

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

**AT A GLANCE**

Investment Objective	
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.	

<b>Inception Date</b>	28 January 2008
<b>Fund Factsheet Link</b>	<a href="http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000001VFQ">http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000001VFQ</a>

Management	
<b>Manager Name</b>	<b>Start Date</b>
Multi Asset Team	28 January 2008

Volatility Measurements	
<b>3-Yr Std Dev (volatility)</b>	4.42%
<b>3-Yr Mean Return (average)</b>	1.05%

**FUND PERFORMANCE**

Performance from 1 January 2013 to 31 October 2017.

	2013	2014	2015	2016	2017
<b>Standard Life Global Absolute Return Strategies Fund</b>	7.00%	5.69%	2.99%	-2.51%	1.43%

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.)
<b>Standard Life Global Absolute Return Strategies Fund</b>	2.11%	1.05%	3.04%	5.42%

*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.*

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## UPDATE....

The aim of this fund is to provide positive returns of cash plus 5% over a rolling three-year period. We highlighted in the last review that the fund had underperformed since the second quarter of 2015. For most of 2017 the fund has continued to stagnate. This was at a time when the team thought they could carve out returns of 8% this year.

However, over the last month we have seen for the first time, a significant change in performance. Up to the end of September the fund was marginally positive, however up to the 5 November the fund is up over 2%. This remains somewhat adrift of its target return, but this might be the first signs of the team turning things around.

My frustration has never been around the strategy because they will go through periods of underperformance, but more the failure of Standard Life to provide any reassurance. This has meant that the fund has lost investors and there will have been some damage to their reputation.

When we spoke to the team, they again failed to acknowledge the underperformance for its true period. Equally they didn't discuss why it had happened. We can only guess from what they show and from what they don't say. It certainly appears they had too many trades, which meant the positives were cancelled out by the negatives, but without any concrete confirmation on this we can't say whether this is fact and whether they are changing this.

What we did discuss is the current positioning of the fund and what has worked, and where changes have been made. The main drivers over the last 12 months have been European, US and Japanese equities. US Banks helped but were pulled back by their position in US Equity Tech vs US Equity Small Cap.

Interest Rate Strategies were flat, and they had negative returns from currencies, volatility and security selection. They believe their UK vs German Interest Rate position will play out as they think German Interest Rates will remain unsustainably low.

In terms of currency, the Indian Rupee position helped but they lost on Long Norwegian Krone vs Australian Dollar and Long Japanese Yen vs Korean Won.

Some key areas where they see growth coming from include European Equity vs European Banks, UK vs German Interest Rates, EM Equities vs Brazilian Equities and Japanese Yen vs Korean Won.

In conclusion, the team didn't want to discuss the underperformance and the only hint of this came from them indicating that they had learnt from a difficult period and they were actively addressing this. We haven't seen any real change in performance for over 2 years, but the last month has seen a shift in performance. It is early days and certainly they are not going to hit their target return of 8% this year, but if they get 3 to 4% then this would be a good start

It is important to add that this is the most established of this type of fund, and if the team are unable to change things for their fund then it may reflect poorly on the entire sector.

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*The source of information in this note has been provided by Standard Life and is correct as at November 2017. 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.*