

Investment Trust Solutions

Standard Life
Investments

June 2017

Standard Life Investments has not considered the suitability of your investment against your individual needs and risk tolerance. To ensure that you understand whether a financial product is suitable, please read the Prospectus and other product information documents and seek assistance from your professional adviser.

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 2016, Standard Life Investments managed £277.9 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.

Our headquarters are in Edinburgh and we employ more than 1,700 talented individuals in over 20 locations across Europe, North America, Asia and Australia. In addition, we have close relationships with leading domestic asset managers in Asia, including HDFC Asset

Management in India and Sumitomo Mitsui Trust Bank in Japan.

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

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

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The value of an investment can fall as well as rise and is not guaranteed. An investor may get back less than they put in. Past performance is not a guide to future performance.

Introduction

Investment trusts are a longstanding form of collective investment, with their origins dating back as far as the 1860s. They were designed to provide a cost-effective means of obtaining diversified exposure to specific international markets and asset classes. While many other forms of collective investment are now available, investment trusts remain just as relevant today. They offer a number of unique features, helping them to stand out as attractive options in an increasingly complex investment landscape. This means they can play an important part in an investment portfolio.

Our investment trust credentials

At Standard Life Investments, we have a proven track record in managing investment trusts. We manage five trusts in total, amounting to over £2.7 billion in combined market capitalisation*. Our longstanding experience and success in this specialist area has been recognised by the investment industry through multiple awards for long-term performance and the consistency of our investment process.

What we can offer

Our disciplined investment philosophy and process is applied consistently across our investment portfolios. In addition, extensive research capabilities across asset classes and regions ensure that investors can gain maximum benefit from our expertise, wide market coverage and knowledge. These capabilities are instrumental to the strong performance of all of our funds, including our investment trust range. We offer a variety of investment trust options for investors.

Our range

- ▶ **Standard Life Equity Income Trust**
We take an unconstrained approach to equity stock picking which means that we have the flexibility to seek the best income and growth opportunities across the entire UK market. Rather than select stocks based on high absolute yields, we focus on dividend growth to seek a sustainable and growing long-term income stream.
- ▶ **Standard Life UK Smaller Companies Trust**
We focus on identifying tomorrow's large-cap stocks. We therefore take a long-term approach to unearthing those companies we believe are likely to deliver sustainable earnings growth. Emphasising quality and lower risk, we seek to provide investors with attractive long-term returns from UK smaller companies.
- ▶ **Standard Life Investments Property Income Trust**
We aim to generate both capital growth and a sustainable and growing income stream from a diversified portfolio of direct UK commercial real estate. Standard Life Investments boasts impressive real estate capabilities, with a large team of dedicated professionals seeking the best opportunities.
- ▶ **Standard Life Private Equity Trust**
We aim to achieve long-term total returns through a portfolio of holdings in private equity funds. The portfolio contains 35-40 private equity fund commitments, invested across around 350 private, unlisted companies. The focus is on investing in businesses with the potential for considerable growth.
- ▶ **UK Commercial Property Trust**
We aim to provide an attractive level of income together with the potential for capital and income growth from a diversified UK commercial property portfolio. The focus is on the prime, high-quality end of the market, primarily in the industrial, office, retail and leisure sectors. The portfolio comprises assets with good prospects for longer-term income.

*Source: Thomson Reuters Eikon, 13/2/2017

The benefits of investment trusts

Investment trusts provide flexibility in managing the underlying portfolio of investments, making them highly attractive options for investors.

A longer-term perspective

An investment trust's fixed capital structure allows managers to take a long-term investment approach. This is because the capital base of a trust is typically not affected by investors buying and selling the trust's shares. This continuity can be beneficial for an investment trust investing in any asset class, but is particularly suitable for trusts investing in less liquid investments such as private equity and real estate, where holding periods are longer and where it may not be easy to sell part of the particular underlying investment.

Enhanced performance potential

Investment trusts can potentially offer better performance when compared to similar underlying portfolios. In 2014, a study by wealth management firm Canaccord Genuity³ revealed that investment trust total returns outperformed open-ended alternatives in 14 out of 15 broad investment categories over five years and in 12 categories over 10-year holding periods.

