Jan
2019

Global Index Linked Bond Fund

Aberdeen Standard Investments

31 January 2019

The fund aims to provide long term growth from a combination of income and capital growth by investing predominantly in sovereign-issued and corporate inflation-linked bonds. The fund is actively managed by our investment team who may also invest in other bonds (such as conventional government bonds and corporate bonds) to try to take advantage of opportunities they have identified. Non-sterling denominated assets will typically be hedged back to sterling.

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.

OEIC Fund

Bond Fund

Monthly

Fund Manager	Adam Skerry & Tom Walker
Fund Manager Start	1 Jan 2015
Launch Date	19 May 2004
IA Sector	IA Global Bond Sector

Benchmark	Bloomberg Barclays World Govt Inflation Linked Index (hedged to GBP)
Current Fund Size	£1052.9m
Base Currency	GBP
No. of Positions	110
Underlying Yield	1.44%

This document is intended for use by individuals who are familiar with investment terminology. Please contact your financial adviser if you need an explanation of the terms used. Please note that the breakdowns below do not take into account the economic exposure created by derivative positions.
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

Fund Information *

Composition by Maturity

	Fund %
0-5YRS	22.8
5-10YRS	34.5
10-15YRS	10.0
15-20YRS	5.2
20+YRS	27.5

Top Ten Holdings

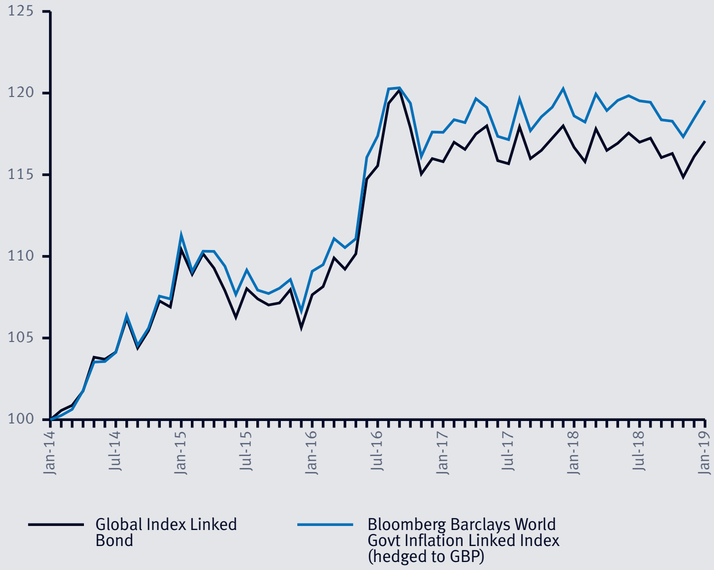
Bonds	Fund %
US (Govt of) 2% IL 2026	3.1
US (Govt of) 1.125% IL 2021	2.0
US (Govt of) 0.125% IL 2021	1.9
UK (Govt of) 0.125% IL 2024	1.9
France (Govt of) 3.40% OATi 2029	1.8
US (Govt of) 0.125% IL 2022	1.8
US (Govt of) 0.125% IL 2022	1.7
UK (Govt of) 0.125% 2028	1.7
UK (Govt of) 0.125% IL 2068	1.6
US (Govt of) 0.375% IL 2025	1.6
Assets in top ten holdings	19.1

Composition by Country

	Fund %
USA	43.1
UK	30.8
France	7.5
Italy	4.4
Japan	2.9
Australia	2.4
Canada	2.1
Spain	2.0
Germany	1.8
Supra-National	1.0
Sweden	0.8
New Zealand	0.7
Denmark	0.3
Netherlands	0.2

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 0.50%. 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 Thomson Reuters DataStream (Benchmark)

Year on Year Performance

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

	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	-2.1	1.4	9.4	-1.5	8.0
Institutional Fund Performance	-1.6	1.7	9.8	-1.2	8.5
Platform One	-1.7	1.7	9.7	-1.2	8.4
Bloomberg Barclays World Govt Inflation Linked Index (hedged to GBP)	-1.5	2.3	10.3	-0.7	9.4

Cumulative Performance

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

	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Retail Fund Performance	-0.2	-0.1	7.5	14.8
Institutional Fund Performance	0.1	0.3	8.7	17.1
Platform One	0.0	0.2	8.5	16.8
Bloomberg Barclays World Govt Inflation Linked Index (hedged to GBP)	0.0	0.8	9.6	19.5

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.

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.

Market Review

In the US, the market was surprised by a significantly more dovish stance from the US Federal Reserve (Fed). Amid little inflationary pressure, it signalled a pause in its hiking cycle owing to concerns about global trade and economic growth. This caused a strong rally in real US Treasury yields, with 10-year Treasury Inflation Protected Securities (TIPS) rallying by over 20 basis points (bps) to 0.77% and break-evens rising by 14bps to 1.86%. As such, this equated to a reduction in the 10-year US Treasury yield to 2.63%.

