Dec
2018

Global Absolute Return Strategies Fund

31 December 2018

Aberdeen Standard Investments

The Standard Life Investments Global Absolute Return Strategies Fund aims to provide positive investment returns 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 five 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 equities and bonds) 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.

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 use derivatives extensively to reduce risk or cost, or to generate additional capital or income at low risk, or to meet its investment objective. 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.

Unit Trust

Absolute Return Fund

Monthly

Fund Manager	Multi Asset Investing Team
Fund Manager Start	29 Jan 2008
Launch Date	29 Jan 2008
Current Fund Size	£11,301.0m
Base Currency	GBP
IA Sector	Targeted Absolute Return

Benchmark	6 Month GBP LIBOR
Target	6 Month GBP LIBOR +5% per annum over rolling 3 year periods, gross of fees

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 Portfolio Risk and Return Analysis table is only updated on a quarterly basis.

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 *

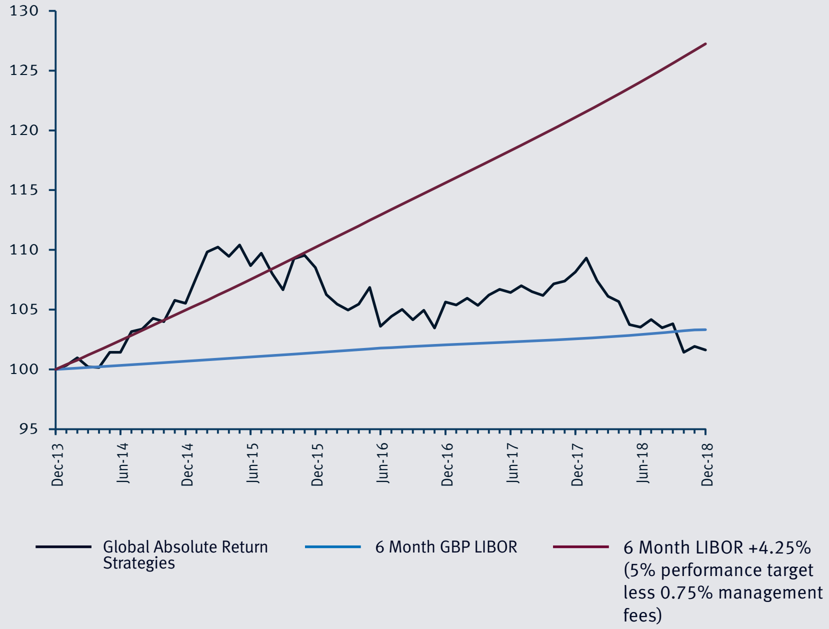
Quarterly Portfolio Risk and Return Analysis

	Strategy	Stand-alone Risk Exposure %	Weighting (risk based %)	Contribution to Returns % Q4	1 Yr
Market Returns Strategies	US equity	1.4	10.4	-1.9	-0.9
	Global equity oil majors	1.3	10.1	-1.3	-1.3
	Emerging markets income	0.9	6.8	0.3	-0.1
	Brazilian government bonds	0.6	4.3	0.7	0.7
	Equity option premium	0.2	1.9	-0.3	-0.2
	High yield credit	0.2	1.4	-0.1	-0.1
	European equity	0.1	1.1	-0.1	-0.2
	UK equity	0.0	0.1	0.0	0.0
	European equity banks	Closed		-0.1	-0.2
	Global REITs	Closed		-0.1	0.2
	Japanese equity	Closed		-0.1	0.0
Directional Strategies	US real yields	1.2	9.5	-0.3	-0.7
	Long JPY v CAD	0.8	6.2	0.3	0.3
	Long JPY v AUD	0.7	5.7	0.3	0.3
	Long USD v KRW	0.6	4.4	0.0	0.0
	Canadian interest rates	0.5	3.9	0.5	0.4
	Long USD v EUR currency options	0.5	3.9	0.1	0.3
	US steepener	0.5	3.5	0.2	0.2
	Short UK inflation	0.1	1.0	0.0	0.0
	Australian forward-start interest rates	Closed		0.0	0.2
Relative Value Strategies	Emerging markets v Brazilian equity	1.4	10.5	-0.7	-0.9
	US equity large cap v technology	0.7	5.0	0.2	0.2
	US equity large cap v small cap	0.5	3.5	0.3	0.0
	Swedish flattener v Canadian steepener	0.3	2.0	0.0	0.2
	EuroStoxx50 v S&P variance	0.2	1.5	-0.1	-0.1
	Asian v S&P variance	0.0	0.2	-0.1	-0.1
	HSCEI v FTSE variance	Closed		0.0	0.0
	UK v German duration	Closed		-0.1	-0.4
	US real yields v Japanese interest rates	Closed		0.0	0.0
FX Hedging	FX hedging	0.2	1.3	0.0	0.0
Cash	Cash			0.1	0.2
	Residual	0.0	0.0	0.2	0.0
	Stock selection	0.2	1.8	0.1	-0.5
	Total	**13.1**		**-1.9**	
	Diversification	9.6			
	Expected Volatility	**3.5**			

We calculated the totals using actual (unrounded) returns. We then rounded the figures for the purposes of this presentation.

