

31 December 2018

The fund aims to provide long term growth from a combination of income and capital growth by investing predominantly in government and corporate inflation-linked bonds with a maturity of up to 10 years. The fund is actively managed by our investment team who may also invest a proportion of assets in other bonds (e.g. conventional government bonds, corporate bonds and floating rate notes (FRNs) and/ or money market instruments) in order 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	Current Fund Size	£456.0m
Fund Manager Start	1 Jan 2015	Base Currency	GBP
Launch Date	16 Sep 2014	No. of Positions	67
IA Sector	IA Global Bond	Underlying Yield	1.2%
Benchmark	70% Barclays WGILB ex UK 1-10Yr (GBP hedged) / 30% Barclays UK ILB 1-10Yr		

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. Due to rounding, the underlying sections may not total up to 100%.

Fund Information *

Composition by Maturity

	Fund %
0-1yr	0.8
1-3yrs	19.9
3-7yrs	47.3
7-15yrs	31.2
>15yrs	0.8

Composition by Country

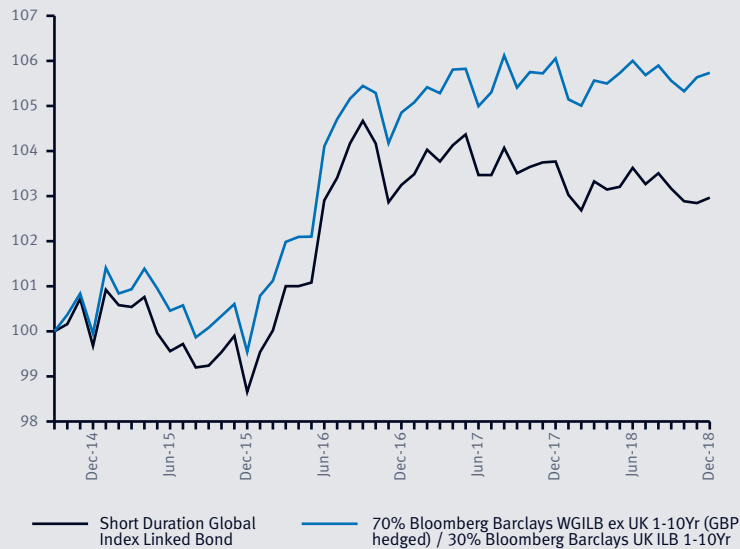
	Fund %
USA	47.7
UK	30.1
France	7.7
Italy	5.0
Japan	3.5
Spain	2.4
Australia	1.2
Germany	0.7
Canada	0.6
Sweden	0.6
Denmark	0.3
New Zealand	0.2

Top Ten Holdings

Bonds	Fund %
UK (Govt of) 1.25% IL 2027	6.1
UK (Govt of) 1.875% IL 2022	5.1
UK (Govt of) 2.5% IL 2024	5.1
UK (Govt of) 2.5% IL 2020	4.9
UK (Govt of) 0.125% IL 2024	4.4
US (Govt of) 1.125% IL 2021	4.0
US (Govt of) 0.125% IL 2022	3.4
US (Govt of) 0.25% IL 2025	3.3
UK (Govt of) 0.125% IL 2026	2.4
US (Govt of) 2% IL 2026	2.3
Assets in top ten holdings	41.0

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 Morningstar/Barclays Capital (Benchmark)

Year on Year Performance

Source: Aberdeen Standard Investments (Fund) and Morningstar/Barclays Capital (Benchmark)

	Year to 31/12/2018 (%)	Year to 31/12/2017 (%)	Year to 31/12/2016 (%)	Year to 31/12/2015 (%)
Retail Fund Performance	-1.2	0.3	4.3	-1.4
Institutional Fund Performance	-0.8	0.5	4.7	-1.0
Platform One	-0.8	0.7	4.6	-1.1
70% Bloomberg Barclays WGILB ex UK 1-10Yr (GBP hedged) / 30% Bloomberg Barclays UK ILB 1-10Yr	-0.3	1.1	5.3	-0.4

Cumulative Performance

Source: Aberdeen Standard Investments (Fund) and Morningstar/Barclays Capital (Benchmark)

	6 Months (%)	1 Year (%)	3 Years (%)
Retail Fund Performance	-0.8	-1.2	3.3
Institutional Fund Performance	-0.6	-0.8	4.4
Platform One	-0.7	-0.8	4.5
70% Bloomberg Barclays WGILB ex UK 1-10Yr (GBP hedged) / 30% Bloomberg Barclays UK ILB 1-10Yr	-0.3	-0.3	6.2

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 month 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	68276115	68276116	68276119	68276118
Bloomberg	SLIDGRA LN	SLIDGRI LN	SLIDGII LN	SLIDISA LN
ISIN	GB00BP25R395	GB00BP25R403	GB00BP25R510	GB00BP25R627
SEDOL	BP25R39	BP25R40	BP25R51	BP25R62

	Platform One Acc	Platform One Inc
Lipper	68276122	68276123
Bloomberg	n/a	n/a
ISIN	GB00BP25RB79	GB00BP25RC86
SEDOL	BP25RB7	BP25RC8

	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	31 Dec		

	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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