

31 December 2018

The fund aims to provide long term growth from a combination of income and capital growth by investing predominantly in sovereign-issued and corporate inflation-linked bonds. The fund is actively managed by our investment team who may also invest in other bonds (such as conventional government bonds and corporate bonds) to try to take advantage of opportunities they have identified. Non-sterling denominated assets will typically be hedged back to sterling.

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 Skerry & Tom Walker

Fund Manager Start 1 Jan 2015

Launch Date 19 May 2004

IA Sector IA Global Bond Sector

Benchmark Bloomberg Barclays World Govt Inflation Linked Index (hedged to GBP)

Current Fund Size £1049.7m

Base Currency GBP

No. of Positions 110

Underlying Yield 1.43%

This document is intended for use by individuals who are familiar with investment terminology. Please contact your financial adviser if you need an explanation of the terms used. Please note that the breakdowns below do not take into account the economic exposure created by derivative positions.

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

Fund Information *

Composition by Maturity

	Fund %
0-5YRS	25.2
5-10YRS	32.8
10-15YRS	10.7
15-20YRS	5.2
20+YRS	26.1

Top Ten Holdings

Bonds	Fund %
US (Govt of) 2% IL 2026	3.2
US (Govt of) 1.125% IL 2021	2.6
France (Govt of) 2.25% OATEi 2020	2.0
US (Govt of) 0.125% IL 2021	2.0
UK (Govt of) 0.125% IL 2024	1.9
France (Govt of) 3.40% OATI 2029	1.8
US (Govt of) 0.125% IL 2022	1.8
US (Govt of) 0.125% IL 2022	1.8
US (Govt of) 3.875% IL 2029	1.7
US (Govt of) 0.375% IL 2025	1.6

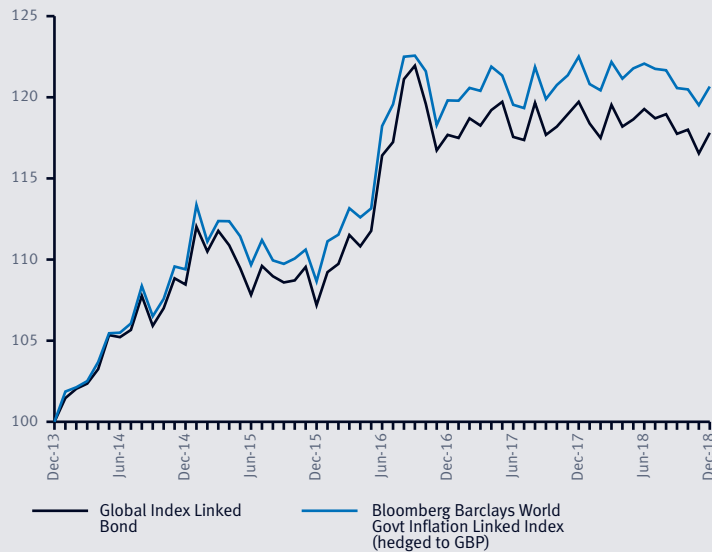
Assets in top ten holdings 20.4

Composition by Country

	Fund %
USA	42.6
UK	30.0
France	9.4
Italy	4.5
Japan	3.0
Australia	2.4
Canada	2.1
Spain	2.0
Germany	1.8
Sweden	0.8
New Zealand	0.7
Denmark	0.3
Netherlands	0.2
Supra-National	0.2

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 is based on an Annual Management Charge (AMC) of 0.50%. You may be investing in another shareclass with a higher AMC. The charges for different share classes are shown on the next page. For details of your actual charges please contact your financial adviser or refer to the product documentation.

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

Year on Year Performance

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

	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	-2.1	1.4	9.4	-1.5	8.0
Institutional Fund Performance	-1.6	1.7	9.8	-1.2	8.5
Platform One	-1.7	1.7	9.7	-1.2	8.4
Bloomberg Barclays World Govt Inflation Linked Index (hedged to GBP)	-1.5	2.3	10.3	-0.7	9.4

Cumulative Performance

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

	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Retail Fund Performance	-1.5	-2.1	8.6	15.5
Institutional Fund Performance	-1.2	-1.6	9.9	17.8
Platform One	-1.3	-1.7	9.7	17.5
Bloomberg Barclays World Govt Inflation Linked Index (hedged to GBP)	-1.2	-1.5	11.1	20.7

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

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.

