Jan
2019

Absolute Return Global Bond Strategies Fund

31 January 2019

Aberdeen Standard Investments

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	£1940.4m
Base Currency	GBP
Benchmark	3 Month Sterling LIBOR
Duration	2.4 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.
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 *

Stand-alone risk contribution by strategy type

	Stand-alone Vol %
Credit	1.30
Inflation	0.85
Duration	0.57
Cross Market	0.47
FX	0.44
Curve	0.22
Cash	0.14
Volatility	0.06
Total stand-alone vol:	**4.04**
Diversification:	**2.14**
Overall Volatility:	**1.91**

Return contribution by strategy type

	Q4 Contribution (%)
Credit	0.04
Cross Market	0.20
Curve	0.09
Duration	-0.17
FX	-0.02
Inflation	-0.36
Volatility	0.13
Cash	0.05
Residual	-0.59
Total:	**-0.64**

Top ten risk contributions by strategy

	Stand-alone Vol %
Short UK Inflation	0.86
Short US Interest Rates	0.75
Short-Dated Credit	0.52
Swedish Flattener vs Canadian Steepener	0.51
Brazilian Government Bonds	0.40
Long Norwegian Krone vs Euro	0.36
Canadian Interest Rates	0.33
European vs Swedish Interest Rates	0.29
Long US Inflation	0.26
Long US Dollar vs South Korean Won	0.25

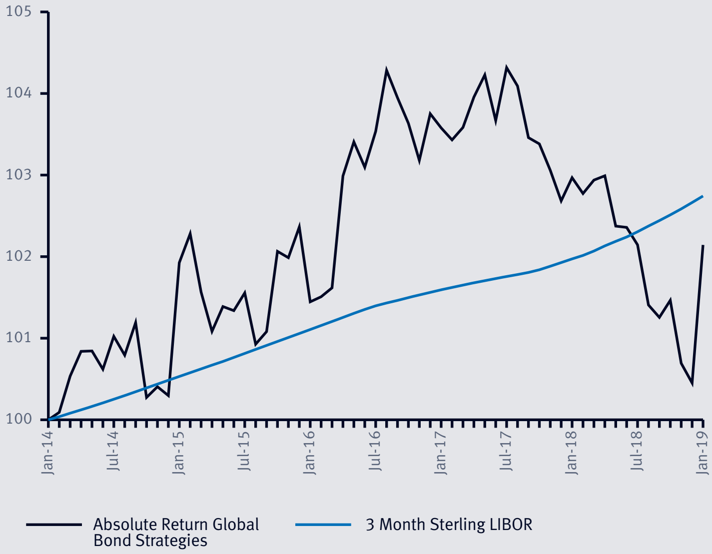
Top 5 Return Contributors by strategy

Top Contributors	Q4 Contribution (%)
Brazilian Government Bonds	0.47
Canadian Interest Rates	0.43
Swedish Flattener vs Canadian Steepener	0.29
Long Interest Rate Volatility	0.13
Short-Dated Credit	0.11

Bottom Contributors	Q4 Contribution (%)
Short US Interest Rates	-0.60
High Yield Credit	-0.19
Long US Inflation	-0.18
Contingent Capital Bonds	-0.17
Short UK Inflation	-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 Aberdeen Standard 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	1.6	1.6	0.5	-0.3	-1.5
Institutional Fund Performance	1.7	1.7	0.7	0.0	-0.8
3 Month Sterling LIBOR	0.1	0.1	0.2	0.4	0.8

	3 years (%)	5 years (%)	Since launch (%)
Retail Fund Performance	-1.4	-1.3	4.8
Institutional Fund Performance	0.7	2.1	10.3
3 Month Sterling LIBOR	1.6	2.7	4.9

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.

The fund does not have an index-tracking objective.

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.

Market review

Growing optimism over a US-China trade resolution helped lift investor confidence. So, too, did signals from the US Federal Reserve (Fed) that it would adopt a more patient approach to further interest rate increases. Strong US company earnings releases provided further support for sentiment. Results from Europe were more mixed: some were strong but there was weakness among banks. As Brexit machinations continued, investors started to look more favourably on Prime Minister May's plans. As a result, sterling climbed against other major currencies.

Despite investors regaining their appetite for risk, government bond prices rose (yields fell) during the month, as the Fed guided down expectations for further US interest rate hikes. The move was seen as a mark of the Fed's caution over the state of the global economy. Corporate bonds delivered positive returns (yields fell) and outperformed government bonds. High-yield corporate bonds outperformed investment-grade issues, reflecting investors' improved appetite for risk.

Economic releases during the month were lacklustre. US economic data started to show the effects of the US-China trade dispute, with the ISM manufacturing survey registering its largest month-on-month fall since 2008. Eurozone economic indicators continued to disappoint. In response, the European Central Bank (ECB) hinted at a possible alteration of its monetary policy towards a more supportive stance. Oil prices rose sharply on supply worries. Production cuts by OPEC (Organization of Petroleum Exporting Countries) are taking effect. US sanctions on Venezuelan oil exports also affected the oil supply outlook.

Activity

We added a European forward-start interest rates strategy. We expect this to help diversify interest rate risk in the portfolio. We added a US real yields position aimed at profiting from higher US inflation. We closed the Canadian interest rates strategy after it had delivered positive returns.

Elsewhere, we opened a Mexican government bonds position. This strategy is likely to benefit from Mexico's recent budget, which alleviated some of the concerns around fiscal policy at a time when Mexico is nearing the end of its interest rate hiking cycle. We added a Long Indian rupee versus Swiss franc currency pair. The rupee should benefit from India's positive long-term outlook and relatively few macroeconomic imbalances. Lastly, we sought to reduce our corporate bond exposure. To achieve this, we hedged out our physical high-yield corporate bond position. At the same time, we closed the EU investment-grade corporate bond position.

Performance

The Absolute Return Global Bond Strategies Fund returned 1.68% (net of fees) during the month, compared to the benchmark three-month GBP LIBOR return of 0.08%.

US Treasuries fared well in January, causing yields to fall. Consequently, our US interest rates position, designed to profit when US rates rise, dragged on returns. Our long interest rate volatility strategy also suffered: implied interest rate volatility declined as the Fed signalled a pause in further rate hikes. Our Swedish yield-curve flattener versus Canadian yield-curve steepener strategy delivered a positive return, after the difference between long and short-term interest rates in Sweden narrowed. Although the Riksbank raised interest rates at the end of last year, in January it alluded to a more gradual future interest rate path. This supported our strategy.

The recovery in corporate bonds rewarded our exposures to this asset class. Elsewhere, our short UK inflation strategy delivered positive returns after data showed inflation had dropped to its lowest level in two years. This reflected weakness in the oil price through late-2018.

Within our currency strategies, the long Norwegian krone versus euro pair gained ground. The krone appreciated against its peers on account of better fundamentals and rising prospects for higher interest rates. Conversely, the euro fell after the ECB alluded to the Eurozone's worsening economic outlook.

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 ECB ended its monetary support programme in December. However, 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 elevated and many asset prices still look expensive, despite the recent sell-off. Valuations look vulnerable in sectors where corporate earnings growth appears to have peaked, while in other areas such as emerging markets we see less demanding valuations. 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 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-ASI-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'Ile, 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.

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