

31 August 2018

The fund aims to provide positive investment returns in the form of income and capital growth 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 three 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 bonds, cash and money market instruments) 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.

SICAV Fund

Absolute Return Fund

Monthly

Fund Manager	Multi Asset Investing Team
Launch Date	29 Mar 2011
Current Fund Size	£2,038.2m
Base Currency	GBP
Benchmark	3 Month Sterling LIBOR
Duration	0.9 Years

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 fund information tables are only updated on a quarterly basis (31 March, 30 June, 30 September and 31 December). Due to rounding, the underlying sections may not sum to the total. Standard Life 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.

Contributions may not sum to total due to rounding.

Fund Information *

Stand-alone risk contribution by strategy type

	Stand-alone Vol %
FX	1.21
Credit	1.19
Inflation	0.79
Duration	0.72
Cross Market	0.42
Curve	0.33
Volatility	0.07
Total stand-alone vol:	4.72
Diversification:	2.39
Overall Volatility:	2.33

Top ten risk contributions by strategy

	Stand-alone Vol %
Short US Interest Rates	0.88
Short UK Inflation	0.79
Long Japanese Yen vs Australian Dollar	0.65
Long Japanese Yen vs Canadian Dollar	0.62
Short-Dates Credit	0.50
Swedish Flattener vs Canadian Steepener	0.43
Long Indian Rupee vs Swiss Franc	0.41
Emerging Markets Income	0.38
New Zealand Real Yields	0.37
European Short End Flattener	0.33

Return contribution by strategy type

	Q2 Contribution (%)
Credit	-1.12
Cross Market	-0.28
Curve	0.02
Duration	0.33
FX	0.15
Inflation	-0.09
Volatility	0.06
Cash	0.04
Residual	0.49
Total:	-0.41

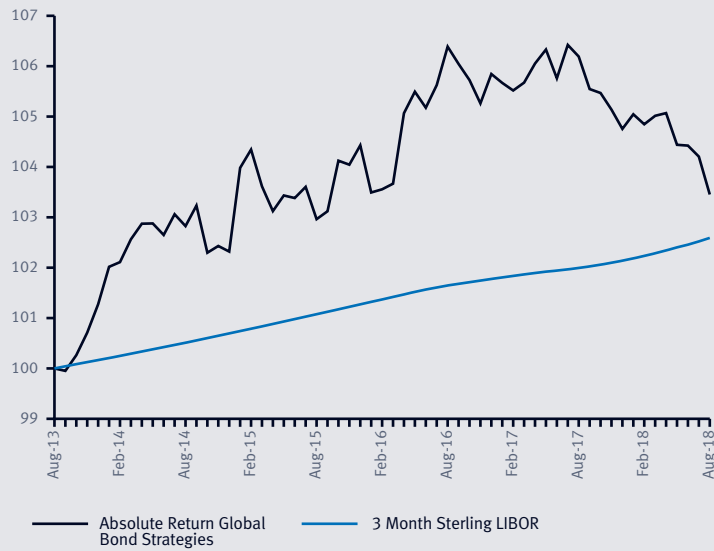
Top 5 Return Contributors by strategy

Top Contributors	Q2 Contribution (%)
Swedish Flattener vs Canadian Steepener	0.24
Short US Interest Rates	0.24
Long US Dollar vs Euro Currency Options	0.23
New Zealand Real Yields	0.11
Long Interest Rate Volatility	0.06

Bottom Contributors	Q2 Contribution (%)
Emerging Markets Income	-0.85
Italian vs German Interest Rates	-0.47
Contingent Capital Bonds	-0.15
Australian vs UK duration	-0.13
Long Japanese Yen vs Canadian Dollar	-0.13

Fund Performance *

Price Indexed



Performance has been calculated over the stated period on the share price performance basis, based on the institutional shareclass and net of fees. For your relevant charges please contact your Standard Life Investments Sales Representative.

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

Cumulative Performance

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

	YTD (%)	1 month (%)	3 months (%)	6 months (%)	1 year (%)
Retail Fund Performance	-1.7	-0.8	-1.1	-1.7	-3.3
Institutional Fund Performance	-1.2	-0.7	-0.9	-1.3	-2.6
3 Month Sterling LIBOR	0.4	0.1	0.2	0.4	0.6

	3 years (%)	5 years (%)	Since launch (%)
Retail Fund Performance	-1.6	-0.1	4.3
Institutional Fund Performance	0.5	3.5	9.5
3 Month Sterling LIBOR	1.5	2.6	4.5

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.

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.

Investment Review and Outlook

Market review

Government bonds in the US, Germany and the UK rose (yields fell), as nervousness about geopolitical developments prompted investors to seek more defensive assets. Ten-year US Treasury yields dropped to 2.86%, despite strong economic figures that argued for further interest rate hikes. Meanwhile, fiscal and political uncertainty drove Italian government bonds lower (yields rose). At month-end, rating agency Fitch downgraded the outlook on Italian government debt from stable to negative.

