

31 December 2018

The Aberdeen Standard Global Corporate Bond Fund\*\*\* aims to provide long term growth by investing predominantly in global investment grade bonds. The fund is actively managed by our investment teams who may invest in a wide range of bonds (e.g. corporate bonds including high yield bonds, government backed securities, overseas bonds, index-linked bonds, floating rate notes (FRNs) and asset backed securities (ABSs) and/or money market instruments) issued anywhere in the world in order to take advantage of opportunities they have identified.

## Key Features

- Focus on change investment approach embedded in fundamentally driven credit selection tailored to the overall environment
- Global reach and collaborative environment encourages constructive dialogue among teams
- History of credit expertise and high conviction portfolios, in conjunction with downside focused risk-based approach, has delivered compelling information ratios

This document is intended for institutional investors and investment professionals only and should not be distributed to or relied upon by retail clients.

Australian Unit  
Trust

Monthly

|   |  |                                      |                        |
|---|--|--------------------------------------|------------------------|
| Fund Launch Date                                      | 24 February 2015   | Yield to Maturity Fund/<br>Benchmark | 4.13%/3.85%            |
| Benchmark (Index)                                     | Barclays Global Aggregate Corporate<br>Index (hedged to AUD) | No.of Holdings                       | 246                    |
| Aberdeen Standard<br>Investments<br>AUM (Jun 30,2018) | AUD 995.6bn  | Modified Duration<br>Fund/Index      | 6.11/6.28              |
| Current NAV   | \$301.7m   | Redemption Price**                   | \$1.020439             |
| Base Currency   | AUD  | Buy/Sell Spread*                     | Buy +0.20%/Sell -0.20% |
|   |  | ASRN                                 | 125 896 184            |
|   |  | APIR                                 | ETL0132AU              |

\*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 Global Corporate Bond 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.

## Fund Information

## Composition by Country

| Country        | Fund % | Index % | Country                | Fund % | Index % |
|----------------|--------|---------|------------------------|--------|---------|
| United States  | 49.1   | 52.4    | Ireland                | 0.5    | 0.4     |
| United Kingdom | 13.5   | 9.3     | Denmark                | 0.5    | 0.3     |
| France         | 7.5    | 6.3     | Sweden                 | 0.4    | 0.8     |
| Germany        | 5.8    | 4.8     | Finland                | 0.4    | 0.5     |
| Switzerland    | 3.0    | 2.0     | United Arab Emirates   | 0.4    | 0.1     |
| Netherlands    | 2.9    | 3.1     | Hong Kong              | 0.4    | 0.6     |
| China          | 2.3    | 0.7     | Belgium                | 0.3    | 0.7     |
| Spain          | 2.3    | 2.0     | Channel Islands        | 0.3    | 0.1     |
| Not Classified | 2.2    | 2.2     | Czech Republic         | 0.3    | 0.0     |
| Italy          | 1.5    | 1.5     | India                  | 0.3    | 0.2     |
| Mexico         | 1.2    | 0.5     | British Virgin Islands | 0.3    | 0.1     |
| Iceland        | 0.9    | 0.0     | Luxembourg             | 0.2    | 0.5     |
| Japan          | 0.9    | 2.9     | Bermuda                | 0.2    | 0.2     |
| Canada         | 0.8    | 4.7     | Cayman Islands         | 0.1    | 0.1     |
| Brazil         | 0.7    | 0.3     | New Zealand            | 0.1    | 0.2     |
| Australia      | 0.7    | 2.5     |                        |        |         |

