

Oct
2017

Absolute Return Global Bond Strategies Fund

Standard Life
Investments

31 October 2017

The fund aims to provide positive investment returns in the form of income and capital growth 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 three 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 bonds, cash and money market instruments) 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 |
| Launch Date | 29 Mar 2011 |
| Current Fund Size | £1651.1m |
| Base Currency | GBP |
| Benchmark | 3 Month Sterling LIBOR |
| Duration | -0.4 Years |

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. Please note that the fund information tables are only updated on a quarterly basis (31 March, 30 June, 30 September and 31 December). Due to rounding, the underlying sections may not sum to the total. Standard Life 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 *

Stand-alone risk contribution by strategy type

| | Stand-alone Vol % |
|-------------------------------|-------------------|
| Credit | 1.63 |
| Cross Market | 1.22 |
| FX | 1.01 |
| Inflation | 0.89 |
| Curve | 0.75 |
| Duration | 0.59 |
| Volatility | 0.25 |
| Total stand-alone vol: | 6.35 |
| Diversification: | 3.87 |
| Overall Volatility: | 2.48 |

Top ten risk contributions by strategy

| | Stand-alone Vol % |
|---|-------------------|
| US vs European Real Yields | 1.22 |
| Emerging Markets Income | 1.17 |
| Long Indian Rupee vs Swiss Franc | 0.69 |
| Short UK Inflation | 0.68 |
| Short European Real Yields | 0.60 |
| US Front End Steepener | 0.43 |
| UK Interest Rate Income | 0.42 |
| US Inflation Curve Steepener | 0.41 |
| Long Japanese Yen vs Canadian Dollar | 0.39 |
| Australian Forward-Start Interest Rates | 0.36 |

Return contribution by strategy type

| | Q3 Contribution (%) |
|---------------|---------------------|
| Credit | 0.59 |
| Cross Market | 0.00 |
| Curve | -0.02 |
| Duration | -0.53 |
| FX | -0.31 |
| Inflation | 0.03 |
| Volatility | 0.11 |
| Cash | 0.03 |
| Residual | 0.05 |
| Total: | -0.05 |

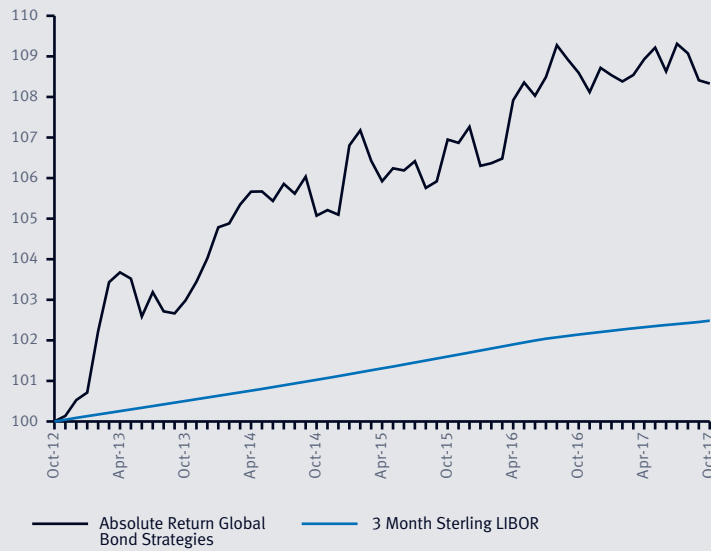
Top 5 Return Contributors by strategy

| Top Contributors | Q3 Contribution (%) |
|-------------------------------|---------------------|
| Emerging Markets Income | 0.21 |
| Contingent Capital Bonds | 0.16 |
| High Yield Credit | 0.15 |
| European Long End Steepener | 0.15 |
| Long Interest Rate Volatility | 0.11 |

| Bottom Contributors | Q3 Contribution (%) |
|---|---------------------|
| Short US Duration | -0.26 |
| Australian Forward-Start Interest Rates | -0.25 |
| Long Japanese Yen vs Canadian Dollar | -0.12 |
| Long US Dollar vs Canadian Dollar | -0.10 |
| Long US Dollar vs Great Britain Pound | -0.08 |

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 Standard Life Investments Sales Representative.

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

Cumulative Performance

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

| | YTD (%) | 1 month (%) | 3 months (%) | 6 months (%) | 1 year (%) |
|--------------------------------|---------|-------------|--------------|--------------|------------|
| Retail Fund Performance | -0.9 | -0.1 | -1.1 | -0.9 | -0.9 |
| Institutional Fund Performance | -0.4 | -0.1 | -0.9 | -0.6 | -0.2 |
| 3 Month Sterling LIBOR | 0.3 | 0.0 | 0.1 | 0.2 | 0.3 |

| | 3 years (%) | 5 years (%) | Since launch (%) |
|--------------------------------|-------------|-------------|------------------|
| Retail Fund Performance | 1.0 | 4.7 | 7.0 |
| Institutional Fund Performance | 3.1 | 8.3 | 11.6 |
| 3 Month Sterling LIBOR | 1.4 | 2.5 | 4.0 |

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.

