

31 December 2018

The fund aims to provide a return from a combination of income and capital growth by investing predominantly in 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 sub investment grade bonds, government backed securities, overseas bonds, index-linked bonds, floating rate notes (FRNs) and asset backed securities (ABSs)) and/or money market instruments in order to take advantage of opportunities they have identified.

Past performance is not a guide to future returns and future returns are not guaranteed. The price of assets and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment. The fund will routinely use derivatives to reduce risk or cost, or to generate additional capital or income at low risk. Usage of derivatives is monitored to ensure that the fund is not exposed to excessive or unintended risks. The value of assets held within the fund may rise and fall as a result of exchange rate fluctuations.

OEIC Fund

Bond Fund

Monthly

Fund Manager	Adam Walker	No. of Positions	167
Fund Manager Start	1 Dec 2005	Underlying Yield	3.7 %
Launch Date	9 Jul 1990	Duration	7.5 Yrs
Benchmark	IA £ Corporate Bond Sector		
Current Fund Size	£234.7m		
Base Currency	GBP		

This document is intended for use by individuals who are familiar with investment terminology. To help you understand this fund and for a full explanation of specific risks and the overall risk profile of this fund and the shareclasses within it, please refer to the Key Investor Information Documents and Prospectus which are available on our website – www.standardlifeinvestments.com. Please note that the breakdowns below do not take into account the economic exposure created by derivative positions. The credit ratings shown below are the average of those from S&P, Moody's and Fitch.

Aberdeen Standard Investments has not considered the suitability of investment against your individual needs and risk tolerance. If you are in any doubt as to whether this fund is suitable for you, you should seek advice. An adviser is likely to charge for advice. We are unable to provide investment advice.

Fund Information *

Composition by Sector

	Fund %
Financials	41.7
Corporates	41.4
Collateralised	13.1
Gilts	2.7
Not Classified	1.1

Composition by Credit Rating

Bonds	Fund %
AAA	0.6
AA	3.9
A	21.3
BBB	63.0
BB	8.2
B	0.5
N/R	2.5

Composition by Maturity

	Fund %
0-5	26.2
5-10	31.0
10-15	21.0
15-20	6.7
20-25	8.0
25+	7.1

Top Ten Holdings

Bonds	Fund %
Longstone Finance 4.896% 2031	1.8
E.ON Finance 6.75% 2039	1.6
Southern Water Services 4.5% 2038	1.4
Telereal 6.1645% 2031	1.3
America Movil 4.948% 2033	1.2
AA 2.875% 2022	1.2
Enel 5.625% 2024	1.2
Innogy Finance 6.125% 2039	1.2
Premiertel 6.175% 2032	1.2
Gatwick Funding 5.75% 2037	1.2
Assets in top ten holdings	13.3

Fund Performance *

Year on Year Performance

Source: Aberdeen Standard Investments (Fund) and Morningstar (Sector)

	Year to 31/12/2018 (%)	Year to 31/12/2017 (%)	Year to 31/12/2016 (%)	Year to 31/12/2015 (%)	Year to 31/12/2014 (%)
Corporate Bond	-2.8	4.8	9.6	-2.2	10.0
Platform One	-2.5	5.2	10.1	-1.6	10.8
IA £ Corporate Bond Sector	-2.2	5.1	9.0	-0.4	9.8

Cumulative Performance

Source: Aberdeen Standard Investments (Fund) and Morningstar (Sector)

	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Corporate Bond	-0.9	-2.8	11.6	20.1
Platform One	-0.7	-2.5	13.0	23.2
IA £ Corporate Bond Sector	-0.7	-2.2	12.1	22.5

The fund's name was changed from 25 September 2015 to better reflect the investment objective and policy of the fund.

Note: Past Performance is not a guide to future performance. The price of shares and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment.

For full details of the fund's objective, policy, investment and borrowing powers and details of the risks investors need to be aware of, please refer to the prospectus.

For a full description of those eligible to invest in each share class please refer to the relevant prospectus.

The fund does not have an index-tracking objective.

Definitions

Duration - gives an indication of a bond's sensitivity to a change in interest rates. It is based on a snapshot of the portfolio on specified date. It does not include any impact from charges.

The Underlying Yield takes account of all expected cash flows from a bond over its lifetime. This includes, in addition to coupons, any differences between the purchase cost of a bond and its final redemption amount. It reflects the annualised income net of expenses of the fund (calculated in accordance with relevant accounting standards) as a percentage of the mid-market unit price of the fund as at the 15th of the month. It is based on a snapshot of the portfolio on that day. It does not include any preliminary charge and investors may be subject to tax on distributions. This is also the distribution yield for this fund. The Underlying Yield is based on the institutional shareclass.

Not Classified (N/C) may include bonds which do not fall into the specified categories and 'Cash and Other'.