## Composition by Credit Rating

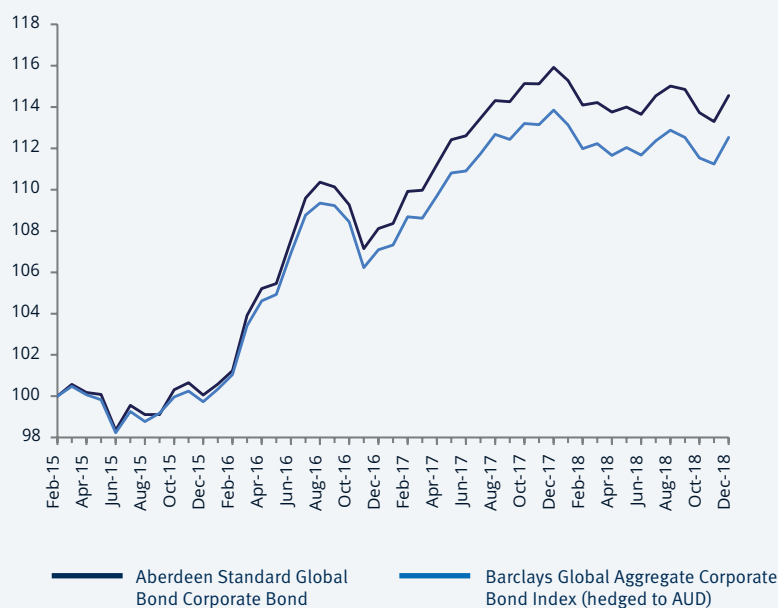
| Rating | Fund % | Index % |
|--------|--------|---------|
| AAA    | 0.9    | 1.2     |
| AA     | 3.7    | 10.7    |
| A      | 31.0   | 37.9    |
| BBB    | 55.6   | 49.4    |
| BB     | 6.0    | 0.2     |
| N/R    | 2.8    | 0.6     |

## Top Ten Issuers

| Issuers                | Fund % | Index % |
|------------------------|--------|---------|
| Citigroup              | 3.2    | 1.1     |
| JPMorgan Chase         | 2.8    | 1.5     |
| Bank of America        | 2.4    | 1.4     |
| UBS                    | 1.8    | 0.4     |
| Morgan Stanley         | 1.6    | 1.0     |
| Barclays Bank          | 1.6    | 0.5     |
| General Motors         | 1.4    | 0.4     |
| Groupe BPCE            | 1.4    | 0.5     |
| Charter Communications | 1.2    | 0.3     |
| HSBC                   | 1.1    | 1.1     |

Source: Aberdeen Standard Investments/UBS Delta

## Fund Performance



Performance has been calculated over the stated period on the share price performance basis, based on the institutional shareclass and net of fees. For your relevant charges please contact your Aberdeen Standard Investments Sales Representative.

Source: Aberdeen Standard Investments (Fund) and Thomson Datastream (Benchmark)

## Performance

Source: Aberdeen Standard Investments (Fund) and Thomson Datastream (Benchmark)

|   | 1 Month (%) | 6 Month (%) | 1 Year (%) | 3 Year p.a.(%) | Since Inception p.a.(%) |
|---|-------------|-------------|------------|----------------|-------------------------|
| Aberdeen Standard Global Corporate Bond Fund (Gross)  | 1.10        | 0.80        | -1.18      | 4.61           | 3.70                    |
| Aberdeen Standard Global Corporate Bond Fund (Net)    | 1.06        | 0.52        | -1.73      | 4.00           | 3.09                    |
| Barclays Global Aggregates Corporates (Hedged to AUD) | 1.15        | 0.77        | -1.17      | 4.10           | 3.12                    |

\*Since inception- Date 24/02/2015

Note: Past performance is not a reliable indicator of future performance. Net of fees performance is calculated based on end of month redemption prices after the deduction of fees and expenses and the reinvestment of all distributions. Gross of fees performance is the net return with fees and expenses added back.

## Investment Review and Outlook

### Market Review

The year ended in a less than festive mood for Euro investment grade (IG) corporate credit, with spreads widening by seven basis points (bps) in December. Business confidence as measured by the Eurozone composite Purchasing Managers' Index, slumped to its weakest level since November 2014. Investor sentiment was also depressed by increased signs of a slowing Chinese economy, trade protectionism worries and fears of a potentially messy Brexit. Despite the challenging backdrop, the total return for IG European corporate bonds was still positive at +0.17% for December. This reflected the offsetting impact of declining German bund yields, with the positive return effectively accounted for by coupon income.