European economic releases provided evidence that the slowdown earlier this year had been only temporary. However, sentiment was marred by worries over the Italian budget and a possible clash between Italy's new government and the European Commission. Brexit continued to dominate UK newsflow, with little sign of a breakthrough. As expected, the Bank of England raised interest rates by 25 basis points.

Elsewhere, trade tensions and renewed strengthening of the US dollar raised concerns about emerging markets (EM), particularly those economies with heavy US dollar debt burdens. Investors' concerns were exacerbated by the unfolding economic crises in Turkey and Argentina, which sent their currencies plummeting and sparked fears of global contagion.

Oil prices rose in response to a larger-than-expected decline in US stockpiles and the resumption of US sanctions against Iran. Most other commodities ended lower, reflecting fears about trade tariffs and oversupply.

Activity

We closed the long Japanese yen versus Canadian dollar strategy and opened a long US dollar versus Korean won position. We expect the new currency pair to provide similar diversification benefits in the event of continuing global trade tensions. Additionally, it provides an attractive carry component of return (where we profit from the divergent interest rates in the US and Korea).

We also closed our New Zealand real yields position after it had delivered positive returns in line with our expectations.

Performance

The Absolute Return Global Bond Strategies Fund returned -0.72% (net of fees) during the month, compared to the benchmark three-month GBP LIBOR return of 0.07%.

The positive performance of government bonds and other perceived safe-haven assets benefited our Canadian interest rates and New Zealand real yields strategies, as well as our position preferring the Japanese yen over the Australian dollar. Returns from the currency pair were boosted further as the Australian dollar, which is normally used by investors as a proxy for EMs, weakened in tandem with deteriorating sentiment towards EM assets. However, the environment was negative for our short US interest rates strategy.

European investment-grade corporate bonds weakened during the month (yields rose), ahead of the impending gradual withdrawal of the European Central Bank's (ECB) Asset Purchase

Program. This has been one of the positive technical factors supporting the region's corporate bond market in recent years. Increasing concern about the region's idiosyncratic risks also weighed on sentiment. As a result, our European investment-grade credit exposure detracted from performance. Offsetting this, our short-dated credit position, designed to complement and enhance the way we manage portfolio liquidity, contributed positively.

Elsewhere, as sentiment towards EM assets soured, our EM income, Brazilian government bonds and long Indian rupee versus Swiss franc strategies all delivered negative returns.

Outlook

Our central expectation is for continued modest broad-based global growth, albeit with regional variations. Fiscal policy and the changing monetary policies of central banks will be important drivers of asset returns, especially as the pace of change in policies remains uncertain. The US is moving to a tighter monetary environment, albeit on a gradual incline. Improving data in Europe may reduce the ECB's appetite for monetary easing. However, it will likely remain cautious in the near term given the elevated levels of uncertainty around the process of the UK's withdrawal from the EU. Japan, meanwhile, is likely to remain on a loose monetary path. Geopolitical tensions remain elevated and, on many metrics, asset prices look expensive. We will seek to exploit the opportunities that these conditions present by implementing a diversified range of strategies using multiple asset classes.

Other Fund Information

	Retail Acc	Retail Dist	Institutional Acc	Institutional Dist	Currency
Bloomberg	SLABRBA LX	-	SLABRBD LX	-	GBP
ISIN	LU0548156891	-	LU0548158830	-	GBP
WKN	A1H6U1	-	A1H6U2	-	GBP

Domicile	Luxembourg
Custodian Name	The Bank of New York Mellon SA/NV, Luxembourg Branch, 2-4 Rue Eugene Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg
Auditor Name	KPMG Luxembourg, 39, Avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg

	Interim	Annual
Reporting Dates	30 Jun	31 Dec
Settlement Time	T+3	
Email	luxmb-sli-ta@bnymellon.com	
Telephone	+352 24 525 716	
Share Price Calculation Time	15:00 (Luxembourg time)	
Dealing Cut Off Time	13:00 (Luxembourg time)	

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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 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 value of assets held in the fund may rise and fall as a result of exchange rate fluctuations.

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.

Additional Information for Switzerland : The prospectus, the key investor information documents, the articles of incorporation, the annual and semiannual report in German, and further information can be obtained free of charge from the representative in Switzerland: Carnegie Fund Services S.A., 11, rue du Général-Dufour, CH-1204 Geneva, Switzerland, web: www.carnegie-fund-services.ch. The Swiss paying agent is: Banque Cantonale de Genève, 17, quai de l'Île, CH-1204 Geneva. The last share prices can be found on www.fundinfo.com.

To find out more about our fund range, visit our website or alternatively speak to your usual contact at Standard Life Investments.

www.aberdeenstandard.com

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