Dec
2018

Strategic Bond Fund

Aberdeen Standard Investments

31 December 2018

The fund aims to provide a return from a combination of income and capital growth investing mainly in bonds including government and corporate bonds, sub investment grade bonds, emerging market bonds and inflation linked bonds issued anywhere in the world. The fund is actively managed by our investment teams who may also invest a proportion of the fund's assets in other bonds, derivatives and/or money market instruments to try 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.

Unit Trust

Bond Fund

Monthly

Fund Manager	Strategic Bond Fund Team
Launch Date	5 Feb 2009
IA Sector	IA £ Strategic Bond
Benchmark	IA £ Strategic Bond Sector
Current Fund Size	£184.4m
Base Currency	GBP

No. of Positions	265
Underlying Yield	2.66%

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 or the effect of currency forwards for hedging purposes. 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 Asset

	Fund %
Corporate Investment Grade	51.2
Corporate High Yield	29.2
Government Investment Grade	7.6
Not Classified	6.6
Government High Yield	2.7
Government Index Linked	2.7

Top Ten Issuers

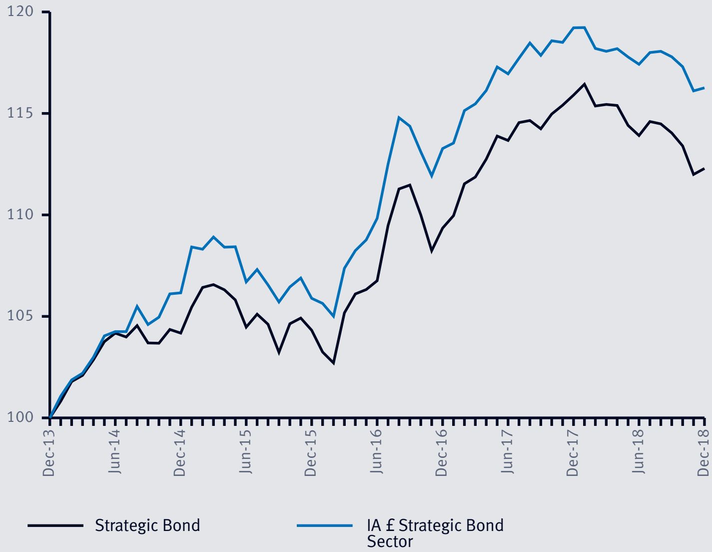
Issuer	Fund %
US (Govt of)	3.7
Lloyds Banking Group	3.4
UK (Govt of)	2.4
HSBC	2.4
Aviva	2.2
Barclays Bank	2.1
Australia (Govt of)	1.9
Dexia Credit	1.6
Royal Bank of Scotland	1.4
AXA	1.3
Assets in top ten issuers	22.4

Composition by Credit Rating

Rating	Fund %	Rating	Fund %
AAA	7.0	BB	21.1
AA	3.6	B	10.1
A	9.3	CCC	0.7
BBB	41.5	N/R	6.7

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 0.63%. 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 (Sector)

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 (%)
Retail Fund Performance	-3.6	5.5	4.4	-0.4	3.7
Institutional Fund Performance	-3.1	6.0	4.8	0.1	4.2
Platform One	-3.2	5.9	4.8	0.1	4.4
IA £ Strategic Bond Sector	-2.5	5.3	7.0	-0.3	6.2

Cumulative Performance

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

	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Retail Fund Performance	-1.6	-3.6	6.2	9.8
Institutional Fund Performance	-1.4	-3.1	7.6	12.3
Platform One	-1.4	-3.2	7.5	12.3
IA £ Strategic Bond Sector	-1.0	-2.5	9.8	16.3

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.

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 Moodys) 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

Risk markets ended the year poorly owing to concerns about global growth and deteriorating global trade. The Federal Reserve (Fed) exerted further pressure on global markets by lifting the target Federal Funds rate by another 25 basis points (bps). Despite a significant easing in global activity and heightened market volatility, the Fed remained relatively upbeat on the prospects for the US economy. Such a stance on the part of the Fed was of little comfort to nervy investors who had been hoping for a more balanced tone regarding future tightening. This was exacerbated by a multitude of other concerns, including US-China trade tensions and Brexit-related uncertainty.