On the data front, ISM manufacturing data disappointed, falling by more-than-expected to 54.1 against a consensus estimate of 57.5. Non-farm payrolls were robust however, rebounding to 312,000, along with positive net revisions for the previous two months. While the unemployment rate did tick up by 0.2% to 3.9%, this was attributed to an equal sized increase in labour force participation. As such, alongside further increases in the average hourly earnings (+3.2%) and a steady underemployment rate (7.6%), signs of labour market tightening appear more convincing. Financial markets were also sensitive to political factors, including the US government shutdown and US/China trade negotiations.

European economic data continued to disappoint, with the European Central Bank (ECB) now acknowledging greater downside risks and market expectations for a rate hike being pushed out to 2020. Purchasing Managers Index (PMI) data fell, with the composite measure coming in at 51.1, slightly below expectations, along with further downward revisions to previous months. Inflation data was also lacklustre, with the headline rate falling to 1.6% and core inflation remaining at 1.0%. Given such data, inflation pricing continued to grind lower with 5-year forward, 5-year inflation swaps ending January at 1.51%.

In the UK, while Brexit continued to dominate the news, the economic picture remained one of subdued growth. PMI data was modestly better-than-expected, with the composite figure rising to 51.4 from 50.7. Headline inflation steadied at 2.1%, while the core inflation rate ticked up slightly to 1.9%. Retail price inflation (RPI) missed expectations at 2.7% versus 2.9%, which helped to push the market lower over the month, with 10-year break-evens falling by 3bps to 3.14%. This masked significant intra-month volatility, as Brexit headlines first moved market pricing higher, before the prospect of 'no-deal' was considered to have lessened following the defeat of the Prime Minister's proposed withdrawal agreement.

Activity

In January, we entered a cross-market futures position that was long in French 10-year bonds versus 10-year German bonds, in expectation of a tightening spread. This was driven by our feeling that the sharp sell-off in French bonds related to the 'Gilets Jaunes' social unrest appeared overdone. We also added a tactical long position in 10-year US bond futures, as we anticipated potential for yields to grind further lower in the short term. We also removed the European half of a cross-market short European inflation/long US inflation trade, following good performance (of the European part) due to European inflation undershooting expectations. However, we kept full exposure to the long US inflation part of this trade.

Performance

The market pricing-in reduced chances of a 'hard' Brexit and a UK House of Lords report suggesting possible changes to the RPI Index helped Fund returns. In addition, our long position in 30-year US TIPs performed well as markets began to price in a more prolonged pause in the Fed's hiking cycle, which was seen as supportive for US inflation.

On the downside, our short position in 2-year US Treasury futures was negatively affected by the Fed's more dovish messaging. In addition, our overweight exposure to UK real yields was negatively impacted, given its purpose as a partial offset to our strategic UK RPI short.

Outlook & Strategy

The sudden change in Fed language after hiking interest rates as recently as December caused a significant bounce in risk assets, after investors had become increasingly fearful of tightening US monetary policy in the backdrop of a deteriorating global economy. In this context, US real yields performed well, and we continue to see value at the long end of the curve. Inflation break-evens have also bounced from their lows, and we expect them to continue recovering from here.

A softening of the global economy is particularly bad news for Europe, where domestic economic data was already disappointing. In this context, German bund yields unsurprisingly rallied to 0.15%, the lowest level since the end of 2016, and outperforming US Treasuries over the month. The ECB has acknowledged weaker data, which has led the market to price out rate hikes. Despite recent softening, European inflation markets are still elevated in our view, which is why we remain short on this front and long in terms of European interest rate risk (i.e. duration).

In the UK, politics continues to be the key driver of UK asset volatility as the 29th March planned Brexit date draws ever closer. We think a damaging no-deal Brexit scenario seems unlikely given the heavy parliamentary majority opposing this, but the difficulty in agreeing an acceptable withdrawal agreement still leaves a 'no-deal' outcome as a tail risk.

Other Fund Information

	Retail Acc	Retail Inc	Institutional Acc	Institutional Inc
Lipper	60093230	60093232	60093229	60093231
Bloomberg	SLGILRA LN	SLGILRI LN	SLGILIA LN	SLGILII LN
ISIN	GB00B00ZJK75	GB00B00ZJM99	GB00B00ZJP21	GB00B00ZJX05
SEDOL	B00ZJK7	B00ZJM9	B00ZJP2	B00ZJX0

	Platform One Acc	Platform One Inc
Lipper	68165400	68165401
Bloomberg	SLGILP1 LN	XGRET1A LN
ISIN	GB00B7C0H946	GB00B4PPHB71
SEDOL	B7C0H94	B4PPHB7

	Interim	Annual
Reporting Dates	30 Apr	31 Oct
XD Dates	31 Jan,30 Apr,31 Jul	31 Oct
Payment Dates (Income)	31 Mar,30 Jun,30 Sep	28 (29) Feb

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	1.00%	0.50%	0.50%
Ongoing Charges Figure	1.03%	0.61%	0.66%

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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