1.76	1.76	1.67	1.28	1.63	1.96	2.06	3.41
Bloomberg AusBond Bank Bill Index	0.18	0.18	0.49	1.18	1.95	1.91	2.14	2.74

Past performance is not a reliable indicator of future performance. The Aberdeen Standard Absolute Return Global Bond Strategies Fund (ARSN 125 896 988) commenced on 2 June 2014. For information purposes, we show the historical performance of the underlying master fund, the SICAV Absolute Return Global Bond Strategies Fund in GBP share class converted from Sterling to Australian Dollar from inception (30 March 2011) to 18 October 2012; then Australian Dollar Share class from 18 October 2012 to 2 June 2014 and the Australian Fund thereafter.

Investment Review and Outlook

Market review

Growing optimism over a US-China trade resolution helped lift investor confidence. So, too, did signals from the US Federal Reserve (Fed) that it would adopt a more patient approach to further interest rate increases. Strong US company earnings releases provided further support for sentiment. Results from Europe were more mixed: some were strong but there was weakness among banks. As Brexit machinations continued, investors started to look more favourably on Prime Minister May’s plans. As a result, sterling climbed against other major currencies.

Despite investors regaining their appetite for risk, government bond prices rose (yields fell) during the month, as the Fed guided down expectations for further US interest rate hikes. The move was seen as a mark of the Fed’s caution over the state of the global economy. Corporate bonds delivered positive returns (yields fell) and outperformed government bonds. High-yield corporate bonds outperformed investment-grade issues, reflecting investors’ improved appetite for risk.

Economic releases during the month were lacklustre. US economic data started to show the effects of the US-China trade dispute, with the ISM manufacturing survey registering its largest month-on-month fall since 2008. Eurozone economic indicators continued to disappoint. In response, the European Central Bank (ECB) hinted at a possible alteration of its monetary policy towards a more supportive stance. Oil prices rose sharply on supply worries. Production cuts by OPEC (Organization of Petroleum Exporting Countries) are taking effect. US sanctions on Venezuelan oil exports also affected the oil supply outlook.

Activity

We added a European forward-start interest rates strategy. We expect this to help diversify interest rate risk in the portfolio. We added a US real yields position aimed at profiting from higher US inflation. We closed the Canadian interest rates strategy after it had delivered positive returns.

Elsewhere, we opened a Mexican government bonds position. This strategy is likely to benefit from Mexico’s recent budget, which alleviated some of the concerns around fiscal policy at a time when Mexico is nearing the end of its interest rate hiking cycle. We added a Long Indian rupee versus Swiss franc currency pair. The rupee should benefit from India’s positive long-term outlook and relatively few macroeconomic imbalances. Lastly, we sought to reduce our corporate bond exposure. To achieve this, we hedged out our physical high-yield corporate bond position. At the same time, we closed the EU investment-grade corporate bond position.

Performance

The ARGBS Australian Master Trust Fund returned 1.76% (net of fees) during the month. The benchmark Bloomberg AusBond Bank Bill All Maturities returned 0.18%.

US Treasuries fared well in January, causing yields to fall. Consequently, our US interest rates position, designed to profit when US rates rise, dragged on returns. Our long interest rate volatility strategy also suffered: implied interest rate volatility declined as the Fed signalled a pause in further rate hikes. Our Swedish yield-curve flattener versus Canadian yield-curve steepener strategy delivered a positive return, after the difference between long and short-term interest rates in Sweden narrowed. Although the Riksbank raised interest rates at the end of last year, in January it alluded to a more gradual future interest rate path. This supported our strategy.

The recovery in corporate bonds rewarded our exposures to this asset class. Elsewhere, our short UK inflation strategy delivered positive returns after data showed inflation had dropped to its lowest level in two years. This reflected weakness in the oil price through late-2018.

Within our currency strategies, the long Norwegian krone versus euro pair gained ground. The krone appreciated against its peers on account of better fundamentals and rising prospects for higher interest rates. Conversely, the euro fell after the ECB alluded to the Eurozone's worsening economic outlook.

Outlook

Our central view is that global growth has peaked and headwinds are building. However, we believe modest broad-based global growth will continue, albeit with regional variations. Government tax policy and spending plans, and the changing monetary policies of central banks, will be important drivers of asset returns – especially as the pace of change remains unclear. The US is continuing to raise interest rates, albeit gradually. The ECB ended its monetary support programme in December. However, we believe it will remain cautious about raising rates in the near term given the uncertainty around Brexit and signs of weakness in the Eurozone economy. Japan, meanwhile, is likely to maintain a supportive monetary path.

Geopolitical tensions are elevated and many asset prices still look expensive, despite the recent sell-off. Valuations look vulnerable in sectors where corporate earnings growth appears to have peaked, while in other areas such as emerging markets we see less demanding valuations. We seek to benefit from the opportunities these conditions present by implementing a diversified range of strategies across multiple asset classes.

To find out more about our fund range, visit our website, contact us at client.service.aust@aberdeenstandard.com or alternatively speak to your usual contact at Aberdeen Standard Investments representative.

https://www.aberdeenstandard.com/australia/investor/