Fund Performance *

Price Indexed



The performance of the fund has been calculated over the stated period using bid to bid basis for a UK basic rate tax payer. The performance shown in the chart is based on an Annual Management Charge (AMC) of 0.75%. You may be investing in another shareclass with a higher AMC. The charges for different share classes are shown later in the “Other Fund Information” section of the factsheet. For details of your actual charges please contact your financial adviser or refer to the product documentation.

The performance comparator shown in the chart expresses the fund's performance target after deduction of Annual Management Charges. It is calculated as the annual equivalent of 6 Month GBP LIBOR +5% per annum over rolling 3 years after deduction of a Annual Management charges. The benchmark is 6 Month GBP LIBOR, a proxy for the returns of cash.

Fund performance is shown after deduction of Annual Management Charge and expenses. The Performance Comparators are calculated as the annual equivalent of the fund's Target less the relevant Annual Management Charge for each share class as outlined in the Other Fund Information section of this factsheet.

Source: Aberdeen Standard Investments (Fund) and Thomson Reuters DataStream (Benchmark and Target)

Year on Year Performance

Source: Aberdeen Standard Investments (Fund) and Thomson Reuters DataStream (Benchmark and Target)

	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 (%)
Retail Fund Performance	-6.4	2.0	-3.1	2.2	4.8
Institutional Fund Performance	-6.0	2.4	-2.6	2.8	5.5
Platform One	-6.1	2.3	-2.7	2.8	5.5
6 Month GBP LIBOR	0.8	0.5	0.6	0.7	0.7
Retail Share Class Performance Comparator	4.5	4.2	4.3	4.3	4.2
Institutional Share Class Performance Comparator	5.1	4.7	4.9	5.0	5.0
Platform One Share Class Performance Comparator	5.1	4.7	4.9	5.0	5.0

Cumulative Performance

Source: Aberdeen Standard Investments (Fund) and Thomson Reuters DataStream (Benchmark and Target)

	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Retail Fund Performance	-2.0	-6.4	-7.5	-0.8
Institutional Fund Performance	-1.8	-6.0	-6.3	1.6
Platform One	-1.8	-6.1	-6.5	1.5
6 Month GBP LIBOR	0.5	0.8	2.0	3.4
Retail Share Class Performance Comparator	2.3	4.5	13.6	23.4
Institutional Share Class Performance Comparator	2.6	5.1	15.4	27.2
Platform One Share Class Performance Comparator	2.6	5.1	15.4	27.2

Fund Performance *(Continued)

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.

Source: Aberdeen Standard Investments (Fund) and Thomson Reuters DataStream (Benchmark and Target)

Monthly Investment Review and Outlook

Market review

Global equities endured a torrid month, as fears about global growth, geopolitics and the likely effect of US interest rate rises combined to unnerve investors. At a regional level, all the main indices posted negative returns for December, and for 2018 as a whole.

US equities suffered heavy losses, wiping out the gains made during the rest of 2018. One reason for the fall was the Federal Reserve's (Fed) latest interest rate rise. Many observers questioned the need for higher rates at a time when global growth shows signs of faltering. Among the critics was President Trump, who responded by threatening to sack Fed chairman Jerome Powell. Added to this was political discord, with impasse over the budget leading to a US government shutdown. Subsequent denials from the White House about Mr Powell's potential dismissal and strong US holiday retail sales helped trigger a late-stage rebound. Nevertheless, US equities ended the month lower.

European markets were again hampered by political upset and signs of lacklustre economic growth. In the UK, deadlock over Brexit, worries about global trade and falling oil prices also weighed on equities. Equity markets in Japan and Asia mirrored the downward trend.

As investors' appetite for risk ebbed, government bonds and other perceived defensive assets fared relatively well. US Treasuries rose (yields fell). This was despite the latest US rate hike, after the Fed stated that interest rates would rise more gradually than had been expected.

US economic momentum remained broadly intact, with unemployment reaching a 49-year low. However, consumer confidence slipped, indicating misgivings about the economic outlook. European data was again sluggish, prompting the European Central Bank to cut its growth forecasts. In the UK, Brexit-related uncertainty continued to dampen business confidence and investment.