Not Rated (N/R) may include bonds which do not have a rating under iBoxx classification (such bonds may still be rated by S&P and/or Moody's) and 'Cash and Other'.

Cash and Other - may include bank and building society deposits, other money market instruments such as Certificates of Deposits (CDs), Floating Rate Notes (FRNs) including Asset Backed Securities (ABSs), Money Market Funds and allowances for tax, dividends and interest due if appropriate.

Investment Review and Outlook

Market Review

December was another weak month for credit spreads, rounding off a challenging 2018. While spreads did come back from wide levels during the month, sterling spreads were still six basis points (bps) wider overall. Total returns were the strongest of the year though, as 10-year gilt yields rallied by 16bps. Several factors helped depress investor sentiment. These included increased signs of a slowing Chinese economy, ongoing trade protectionism worries and fears of a potentially messy Brexit.

2018 was a difficult year, with the vast majority of assets globally failing to deliver positive returns. Sterling credit was no different, posting its first negative return since 2008. Financial spreads were 83bps wider over the year, with the subordinated insurance sector underperforming the most. Non-financials were 47bps wider, while the defensive collateralised sector widened by 36bps.

Activity

Activity in December was relatively light given the time of year and market conditions. We generally added risk to the Fund. We sold long-dated gilts, which benefited from the rally in yields and flattening of the gilt curve. We added to CYBG's Tier 2 debt on weakness and bought the short-dated Virgin Money AT1 deal, which we

believe it will call in 2019. Elsewhere, we initiated a position in Hammerson, which is a well-run business suffering the headwinds of structural changes and slowing retail spending. We believe that spreads already factor in a lot of bad news and viewed this as a good opportunity to reduce the size of our underweight position.

Performance

The Fund underperformed its benchmark in December. Stock selection had the largest negative effect. Curve positioning was positive, with an overweight position (versus the benchmark) in long-dated gilts adding value as curves flattened. This reversed half of the steepening we saw in November.

Overweight positions in insurance drove underperformance, with bank debt holding up relatively well. That said, challenger institutions such as Clydesdale Yorkshire Banking Group (CYBG) and Yorkshire Building Society were weaker on the increased risk of a 'hard Brexit'. CYBG also chose to secure funding by issuing a new Tier 2 bond at a deep discount to current prices, which further compounded underperformance. Finally, AA Plc's bonds weakened as brokers downgraded their forecasts.

Outlook & Strategy

Increased US recession fears and mounting political concerns were key

drivers of poor risk asset performance. 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 over the past year, we think that valuations have improved. Indeed, the market is close to 2016's peak level of spread widening, which was the last major buying opportunity for investment grade credit.

Furthermore, a number of positive factors could support sentiment. These include improving US economic data, a possible pause in US interest rate rises, a potential US-China trade deal and oil price stabilisation. Turning to politics, we believe we are either at, or very near, a peak risk level in the UK. Italy is past the peak, 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. That said, the less supportive global monetary policy backdrop certainly does not help the technical picture. We feel this has diminished investors' traditional inclination to 'buy the dips'. As such, coupled with continuing political uncertainty and slower global economic growth, we anticipate increased market volatility.

Other Fund Information

	Retail Acc	Retail Inc	Institutional Acc	Institutional Inc
Lipper	n/a	n/a	n/a	n/a
Bloomberg	n/a	n/a	n/a	n/a
ISIN	GB00BYYR0W60	GB00BYYR0X77	GB00BYMMJL57	GB00BYMMK898
SEDOL	BYYR0W6	BYYR0X7	BYMMJL5	BYMMK89

	Platform One Acc	Platform One Inc
Lipper	n/a	n/a
Bloomberg	n/a	n/a
ISIN	GB00BYYR0Y84	GB00BYYR0Z91
SEDOL	BYYR0Y8	BYYR0Z9

	Interim	Annual	Valuation Point	12:00 (UK time)
Reporting Dates	31 Aug	28 (29) Feb	Type of Share	Income & Accumulation
XD Dates	31 May, 31 Aug, 30 Nov	28 (29) Feb	ISA Option	No
Payment Dates (Income)	31 Jul, 31 Oct, 31 Jan	30 Apr		

	Retail	Institutional	Platform One
Initial Charge	4.25%	0.00%	0.00%
Annual Management Charge	1.00%	0.50%	0.50%
Ongoing Charges Figure	1.03%	0.61%	0.66%

The Ongoing Charge Figure (OCF) is the overall cost shown as a percentage of the value of the assets of the Fund. It is made up of the Annual Management Charge (AMC) shown above and the other expenses taken from the Fund over the last annual reporting period. It does not include any initial charges or the cost of buying and selling stocks for the Fund. The OCF can help you compare the costs and expenses of different funds.

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