US IG corporate credit spreads widened by 16bps in December. Many of the concerns were common with the Euro IG market, including worries about the economic outlook and monetary policy as well as trade protectionism. Given,

the relatively high share of energy sector issuance, the continued decline in oil prices was a somewhat bigger concern for US debt markets. Despite all the negatives, and underscoring the defensive qualities of the asset class, the total return for US IG corporate credit was notably positive at +1.50% in December. Amid markedly risk-off conditions, this largely reflected the dominant impact of sharply reduced US Treasury yields, with the 10-year yield declining by a sizeable 32bps.

### Activity

In the primary market, we participated in a number of US dollar bond purchases. This included the 2023 and 2029 bonds of Eversource Energy, a regional US utility company and the 2024 and 2048 bonds of UnitedHealth, a leading US managed healthcare business. Furthermore, we bought the 2029 and 2048 bonds of Moody's Corporation, the holding company of Moody's Investors Service, a leading credit ratings agency.

In the secondary market, with the oil price continuing to fall in the month, in anticipation of some recovery, we added some exposure to Continental Resources, the Oklahoma-based shale energy company. We also added exposure to Suzano, the Brazilian paper company, and Sealed Air, the US packaging company which invented Bubble Wrap. On the sell side, given the somewhat more uncertain outlook for US monetary policy and economic growth, we trimmed some of our exposure to Home Depot, the US home improvement supplies company. Given increased uncertainties stemming from the unexpected arrest of its once highly regarded CEO, we also took advantage of some recovery in bond prices to cut our exposure to the French automaker Renault.

### Performance

The Fund slightly underperformed the benchmark index in December. In terms of individual securities, the single biggest contributor was the Fund's overweight in the UK bank Barclays.

This reflected some moderation in pessimism regarding Brexit-related risks. The Fund also benefited from its off-benchmark exposure to a number of China state-owned companies, including China National Agrochemical Corporation and Sinopec. In addition, lack of exposure to US investment bank Goldman Sachs was beneficial as it continued to feel the fallout from its alleged involvement in Malaysia's 1MDB corruption scandal.

On the negative side, Fund's overweights in the US banks Citigroup, Bank of America and JP Morgan Chase detracted amid increased economic uncertainty and market volatility. The Fund's overweight exposure to Perrigo, the private label over-the-counter drugmaker detracted. This was the result of the Ireland-domiciled company being hit by an unexpected USD1.8bn tax assessment by the local tax authorities. In addition, following two months in which the Fund's zero exposure to General Electric was the biggest relative return contributor, this switched to being one of the leading detractors after its partial recovery in the month.

### Outlook

Increased recession risk for the US and mounting political concerns were two of the key drivers of last month's poor performance in risk assets. However, we feel the market is moving too quickly because the current US growth cycle should extend into 2020. In addition, after the sizeable correction in spreads of the past year, we think that valuations have improved. Indeed, the market is close to the 2016's peak level of spread widening, which was the last major buying opportunity for IG credit. Furthermore, there are a number of upside factors that could support sentiment going forward, including: improving US economic data, a possible pause in US interest rate rises, a potential US-China trade deal and oil price stabilisation. With respect to political risk, in our view, we are either already at or very near a peak level in the UK. While in the case of Italy we are beyond this level, as evidenced by the recent relief rally in Italian assets.

On balance, we are cautiously optimistic based on our more sanguine US economic outlook, improved valuations

and the upside risk factors noted earlier. This being said, the technical picture is certainly not helped by the less supportive global monetary policy backdrop, which we feel has diminished investors' traditional inclination to 'buy the dips'. As such, coupled with continuing political uncertainties and a slower global economic growth backdrop, we are anticipating increased market volatility going forward.

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

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

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