Oil prices fell further, a measure of concern that the world economy is weakening at a time when output is surging.

Activity

We opened a US interest rate steepener strategy designed to profit from movements in US interest rates. Specifically, while investors are likely to price in more hikes in short-term interest rates, we believe we are nearing the point when they will start focusing on medium-term interest rates.

In addition, we added a short UK inflation position at levels we deemed attractive. This allowed us to take advantage of the recent rise in inflation expectations amid Brexit uncertainty. We believe the long term outlook for UK inflation remains weak and is currently overstated by the market.

Performance

The Global Absolute Return Strategies Fund returned -0.34% (net of retail fees) during the month, compared to the benchmark 6-month LIBOR return of 0.09%.

The sell-off in US equities hurt our US equity position. However, within this market, small-sized companies led the decline, falling 12% versus a 9% fall in large-caps. As a result, our US equity large-cap versus small-cap relative-value strategy delivered a positive return. The environment was negative for our global equity oil majors position. Oil-related stocks suffered in tandem with the slide in the oil price. Our equity option premium strategy also dragged on performance.

Elsewhere, the positive performance of US Treasuries boosted our US real yields strategy. Similarly, Canadian government bonds moved higher, rewarding our Canadian interest rates position. Canada's economy is relatively reliant on oil and other commodities. As such, the weak oil price acted as a further incentive for investors to seek the relative safety of Canadian government bonds.

The Japanese yen performed strongly, benefiting from its status as a safe-haven currency. This helped drive positive returns from our positions preferring the yen over the Australian dollar and Canadian dollar. Returns from these strategies were enhanced by the slowdown in China's economy and declining oil prices. These factors weighed on the Australian dollar and Canadian dollar respectively. Conversely, our long US dollar versus euro currency options exposure made a negative contribution after the dollar gave back some of its earlier gains.

As expected, Brazil's central bank left interest rates unchanged. It also hinted that rates would likely remain low for a longer period than previously expected. This proved positive for our Brazilian government bonds position. However, our emerging markets versus Brazilian equity strategy detracted from performance. Brazilian equities fell less than emerging markets more broadly, reflecting a measure of optimism that Jair Bolsonaro's new government will pursue business-friendly reforms.

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 European Central Bank ended its monetary support programme in December. 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 still elevated and asset prices still look expensive on many metrics, despite the recent sell-off. We seek to benefit from the opportunities these conditions present by implementing a diversified range of strategies across multiple asset classes.

Other Fund Information

	Retail Acc	Retail Inc	Institutional Acc	Institutional Inc
Lipper	65111167	n/a	65111168	n/a
Bloomberg	SLIGARA LN	n/a	SLIGARS LN	n/a
ISIN	GB00B28S0093	n/a	GB00B28S0218	n/a
SEDOL	B28S009	n/a	B28S021	n/a
Fund Launch Date				

	Platform One Acc	Platform One Inc
Lipper	68165478	n/a
Bloomberg	U222GAR LN	n/a
ISIN	GB00B7K3T226	n/a
SEDOL	B7K3T22	n/a

	Interim	Annual
Reporting Dates	30 Sep	31 Mar
XD Dates	n/a	31 Mar
Payment Dates (Income)	n/a	31 May

Valuation Point	7:30 (UK time)
Type of Share	Accumulation
ISA Option	Yes

	Retail	Institutional
Initial Charge	4.00%	0.00%
Annual Management Charge	1.30%	0.75%
Ongoing Charges Figure	1.31%	0.84%

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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Risk Factors

The fund invests in securities which are subject to the risk that the issuer may default on interest or capital payments.

The fund price can go up or down daily for a variety of reasons including changes in interest rates, inflation expectations or the perceived credit quality of individual countries or securities.

The fund invests in equities and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.

The fund may invest in emerging market equities and / or bonds. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.

Investing in derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives will result in the fund being leveraged (where economic exposure and thus the potential for loss by the fund exceeds the amount it has invested) and in these market conditions the effect of leverage will be to magnify losses. The fund makes extensive use of derivatives.

The fund invests in high yielding bonds which carry a greater risk of default than those with lower yields.

All investment involves risk. This fund offers no guarantee against loss or that the fund's objective will be attained.

Inflation reduces the buying power of your investment and income.

The fund could lose money if an entity (counterparty) with which it does business becomes unwilling or unable to honour its obligations to the fund.

In extreme market conditions some securities may become hard to value or sell at a desired price.

The fund could lose money as the result of a failure or delay in operational processes.

www.standardlifeinvestments.co.uk

Useful numbers -

Investor Services

0345 113 69 66.

Call charges will vary.

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