Market Review

US economic data remained generally strong. However, financial markets in the US moved their focus to other factors, including concerns about US-China trade relations, the outlook for global growth and oil prices. While the Federal Reserve (Fed) did raise rates in December, the dovish manner in which more conciliatory statements from the Fed were interpreted did little to quell risk-averse market sentiment and bonds rallied in response. Inflation data for the year to end-November was as expected, with both headline and core inflation at 2.2%. Weak oil prices are a cause for concern for headline inflation in the short-term and current market pricing reflects this.

European inflation data was once again disappointing, coming in below expectations. Amid the global backdrop of falling oil prices, breakevens continued to weaken significantly. The 5-year, 5-year forward Eurozone inflation swap rate, used as a benchmark of inflation expectations, ended the year lower at around 1.56%. The European Central Bank (ECB) brought its quantitative easing programme to an end in December, but kept interest rates on hold. We remain sceptical of the ECB's ability to successfully raise interest rates given the lack of underlying inflationary pressures.

UK inflation data continued to fall back towards target, with CPI, core CPI and RPI running at 2.3%, 1.8% and 3.2% for the year to November 2018. Despite the lack of volatility in inflation data, uncertainty over the outcome of Brexit led to marked volatility in index-

linked breakevens (the difference in yield between conventional and index-linked issues). A return to risk aversion helped to underpin gilt yields, regardless of domestic economic news. The Bank of England left interest rates unchanged at the December meeting and warned of slower growth.

Activity

In December, we increased our short position on 10-year European inflation, as we believe the pricing of long-dated inflation in the region is overly optimistic. We reduced our overweight in 20-year UK real yields following a significant rally and switched further out on the curve to the 30-year area. Later in the month, as market pricing moved to factor in the downside risks, we closed the overweight in 30-year real yields.

Performance

Tactical adjustments to our overweight positioning in UK real yields during the quarter added to returns, amid Brexit-induced volatility. Our US curve-steepening strategy benefited performance as a result of further dovish statements from the Fed.

On the downside, the portfolio's long position in US inflation was impacted by risk-off market conditions and sharply declining oil prices. A UK curve flattening position between 30-year and 50-year gilts was also negative. The curve steepened reflecting some weakness in demand for ultra-long gilts.

Outlook & Strategy

In the US, the economic fundamentals are still reasonably healthy, with a

tightening labour market, slowly rising wages and core inflation close to the Fed's target level. Inflation market pricing on US bonds has suffered disproportionately, in our view, following the recent sharp fall in oil prices. Headline inflation numbers in Europe remain vulnerable to further energy price falls and moderation in food prices. Future expectations for core Eurozone inflation could therefore fall further. Recent disruption in Europe over the Italian budget and widespread protests in France leading to concessions create a further drag on sentiment. Brexit continues to be the primary driver of UK assets as the exit date of Friday, 29 March 2019 approaches. Given continued disagreement over the UK's withdrawal from the European Union (EU), the political risks remain high. This is forcing contingency preparations in case the UK exits the EU without any deal.

We remain long of US inflation versus Europe, where breakeven rates have suffered disproportionately from the recent sharp fall in oil prices. We also retain a small overweight in 30-year US Treasury inflation-protected securities, which look attractively valued at current levels. We remain pessimistic on the inflation outlook in Europe. Core inflation in the Eurozone remains stubbornly low and there is no obvious catalyst for material progress any time soon. For the UK, we remain pragmatic in our investment approach, given the high degree of political uncertainty and the speed at which things can change. Active duration positioning will be used to protect our strategic short positioning in 3-year UK RPI.

Other Fund Information

	Retail Acc	Retail Inc	Institutional Acc	Institutional Inc
Lipper	60093230	60093232	60093229	60093231
Bloomberg	SLGILRA LN	SLGILRI LN	SLGILIA LN	SLGILII LN
ISIN	GB00B00ZJK75	GB00B00ZJM99	GB00B00ZJP21	GB00B00ZJX05
SEDOL	B00ZJK7	B00ZJM9	B00ZJP2	B00ZJX0

	Platform One Acc	Platform One Inc
Lipper	68165400	68165401
Bloomberg	SLGILP1 LN	XGRET1A LN
ISIN	GB00B7C0H946	GB00B4PPHB71
SEDOL	B7C0H94	B4PPHB7

	Interim	Annual	Valuation Point	12:00 (UK time)
Reporting Dates	30 Apr	31 Oct	Type of Share	Income & Accumulation
XD Dates	31 Jan,30 Apr,31 Jul	31 Oct	ISA Option	Yes
Payment Dates (Income)	31 Mar,30 Jun,30 Sep	28 (29) Feb		

	Retail	Institutional	Platform One
Initial Charge	4.00%	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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