

31 December 2018

The fund aims to provide positive investment returns 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 five 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 equities and bonds) 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	Shareclass	USD (hedged)
Shareclass Launch	7 Jun 2011	Base Currency	EUR
Date		Benchmark**	6 Month EURIBOR
Current Fund Size*	\$ 4,701.0m		

\* Fund size calculated using the base currency in Euros converted into USD using the FX rate of 1:1.15 on 31/12/2018

\*\* This is the Fund benchmark. Where shareclasses are available in a different currency to the Fund's base currency, an alternative benchmark will be referenced for performance comparison purposes. For example, for a USD-hedged shareclass, performance will be referenced against a USD-hedged version of the Fund benchmark or a local currency (equivalent) index.

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](http://www.standardlifeinvestments.com). Please note that the Portfolio Risk and Return Analysis table is only updated on a quarterly basis.

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 \*

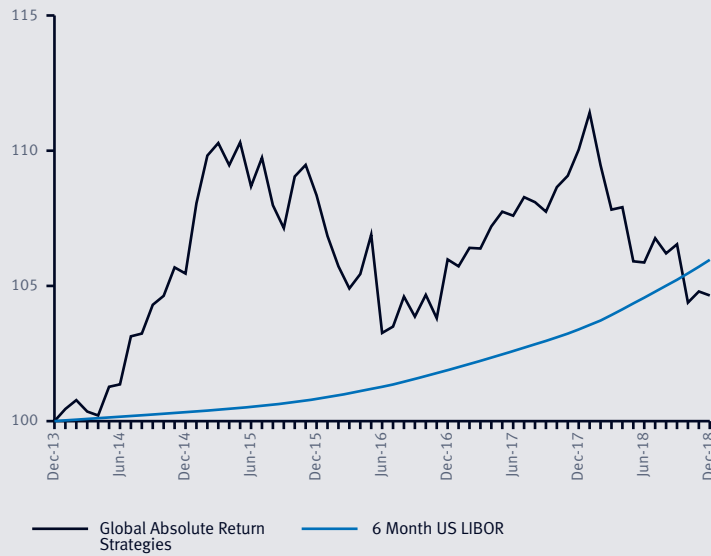
### Quarterly Portfolio Risk and Return Analysis

Strategy	Stand-alone Risk Exposure %	Weighting (risk based %)	Contribution to Returns %	
			Q4	1 Yr
Market Returns Strategies	Global equity oil majors	9.9	-1.4	-1.4
	US equity	9.2	-1.9	-0.7
	Emerging markets income	7.0	0.3	-0.2
	Brazilian government bonds	4.4	0.7	0.6
	Equity option premium	1.9	-0.3	-0.2
	High yield credit	1.4	0.0	0.0
	European equity	1.1	-0.1	-0.2
	UK equity	0.1	0.0	0.0
	European equity banks	Closed	0.0	-0.2
	Global REITs	Closed	-0.2	0.1
Japanese equity	Closed	-0.2	0.0	
Directional Strategies	US real yields	9.6	-0.3	-0.8
	Long JPY v CAD	6.3	0.4	0.4
	Long JPY v AUD	5.9	0.4	0.3
	Long USD v KRW	4.6	0.0	0.0
	Canadian interest rates	4.1	0.6	0.4
	Long USD v EUR currency options	4.1	0.1	0.2
	US steepener	3.3	0.2	0.2
	Short UK inflation	0.9	0.1	0.1
	Australian forward-start interest rates	Closed	0.0	0.2
Relative Value Strategies	Emerging markets v Brazilian equity	10.6	-0.8	-1.1
	US equity large cap v technology	5.2	0.2	0.1
	US equity large cap v small cap	3.6	0.3	-0.2
	Swedish flattener v Canadian steepener	2.4	0.1	0.2
	EuroStoxx50 v S&P variance	1.7	-0.1	-0.1
	Asian v S&P variance	0.3	-0.1	-0.1
	HSCFI v FTSE variance	Closed	0.0	0.0
	UK v German duration	Closed	0.0	-0.5
	US real yields v Japanese interest rates	Closed	0.0	-0.1
FX Hedging	FX hedging	0.4	-0.3	-0.6
Cash	Cash		0.1	0.2
Residual	Stock selection	1.7	0.1	-0.5
	<b>Total</b>	<b>14.4</b>	<b>-2.4</b>	
	Diversification	10.6		
	<b>Expected Volatility</b>	<b>3.8</b>		

Individual strategy contributions are based on gross returns. The attribution of returns to individual strategies is performed on a best endeavours basis and uses market data at the close of business at the end of each period. This data is typically unavailable at the time unit prices are struck resulting in minor differences between unit price performance and this attribution. Such differences do not accumulate so cancel out over time.

