

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.	

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)	4.42%
3-Yr Mean Return (average)	1.05%

FUND PERFORMANCE

Performance from 1 January 2013 to 31 January 2018.

	2013	2014	2015	2016	2017	2018
Standard Life Global Absolute Return Strategies Fund	7.00%	5.69%	2.99%	-2.51%	2.38%	1.07%

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	3.72%	1.63%	2.99%	5.49%

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 Standard Life Global Absolute Return Strategies Fund has been the flagship fund for the absolute return sector since its launch in the retail space in 2008. It was originally set up for the staff pension scheme. Up to the end of the first quarter of 2015 the fund had delivered strong performance and matched its target return. The team explained in this update that problems hit the fund from the second quarter of 2015 to the end of Quarter 1 2016.

The fund was short Asian currencies; the market was down heavily, and it lost money. This was further compounded when the rebound came as they were long US dollar. Their strategy of using the dollar as a safe haven didn't work and they have now reduced this exposure to avoid similar dependency on one strategy.

The fund recovered some ground towards the end of 2016 but was effectively playing catch up during the year which ended up with negative numbers. As they entered 2017 they were confident they could make up for some of the lost ground.

But 2017 was a difficult year as it was good for traditional assets and this is where the returns came from. The lack of any volatility meant that it was hard to get any positive returns in these types of strategies during 2017. However the fund did return just over 2% for the year.

As a result of the underperformance the fund has seen a significant flow of money coming out; they explained that they have managed to control the outflows, and these have started to slow which has helped.

For the first time they seem to accept that the underperformance was due to poor strategies, but they feel that they have made changes and in the last few months the performance has started to pick up. They expect the returns to normalise to the 5% level this year. They believe that they can catch up on some of the underperformance from the previous years and hit the 3-year target over the next 12-months.

Some of the changes to achieve their target returns include increasing their long equity exposure to 25% which is the top end of the risk budget. They have removed exposure from investment grade credit to emerging market income. And where they had been negative on Asia, the portfolio has a more pro Asia feel.

Although they accept the performance has been disappointing they have pointed out that when markets do retract then this is when the fund will provide some downside protection; obviously this is little consolation for nearly three years of underperformance. But it is the first time that Standard Life have acknowledged that they got some of the strategies wrong; clearly their over exposure to the US and negative view of Asia has hindered performance.

A move to reduce exposure to the US and provide a more diversified portfolio with greater risk exposure and a more pro Asia feel is how they think the fund will catch up on lost ground. Certainly, over the last three months we have seen performance improve but this needs to be consistent to enable the fund to deliver on its stated targeted returns.

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In summary, we have highlighted in the past that this is the flagship fund in this sector and a prolonged period of underperformance is not only a worrying sign for the fund but also the sector. However, if the performance is down to poor selection of ideas then a clear strategy to review and change direction should start to pay dividends. In the short-term performance has picked up but the question is whether this can continue over the long term.

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