

### Free from Constraints

Our European Equity Unconstrained Fund is managed with a high conviction, best ideas approach. This is the purest expression of stock picking and represents truly active investing. We also believe our team-based approach, ensures higher-quality stock insights through rigorous debate and peer review. This is supplemented with insights from other analysts including our equity, credit, currency and strategy teams.

With approximately 90% of the European market (by market capitalisation) under constant coverage, we focus on the fundamental drivers of share prices, aiming to identify non consensus insights which the market has yet to price in. Through this research, we have discovered a significant number of European companies that are uncorrelated with macro trends, have strong balance sheets and good cash flow characteristics. These are often leading global franchises with revenues generated outside Europe. Importantly, such companies are not dependent on growth in core Europe to be profitable.

### Current Insights

One such company is Inditex, the Spanish family-owned clothing retailer, which has always taken a conservative long-term view of its business model. Despite Spain's economic weakness and the global transition to online retailing, the company has managed to take market share from smaller competitors by being selective on store locations, avoiding advertising and careful sourcing of goods. Success has been demonstrated internationally and

although online growth has taken its time, Inditex felt it more important to get it right. Our investment in the company since 2011 highlights the high-conviction approach we take in the portfolio.

Truly active investing often leads to taking non-consensus positions. An example of this in our portfolio would be Telecom Italia; a company that had its credit rating cut to junk in recent years and considered by many to be of poor quality. While it is true the company does not have the best corporate governance record and has endured ownership struggles, we see grounds for optimism. Regulations are improving and it now has a credible strategy to invest in its network. The latter will allow it to regain some pricing power and offer a differentiated product. Telecom Italia's competitors, meanwhile, face numerous challenges, including sizeable debt burdens and poor networks. In our opinion, this should lead to an easing in competition and, following a period of decline, a stabilisation in revenues and profits. This is a view shared by our credit team and underlines the benefits of our collaborative team-based approach.

Although high conviction and unconstrained, the Fund is not necessarily high risk as we apply rigorous risk management at every stage of the investment process. Our goal is to maximise returns by prioritising stock-specific risk within the portfolio. We aim to achieve this by leveraging our bottom-up process. Our performance track record bears testimony to the success of our approach.

	1 year	3 years	5 years	since launch
Standard Life Investments European Equity Unconstrained Fund	17.2	15.2	10.0	7.3
MSCI Europe Index	8.8	12.1	9.0	5.5

Source: Financial Express. Annualised returns to 31.12.15. Institutional D Class in Euro net of the annual management charge

### Important information

This material is for informational purposes only. This should not be relied upon as a forecast, research or investment advice. It does not constitute an offer, or solicitation of an offer, to sell or buy any securities or an endorsement with respect to any investment vehicle. The opinions expressed are those of Standard Life Investments and are subject to change at any time due to changes in market or economic conditions. The value of an investment is not guaranteed and can go down as well as up. An investor may get back less than they invested. Past performance is not a guide to the future.