## 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 (A)	-5.6	-0.2	-2.0	-1.6	-5.6
Institutional Fund Performance (D)	-4.9	-0.1	-1.8	-1.2	-4.9
6 Month US LIBOR	2.5	0.2	0.7	1.3	2.5

	3 years (%)	5 years (%)	Since launch (%)
Retail Fund Performance (A)	-5.5	0.9	16.7
Institutional Fund Performance (D)	-3.4	4.6	23.5
6 Month US LIBOR	5.1	6.0	7.5

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.

The fund does not have an index-tracking objective.

### Market review

Global equities endured a torrid month, as fears about global growth, geopolitics and the likely effect of US interest rate rises combined to unnerve investors. At a regional level, all the main indices posted negative returns for December, and for 2018 as a whole.

US equities suffered heavy losses, wiping out the gains made during the rest of 2018. One reason for the fall was the Federal Reserve's (Fed) latest interest rate rise. Many observers questioned the need for higher rates at a time when global growth shows signs of faltering. Among the critics was President Trump, who responded by threatening to sack Fed chairman Jerome Powell. Added to this was political discord, with impasse over the budget leading to a US government shutdown. Subsequent denials from the White House about Mr Powell's potential dismissal and strong US holiday retail sales helped trigger a late-stage rebound. Nevertheless, US equities ended the month lower.

European markets were again hampered by political upset and signs of lacklustre economic growth. In the UK, deadlock over Brexit, worries about global trade and falling oil prices also weighed on equities. Equity markets in Japan and Asia mirrored the downward trend.

As investors' appetite for risk ebbed, government bonds and other perceived defensive assets fared relatively well. US Treasuries rose (yields fell). This was despite the latest US rate hike, after the Fed stated that interest rates would rise more gradually than had been expected.

US economic momentum remained broadly intact, with unemployment reaching a 49-year low. However, consumer confidence slipped, indicating misgivings about the economic outlook. European data was again sluggish, prompting the European Central Bank to cut its growth forecasts. In the UK, Brexit-related uncertainty continued to dampen business confidence and investment.

Oil prices fell further, a measure of concern that the world economy is weakening at a time when output is surging.

### Activity

We opened a US interest rate steepener strategy designed to profit from movements in US interest rates. Specifically, while investors are likely to price in more hikes in short-term interest rates, we believe we are nearing the point when they will start focusing on medium-term interest rates.

In addition, we added a short UK inflation position at levels we deemed attractive. This allowed us to take advantage of the recent rise in inflation expectations amid Brexit uncertainty. We believe the long term outlook for UK inflation remains weak and is currently overstated by the market.

### Performance

Global Absolute Return Strategies returned -0.18% during the month (net of retail fees), compared to the benchmark 6-month US LIBOR return of 0.24%.

The sell-off in US equities hurt our US equity position. However, within this market, small-sized companies led the decline, falling 12% versus a 9% fall in large-caps. As a result, our US equity large-cap versus small-cap relative-value strategy delivered a positive return. The environment was negative for our global equity oil majors position. Oil-related stocks suffered in tandem with the slide in the oil price. Our equity option premium strategy also dragged on performance.

Elsewhere, the positive performance of US Treasuries boosted our US real yields strategy. Similarly, Canadian government bonds moved higher, rewarding our Canadian interest rates position. Canada's economy is relatively reliant on oil and other commodities. As such, the weak oil price acted as a further incentive for investors to seek the relative safety of Canadian government bonds.

The Japanese yen performed strongly, benefiting from its status as a safe-

haven currency. This helped drive positive returns from our positions preferring the yen over the Australian dollar and Canadian dollar. Returns from these strategies were enhanced by the slowdown in China's economy and declining oil prices. These factors weighed on the Australian dollar and Canadian dollar respectively. Conversely, our long US dollar versus euro currency options exposure made a negative contribution after the dollar gave back some of its earlier gains.

As expected, Brazil's central bank left interest rates unchanged. It also hinted that rates would likely remain low for a longer period than previously expected. This proved positive for our Brazilian government bonds position. However, our emerging markets versus Brazilian equity strategy detracted from performance. Brazilian equities fell less than emerging markets more broadly, reflecting a measure of optimism that Jair Bolsonaro's new government will pursue business-friendly reforms.

### 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 European Central Bank ended its monetary support programme in December. 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 still elevated and asset prices still look expensive on many metrics, despite the recent sell-off. 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 (A)	Retail Dist (A)	Retail Acc (B)	Institutional Acc (D)	Institutional Dist (D)	Currency
Bloomberg	SLGLHAU LX	-	SGARBUH LX	SLGLHDU LX	-	USD
ISIN	LU0548154680	-	LU1252713836	LU0548154847	-	USD
WKN	A1H99W	-	n/a	A1H99X	-	USD

Domicile Luxembourg

Custodian Name The Bank of New York Mellon (Luxembourg) S.A., 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 invests in equities and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.

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](http://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](http://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](http://www.aberdeenstandard.com)**

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