



# Fund Guide

## Emerging Market Debt Fund



**Standard Life**  
Investments

**March 2015**

This document is for investment professionals only and should not be distributed to or relied upon by retail clients. It is only intended for use in jurisdictions where the relevant funds are authorised for distribution or where no such authorisation is required.

# About Standard Life Investments

**Standard Life Investments is a leading asset manager with an expanding global reach. Our wide range of investment solutions is backed by our distinctive *Focus on Change* investment philosophy, disciplined risk management and shared commitment to a culture of investment excellence.**

As active managers, we place significant emphasis on rigorous research and a strong collaborative ethos. We constantly think ahead and strive to anticipate change before it happens, ensuring that our clients can look to the future with confidence.

As at 31 December 2014, Standard Life Investments managed €316.8 billion on behalf of clients worldwide. Our investment capabilities span equities, fixed income, real estate, private equity, multi-asset solutions, fund-of-funds and absolute return strategies.

Headquartered in Edinburgh, Standard Life Investments employs more than 1,400 talented professionals. We maintain offices in a number of locations around the world including Boston, Hong Kong, Paris, London, Beijing, Sydney, Dublin and Seoul. In addition, we have close relationships with leading domestic players in Asia, including HDFC Asset Management in India and Sumitomo Mitsui Trust Bank in Japan.

Our parent, Standard Life plc, was established in 1825. A leading provider of long-term savings and investments, Standard Life floated on the London Stock Exchange in 2006 and is now a FTSE 100-listed company. Standard Life Investments launched as a separate company in 1998 and has quickly established a reputation for innovation in pursuit of our clients' investment objectives.

Our investors rank among some of the world's most sophisticated and high-profile institutions. They include pension plans, banks, mutual funds, insurance companies, fund-of-fund managers, endowments, foundations, charities, official institutions, sovereign wealth funds and government authorities.

## Contents

- |          |  |          |                            |
|----------|--|----------|----------------------------|
| <b>1</b> | <b>Introducing the Emerging Market Debt Fund</b> | <b>4</b> | <b>Fund information</b>    |
| <b>2</b> | <b>What is our investment approach?</b>          | <b>5</b> | <b>Summary of benefits</b> |
| <b>3</b> | <b>What is our investment expertise?</b>         | <b>5</b> | <b>Contact details</b>     |

# Introducing the Emerging Market Debt Fund

The Standard Life Investments Emerging Market Debt Fund provides investors with exposure to a growing and truly diverse asset class. The Fund is managed by our dedicated and highly experienced emerging market debt team which is an integral part of our wider fixed income capability. Through our rigorous macroeconomic research, use of proprietary spread models and portfolio construction expertise, we aim to offer investors a conviction-driven portfolio within a truly risk-aware framework.

## Why invest in emerging market debt?

There is a growing recognition of the improvements in emerging market (EM) macroeconomic policy frameworks; prudent fiscal policymaking, for example, has led to significant reductions in public sector debt levels. Public debt/GDP across EM countries averages just 35%. This is less than a third of the public debt/GDP ratio of many developed economies. Emerging market debt (EMD) as a fixed income asset class has now reached investment grade status and is widely accepted as part of global asset allocation decisions.

At 38% of world GDP, EM comprise a meaningful proportion of global economic output. EM securities markets represent a less significant share of overall global market capitalisation, with EM equities accounting for 6% of global securities while EMD accounts for slightly more at 7%.

Over the last decade, EMD has become a deeper and broader asset class that can no longer be ignored. While the notional value of outstanding

sovereign hard currency bonds has remained relatively constant over the last few years, the number of issuers has grown significantly – by around 50% in the last three years alone. While many of the 60-plus sovereign hard currency issuers are established emerging markets, the asset class now features an increasing number of frontier issuers from across the globe. Most of these countries do not have well developed and investable domestic equity, fixed income or currency markets. Therefore, internationally issued hard currency debt is one of the few tradable instruments available for accessing country risk.

Many investors still perceive an allocation to EMD to be tactical in nature and based on short-to-medium term return expectations, particularly versus developed market bonds. However, given high historical risk-adjusted returns, we would encourage investors to consider EMD as a permanent, structural allocation. In doing so, they should take into account not only expected returns, but also the risk and correlation profile of the asset class in the broader context of their overall portfolio.

# What is our investment approach?

We seek to generate alpha predominantly through country selection. Using our *Focus on Change* philosophy, we aim to understand each country's unique macroeconomic drivers. When our assessment of a country's fundamentals is inconsistent with those expectations priced in the market, we look to exploit the opportunity.

## Our investment process is built on three pillars

### Fundamental

Our first decision is whether, based on individual country macro fundamentals, it is attractive to invest in a country at all. We continuously monitor high-frequency macroeconomic indicators to formulate an overall macro view on a particular country. In addition, we operate a debt sustainability model at a country level to determine the path of debt over time based on our own assumptions of key macro variables. We recognise that political risks also drive asset returns – contact with policymakers and local market participants helps us to assess these risks.

### Relative value

We have constructed proprietary relative value spread models for each of the key countries within the opportunity set. Through econometric modelling we have determined which combination of macro variables, from the wide range that we monitor, have historically driven individual country spreads. Based on the output of each individual country model we can assess whether credit spreads offer value versus the current spread observed in the market.