Definitions

Duration - gives an indication of a bond's sensitivity to a change in interest rates. It is based on a snapshot of the portfolio on specified date. It does not include any impact from charges.

Market review

Investor sentiment remained favourable during October amid ongoing signs of improvement in the world economy. The Eurozone reported another stream of positive economic figures, including above-forecast growth and improving jobless figures, helping offset the escalating political crisis surrounding Catalonia's bid for independence. In the US, figures indicated that hurricanes Harvey and Irma had inflicted less damage on the economy than initially feared. While the US jobs market showed some signs of weakness, this will likely prove to be hurricane-related. Encouragingly, wages grew at a healthy 2.9% year-on-year in October. Meanwhile, UK inflation nudged up to 3%, a 5-year high, while retail sales growth slipped lower as consumers increasingly felt the pinch from falling real wages (i.e. wages after inflation).

As expected, the European Central Bank (ECB) announced plans to downsize its monetary support programme. It also indicated that interest rates were likely to remain unchanged for an extended period, as it sought to encourage weakness in the euro and promote the Eurozone's competitive position. This caused European sovereign bonds to move higher (yields fell). UK government bonds also edged up while US government bonds ended virtually unchanged. Corporate bonds enjoyed another good month, buoyed by positive earnings results and demand for income, with higher-yielding bonds outperforming investment grade issues.

Oil prices edged higher, reaching over US\$60 a barrel in October. Supply cuts agreed earlier this year among the main oil-producing nations are finally

taking effect. Added to this, the pick-up in global growth is fuelling demand, particularly from emerging economies.

Activity

We opened a Swedish interest-rate flattener versus Canadian interest-rate steepener strategy. This expresses our view that the difference between long-term and short-term interest rates in Sweden will decline, whereas in Canada this difference will increase. This position should also enhance portfolio diversification.

We closed our UK interest-rate steepener strategy designed to benefit from an increase in the difference between long-term and short-term interest rates. Given recent developments in the UK and the increased likelihood of a near-term rate hike, the return potential from this position looked to have diminished.

Performance

The Absolute Return Global Bond Strategies Fund returned -0.07% (net of fees) during the month, compared to the benchmark three-month GBP LIBOR return of 0.03% (gross of fees).

The environment of rising European government bonds (falling yields) hurt our short European real yields strategy and also our US versus European real yields strategy. In the UK, data showing another rise in inflation hurt our UK inflation strategy aimed at benefiting from lower inflation. We expect the peak in UK inflation to come in the fourth quarter of 2017.

Our exposure to corporate bonds again delivered positive returns as support for the asset class remained firm. Australian government bonds also ended the month higher (yields fell), as below-forecast inflation data

lessened the likelihood of a near-term interest rate hike. This was positive for our Australian interest rates strategy.

Our currency pair preferring the Japanese yen over the Canadian dollar posted gains. The Canadian dollar weakened after the Bank of Canada opted to leave interest rates unchanged and hinted that further rate rises this year were unlikely. Elsewhere, the Korean won and the Indian rupee both strengthened during October, bolstered by robust foreign investor demand for emerging market equities. This rewarded our position preferring the rupee over the Swiss franc but penalised our preference for the yen over the won. Also negative was our emerging markets income strategy as emerging market bonds gave up some of their earlier gains.

Outlook

Our central expectation is for continued modest broad-based global growth, albeit with regional variations. Fiscal policy and the changing monetary policies of central banks will be important drivers of asset returns, especially as the pace of change in policies remains uncertain. The US is moving to a tighter monetary environment, albeit on a gradual incline. Improving data in Europe may reduce the ECB's appetite for monetary easing. However, it will likely remain cautious in the near term given the elevated levels of uncertainty around the process of the UK's withdrawal from the European Union. Japan, meanwhile, is likely to remain on a loose monetary path. Geopolitical tensions remain elevated and, on many metrics, asset prices look expensive. We will seek to exploit the opportunities that these conditions present by implementing a diversified range of strategies using multiple asset classes.

Other Fund Information

| | Retail Acc | Retail Dist | Institutional Acc | Institutional Dist | Currency |
|-----------|--------------|-------------|-------------------|--------------------|----------|
| Bloomberg | SLABRBA LX | - | SLABRBD LX | - | GBP |
| ISIN | LU0548156891 | - | LU0548158830 | - | GBP |
| WKN | A1H6U1 | - | A1H6U2 | - | GBP |

| | |
|----------------|--|
| Domicile | Luxembourg |
| Custodian Name | The Bank of New York Mellon SA/NV, Luxembourg Branch, 2-4 Rue Eugene Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg |
| Auditor Name | PricewaterhouseCoopers S.à r.l., Reviseur d'entreprises 400, route d'Esch, L-1014 Luxembourg, Grand Duchy of Luxembourg |

| | Interim | Annual |
|------------------------------|----------------------------|--------|
| Reporting Dates | 30 Jun | 31 Dec |
| Settlement Time | T+3 | |
| Email | luxmb-sli-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 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. 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.

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