Credit spreads widened across the board in such an environment, with marked underperformance in global high yield markets. Emerging market (EM) and developed investment-grade spreads also widened, albeit less than in high yield. Despite widening credit spreads, total returns in most corporate bond markets were still positive, which was largely the result of government yields moving significantly lower over the period.

Activity

On the buy-side, our strategy was to add higher quality and mostly shorter dated (1-7 year) bonds where we felt spread levels offered more attractive entry points. As such, we bought the 2023 senior non-preferred, euro-denominated bonds of Standard Chartered and the 2024 bonds of Anheuser Busch, where we felt spread widening after its downgrade (from A- to BBB+) had been excessive. We also bought the Additional Tier-1 bonds of Virgin Money and the Tier-2 bonds of Aviva, as well as Energy Transfer Partners' 30-year dollar bonds, which we felt had reacted too negatively to declining oil prices.

Last month's sales activity was light. We started reducing our holdings in the US high yield issuer Staples. We took part in a new deal for the office supplies company in 2017 since when it has performed well and added to Fund returns. However, with the cycle maturing, and in light of its outperformance in December following strong results, we decided to take profits. During the month, we also sold out of the legacy Tier-1 bonds of Lloyds owing to reduced conviction.

Performance

The Fund produced a postive gross return in the period of +0.53%. This was driven mainly by the the Fund's macro strategies and its emerging markets exposure. In terms of macro strategies, long duration positioning in Australian and Canadian government bonds performed well as did short positioning in UK inflation.

On the corporate debt front, Barclays was the top performer (mainly its senior holding company debt), although this was on the back of losses in the preceding two months. This also helped to explain improved perfomances from a number of other European financials, including HSBC, Uncredit and Nationwide Building Society. Another strong contributor was Telecom Italia, which is a position we entered when Italian credits were under sever pressure earlier in the year. However, with its bonds remaining volatile, we we are looking for opportunities to trim our exposure.

On the negative side, a leading detractor was CYBG Plc, the owner of Clydesdale Bank and Yorkshire Bank, which unlike the broader banking sector failed to bounce back owing to new issuance activity that dented its existing bonds. First Quantum, a copper miner in Zambia and soon-to-be in Panama also, perfomed poorly both due to the negative repricing of cyclicals in the month and continued 'noise' surrounding its mining royalities to the Zambian government. Our fundamental view of the business has not changed - when Cobre Panama, a tier-one copper asset, comes on-line shortly First Quantum should be in a position to deleverage quite aggressively. Another poor performer in the period was the French environmental waste management business Paprec, which suffered because of volatility in the European high yield market.

Outlook

The global economic environment is quite uncertain at present. US economic growth remains strong for now but will slow and the market is waiting to see if the Federal Reserve will pause or at least ease back on its rate hikes. While a US recession still looks unlikely on at least a 12-month view, growth will probably slowdown. Furthermore, the growth outlook in Europe appears less favourable, including in the UK, where Brexit concerns loom large. Beyond this, there are continuing concerns about weaker Chinese growth and the US-China trade war. Credit valuations have priced in a reasonable amount of all this and are predicting a slowdown but certainly not a global recession at present. Meanwhile, the pricing of new debt supply coming to the market is a further challenge for existing bonds.

Other Fund Information

	Retail Acc	Retail Inc	Institutional Acc	Institutional Inc
Lipper	65138239	65138238	65138241	65138240
Bloomberg	SLISBRA LN	SLISBRI LN	SLISBIA LN	SLISBII LN
ISIN	GB00B3D8LV94	GB00B3D8LS65	GB00B3D8M611	GB00B3D8M504
SEDOL	B3D8LV9	B3D8LS6	B3D8M61	B3D8M50

	Platform One Acc	Platform One Inc
Lipper	68165481	68165483
Bloomberg	U223RPA LN	U223RPI LN
ISIN	GB00B7MWXH01	GB00B6W21135
SEDOL	B7MWXH0	B6W2113

	Interim	Annual
Reporting Dates	31 Jul	31 Jan
XD Dates	30 Apr,31 Jul,31 Oct	31 Jan
Payment Dates (Income)	30 Jun,30 Sep,31 Dec	31 Mar

Valuation Point	12:00 (UK time)
Type of Share	Income & Accumulation
ISA Option	Yes

	Retail	Institutional	Platform One
Initial Charge	4.00%	0.00%	0.00%
Annual Management Charge	1.15%	0.63%	0.63%
Ongoing Charges Figure	1.19%	0.74%	0.79%

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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