

SHINING A LIGHT ON THE..... Standard Life Global Absolute Return Strategies Fund

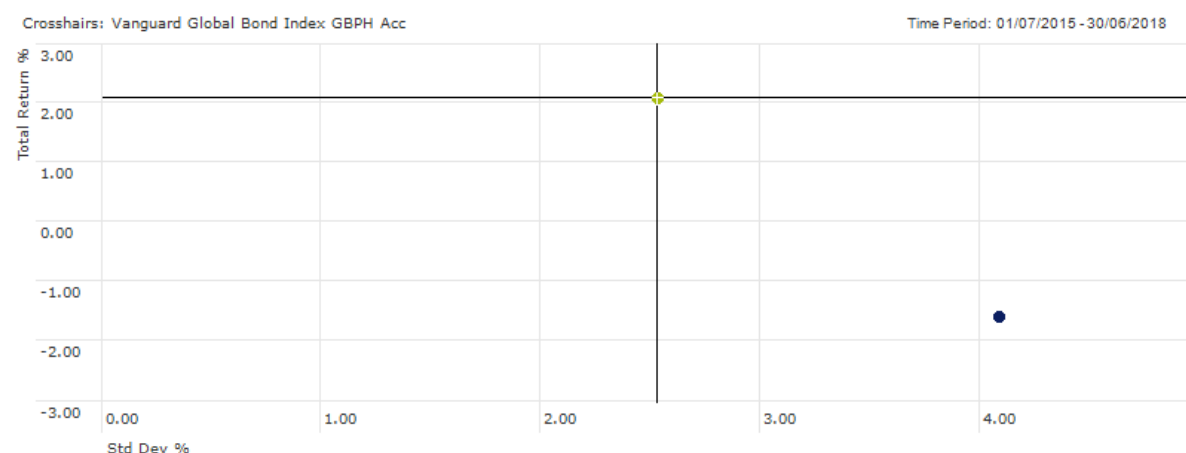
AT A GLANCE

Investment Objective	
<p>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 5% 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. The fund can take long and short positions in markets, securities and groups of securities through derivative contracts. The fund may use derivatives for the purpose of efficient portfolio management and to meet its investment objective.</p>	

Inception Date	28 January 2008
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000001VFQ

Management	
Manager Name	Start Date
Multi Asset Team	28 January 2008

Volatility Measurements	
3-Yr Std Dev (volatility)	4.09%
3-Yr Mean Return (average)	-1.60%



Investment Name
<ul style="list-style-type: none"> ● SLI Global Absolute Ret Strat Inst Acc

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FUND PERFORMANCE

Performance from 1 January 2013 to 30 June 2018.

	2013	2014	2015	2016	2017	2018
Standard Life Global Absolute Return Strategies Fund	7.00%	5.69%	2.99%	-2.65%	2.38%	-4.27%
Vanguard Global Bond Index	-0.13%	7.97%	1.25%	3.51%	2.00%	-0.73%

Performance over 1 year, 3 years, 5 years and since launch:

	1 year	3 years (p.a.)	5 years (p.a.)	Since launch (p.a.)
Standard Life Global Absolute Return Strategies Fund	-2.72%	-1.60%	1.49%	5.02%
Vanguard Global Bond Index	0.21%	2.07%	2.98%	4.36%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

We have written many updates on what the fund is trying to achieve. Over the last three years the fund has not achieved its stated aims, and this has been significantly negative on returns over 3 and 5 years. Despite trying to get information on the fund, we seemed to have got nowhere fast. The dramatic fall in performance this year has prompted a shift in the way Standard Life communicate about the fund, with updates from one of the lead members of the team and for the first time an acknowledgement that performance started to drop in 2015.

In this meeting with the team we have started to get an insight as to what is happening, and things are starting to change. The fund has tended to focus on investment fundamentals. As an example, they held a position that the US economy was at odds with what the market was pricing in. They didn't expect the economy to fall into recession and they were positioned to reflect this. They believed in normal behaviour from the Fed, but the reality was that everything is more data driven. They have learned that they can't fight central banks and assume something is normal when it isn't.

They have therefore shifted some of the thinking to include technical and behavioural factors. The merger with Aberdeen has benefited the team as people coming from Aberdeen have brought across a new way of thinking which is important at this moment in time. They have also realised that they need to choose their battles and focus on things that are more predictable. The team has therefore increased, and they have introduced meetings which purely focus on GARs rather than across several strategies.

Some of the strategies which damaged performance this year include European Banks vs Equities. Banks are cheap but the uncertainty around Italy saw a 15% sell-off across the sector. They have cut their position from 10% to 5% and changed their emphasis to Banks only. Another position was US

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Large Cap vs Small Cap. This was hit by trade and potential trade wars. They think that this is short term and the position will correct.

They closed the Emerging Market vs UK position; they still like Emerging Markets and have changed the position, replacing UK with Brazil. They closed a position of Italian vs German Rates which had a small negative following the election.

They are confident that there is return potential within the fund and that they can bring the fund to a position of achieving its target.

In summary, the fund had an excellent track record but for the last three years it has struggled. We are starting to see that they have acted to change things, but the proof will be in pudding. In the next 12 months the performance must change otherwise it would seem that the strategy is still not working.

The source of information in this note has been provided by Standard Life and is correct as at July 2018. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.