### Structural/technical

Our country selection decision is informed by an understanding of current structural and technical considerations at a country level, including supply and demand dynamics, flows and positioning.

We practice the investment process defined above within the context of our comprehensive view of the global macro environment. We leverage Standard Life Investments' world class macro investment platform and our own extensive experience of managing EMD portfolios to determine which global macroeconomic risks may influence our country selection within the asset class.

In constructing portfolios, we seek to follow our convictions by taking decisive positions versus the benchmark. In this sense, we are benchmark aware but not benchmark constrained.

# What is our investment expertise?

We are a major investor in fixed income markets with over £55 billion in fixed income assets under management as at 31 December 2014. We have an experienced team of bond experts managing these assets.

## Dedicated emerging markets team

In recognition of the specialist nature of the asset class, and as part of our strategic commitment to extend the investment capability we offer clients, we have an experienced team of emerging market fixed income professionals.

## Collectively better

The emerging market debt team is part of our wider fixed income capability, which also spans global government bonds, high-yield bonds and investment grade corporate bonds. Our fixed income specialists comprise over 50 investment professionals, all of whom share their unique insights on the key drivers of the fixed income market.



**Richard House**  
Head of Emerging Market Debt

Richard has 22 years' investment experience, with a focus on emerging market fixed income. Previous positions include five years as Head of Emerging Market Debt at Threadneedle Asset Management where his role covered fund management responsibilities for the Threadneedle Emerging Market Bond Fund (AA rated by Standard and Poor's and A rated by OBSR under his management). Richard has an honours degree in Economics and Computer Science and an MSc in Finance and Investment.



**Kieran Curtis**  
Investment Director

Kieran has 13 years' investment experience, including seven years at Aviva Investors where he was a portfolio manager and Head of Local Currency Bonds. Prior to that he worked at Standard Bank and Invesco Asset Management. He has a masters degree in Biochemistry from Oxford University.



**Mark Baker**  
Investment Director

Mark has 14 years' experience in the industry. He joined Standard Life Investments from Threadneedle where he was part of the EMD investment team. He previously worked at Citigroup Asset Management and Henderson Global Investors. He has an honours degree in Business Studies and is also a CFA Charterholder.



**Nicolas Jaquier**  
Investment Director

Nicolas has 10 years' industry experience, including two years at Threadneedle where he was a Quantitative Analyst. Previously he worked at the Swiss National Bank and Pictet Asset Management. He has a masters degree in International Economics and International Relations and is a CFA Charterholder.

# Fund information

## Fund objective

The Emerging Market Debt Fund aims to provide income and some capital growth over the longer term by investing predominately in bonds issued or guaranteed by governments, financial institutions or companies in emerging markets. The majority of the Fund will be invested in bonds denominated in US dollars. The Fund is actively managed by our investment team, which will select bonds to try and take advantage of opportunities it has identified.

Technical Specifications	
Fund manager	Richard House
Legal structure	SICAV
Benchmark	JP Morgan EMBI Global Diversified Index
Types of shares available	Accumulation
Fund launch date	18 March 2014
Base currency	USD

For further information on different shareclasses and charges, please read the Prospectus and Key Investor Information Document (KIID). You can find these in the literature section of our website [www.standardlifeinvestments.com](http://www.standardlifeinvestments.com)

# Summary of benefits

At a glance – reasons to invest	
Enhance overall portfolio risk adjusted returns	An exposure to the asset class brings clear diversification benefits, lifting the risk-adjusted return potential of an investment portfolio.
Attractive ratings-adjusted yields	This investment grade asset class offers attractive yields – potentially appealing to investors searching for income.
Unique investment approach	The emerging market debt team operates a unique macro-driven investment approach that focuses on generating excess returns through superior country selection.
Compelling track record	The team has achieved a high information ratio in delivering above market returns.

## Contact details

To find out more about our Emerging Market Debt Fund, please speak to your usual contact at Standard Life Investments or visit our website at [www.standardlifeinvestments.com](http://www.standardlifeinvestments.com)

## Visit us online



[standardlifeinvestments.com](http://standardlifeinvestments.com)

## **standardlifeinvestments.com**

This material is for informational purposes only. This should not be relied upon as a forecast, research or investment advice. It does not constitute an offer, or solicitation of an offer, to sell or buy any securities or an endorsement with respect to any investment vehicle. The opinions expressed are those of Standard Life Investments and are subject to change at any time due to changes in market or economic conditions.

The value of an investment is not guaranteed and can go down as well as up. An investor may get back less than they invested. Past performance is not a guide to the future.

Standard Life Investments Limited is registered in Scotland (SC123321) at 1 George Street, Edinburgh EH2 2LL. Standard Life Investments Limited is authorised and regulated by the Financial Conduct Authority. Calls may be monitored and/or recorded to protect both you and us and help with our training. [www.standardlifeinvestments.com](http://www.standardlifeinvestments.com) © 2015 Standard Life, images reproduced under licence

Standard Life Investments Global SICAV is an umbrella type investment company with variable capital registered in Luxembourg (no. B78797) at 2-4, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg. [www.standardlifeinvestments.com](http://www.standardlifeinvestments.com) © 2015 Standard Life, images reproduced under licence