

Q3 2018

Impact Reporting

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Standard Life Investments Global Equity Impact Fund



While the prevalence of extreme poverty has halved since 2000, inequality and poverty still exist globally. The lack of, or limited access to, affordable social protection systems and healthcare services exacerbates these inequalities. Through Sustainable Development Goals 1, 3, and 5 the UN aims to ensure fair and affordable global access to health and social care. Our Health and Social Care pillar aligns with this agenda to address rising inequalities, with a focus on all major health priorities. This includes supporting gender equality and female empowerment in order to reduce poverty and inequalities.

Why is it important?



Goal 1: End poverty in all its forms everywhere

- Social protection systems are fundamental to preventing and reducing poverty and inequality at every stage of people's lives, through benefits for children, mothers with newborns, persons with disabilities, older persons and those persons who are poor and without jobs. Preliminary data show that in 2016, only 45% of the world's population was effectively protected by a social protection system and that coverage varied widely across countries and regions.



Goal 3: Ensure healthy lives and promote wellbeing for all

- Worldwide, in 2015, approximately 3 in 4 women of reproductive age (15 to 49) who were married or in union satisfied their need for family planning by using modern contraceptive methods; in sub-Saharan Africa and Oceania, however, the share was less than half.
- In 2014, at least 1.7 billion people, in 185 countries, required treatment for at least one neglected tropical disease.
- Of all deaths among persons under the age of 70, commonly referred to as premature deaths, an estimated 52% were as a result of non-communicable diseases.
- Over three quarters of premature deaths were caused by cardiovascular disease, cancer, diabetes and chronic respiratory disease.
- Mental disorders occur in all regions and cultures. The most common are anxiety and depression, which, not infrequently, can lead to suicide. In 2012, an estimated 800,000 people worldwide committed suicide, and 86 per cent of them were under the age of 70. Globally, suicide is the second leading cause of death among those between the ages of 15 and 29.



Goal 5: Achieve gender equality and empower all women and girls

- Just over half (52%) of women aged between 15 and 49 who are married or in union make their own decisions about consensual sexual relations and use of contraceptives and health services. That statistic is based on available data from around 2012 for 45 countries, 43 of which are in developing regions.



Fund allocation
stats, as of 31
July 2018

United Health Group (UHG) (3.42% weight)

UHG has a clear strategic focus on improving health outcomes and making the health system work for everyone through benefits programs and service provision. UHG is the largest provider of Medicare Advantage in the US and has tailored services and programs for the elderly and homeless, maintaining a focus on quality care and reduced costs. The company's strong execution capabilities and ongoing innovation should create a win-win situation for payers and patients.

Novo Nordisk (3.08% weight)

Novo Nordisk develops, produces and markets pharmaceutical products, with a strong focus on diabetes care. The company upholds an Access to Insulin Commitment and runs multiple programs that support affordable insulin to low-income and vulnerable people, helping to ensure that treatment can be found regardless of economic circumstances and social position. Novo Nordisk is in a strong position with regards intellectual property, which supports long-term growth.

Georgia Healthcare Group (GHG) (2.27% weight)

GHG is a leading pharmaceutical retailer, healthcare and medical insurance provider in Georgia. The company's strategy focuses on improving access to healthcare services and enhancing outcomes, which help ease the financial burden in public healthcare system and fills service gaps. GHG already has a strong market presence and is increasing its role across healthcare services. We see scope for further operational synergies that will strengthen the company's future cash position.

Merck & Co (2.25% weight)

Merck & Co is a US-based global healthcare company with a well-formalised access to healthcare strategy. The approach includes initiatives to increase affordability, promote women's health and family planning. It also seeks to advance drug development for diseases that, according to the World Health Organisation, require urgent attention. The company has developed one of the most popular oncology drugs and is continuing to advance treatment variations, making it an attractive financial opportunity.

Clinigen (3.23% weight)

See case study.

These securities have been used for illustrative purposes only to demonstrate the investment management style and not as an investment recommendation or indication of future performance.





Case study and engagement examples

Clinigen Group: providing ethical access to medicine

¹ http://oecdobserver.org/news/archivestory.php/aid/1241/Health_and_the_economy:_A_vital_relationship_.html

² <http://www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2018/sdg-report-gender-equality-in-the-2030-agenda-for-sustainable-development-2018-en.pdf?la=en&vs=5653>

Clinigen Group is a global speciality pharmaceutical services business. We engaged with the CEO of Clinigen in March 2018 to get a better understanding of the company's business model, including how it supports access to medicine in areas with high unmet needs. We also looked at how its approach to pricing ensures that costs do not act as an additional barrier to access.

Clinigen has a unique business model, entirely focused on providing ethical access to medicine throughout the product lifecycle. The company does not develop new treatments, but instead works to identify existing treatment options and ensure that they are made available – and continue to be available – to those whose lives depend on them. It does this by supplying medicines to clinical trials, providing unlicensed medicines, supporting the move to licenced products, and taking on the production of mature products to ensure that global access is maintained.

Unlicensed medicine provision is a significant portion of Clinigen's business. In this context, 'unlicensed' means that the medicine has received regulatory approvals, but is not registered and therefore not available in every market. There are around 120 pharmaceutical markets in the world, but most medicines are only registered in up to 30. This can create significant challenges for people trying to access critical treatments in areas where medicines are not registered, despite the fact that safe and effective options do exist. Clinigen maintains close relationships with physicians globally to understand which products are needed in which markets. Clinigen then facilitates access by

guiding the physician to the pharmaceutical companies that can provide these medicines.

At the other end of the product lifecycle, Clinigen will also take on production and distribution of mature, registered product lines. When new medicines are developed, they are patented by the pharmaceutical company to protect their intellectual property and competitive advantage in the area. As the patent expires, it can become less commercially attractive for a pharmaceutical company to continue selling it, despite the fact that people are still relying on the drug. In these situations, Clinigen can take on production and ensure that access to these medications is maintained.

Clinigen charges fees to the pharmaceutical companies for activities like setting up the distribution program, managing enquiries, shipping drugs and getting patients to the hospital. However, 90% of products in its Managed Access business are provided 'free of charge' to the end patient. Within Clinigen's own products, it aims to be in line with comparable drugs in the treatment class and undertakes significant engagement with regulatory authorities on the issue. In general, the price reflects the treatment area, affordability for the region, comparisons to other medicines, and cost from suppliers.

As Clinigen's CEO noted during our discussions, treatments for unmet needs and pricing are highly emotive and complex issues. The company strongly focuses on ethical access to medicines, as it believes this to be the most sustainable business model. As such, we are confident that Clinigen remains a strong addition to the Global Equity Impact Fund.



Important Information

- The value of investments and the income from them can go down as well as up and investors may get back less than the amount invested. Past performance is not a guide to future results.
- More details of the risks applicable to this fund can be found in the Key Investor Information Document (KIID) and Prospectus, both of which are available on request or at our website www.aberdeenstandard.com

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