Ability to smooth dividends

Investment trusts offer a flexible approach to dividends. Rather than pay out all of their income each year, they can hold some back. By retaining some income during better years, they are able to supplement their income distribution in more challenging years.

Gearing potential

Investment trusts can borrow to increase the size of the portfolio. This enhances returns to shareholders when the value of those holdings rise and may mean the trust could outperform a similar investment portfolio. However, 'gearing' works both ways and magnifies losses if the value of the portfolio falls.

Companies, not mutual funds

Investment trusts are listed companies, with a fixed number of shares, which are traded on recognised stock exchanges. The shares are traded by brokers and on online trading platforms. The share prices of investment trusts will fluctuate during the course of the trading day, as they are subject to general investor sentiment and changes in demand and supply. They are often described as 'closed-ended' investments because the number

of shares is fixed unlike a mutual fund, or open ended investment company (OEIC), where the number of shares fluctuates in line with demand.

Premia and discounts

As the share price of an investment trust is subject to market movements, it means that the price will differ from the underlying value of the investment portfolio, or net asset value (NAV). This means that the share price will frequently trade at a discount or premium to the NAV. When the trust is trading at a discount it means that investors can obtain exposure to the portfolio for less than the portfolio is valued at, with the opposite being the case for a premium. Monitoring the shares relative to their NAV is an important consideration in any investment decision. By contrast, mutual funds are priced at NAV only once per day.

Cost effective

While investors should bear in mind the overall value provided by their investment for the fees and charges incurred, costs are clearly an important consideration when seeking to maximise returns. Ongoing charge figures (OCF) capture annual management and other running costs, and allow investors to compare funds. Association of Investment Companies data¹ reveal an average OCF of 1.38% for UK-listed investment trusts, excluding venture capital trusts. The Investment Association² suggests mutual fund OCFs range between 1.25% and 1.75%, meaning investment trusts compare favourably, although stockbroker commission, stamp duty and bid-offer spread costs may also be incurred.

Looking after investors

Investment trusts have an independent board of directors to look after the interests of investors. The manager of the trust is responsible to the board of directors, which seeks to ensure investment objectives are met. The board has the power to recommend changing the mandate or the manager of the trust and it approves the levels of borrowing in the trust. The directors answer to the shareholder, which gives investors a say in how the trust is managed.

¹ Source: www.theaic.co.uk, as at 28/08/2015

² Source: www.theinvestmentassociation.org, as at 28/08/2015

³ Source: Canaccord Genuity Wealth Management Research produced for the AIC. Total return data as at 30/06/2014.

How we do it

Standard Life Investments is a leading asset management company with significant research resources dedicated to a wide range of asset classes. These capabilities allow our investment teams to look far and wide for opportunities and to conduct rigorous analysis. This ensures that only the best opportunities are included in portfolios.

Our investment philosophy and process

Key to this is our proven and repeatable investment process, which is underpinned by our *Focus on Change* philosophy – common to all our funds. We believe asset prices are driven by fundamentals (all the necessary information we use to value the asset) and that markets are inefficient at pricing changes in these fundamentals. We therefore aim to identify, understand and exploit the key drivers and the dynamics behind them.

We recognise that different factors drive markets at different times so our approach means we do not favour any one particular investment style. In our view, this provides opportunities to outperform throughout the economic cycle rather than only at specific times. Our investment professionals use a common approach to enforce discipline and consistency when identifying potential investments. For example, we ask five key questions to frame our investment ideas.

The Five Questions – a common investment language

Analysis	
↑	▶ What are the drivers?
↕	▶ What is changing?
↓	▶ What is priced in?
Judgement	
↑	▶ Why will the market change its mind?
↓	▶ What is the trigger?

Putting the process to work

We are a research-intensive investment house. Given the range of available investment opportunities in stock markets, we deploy our proprietary screening tool, 'The Matrix', to focus our research efforts and stock selection process. The Matrix is based on proven indicators of financial performance and is a powerful tool in helping the managers of our UK Smaller Companies and Equity Income trusts direct

their resources to best effect. This enables us to put together a shortlist of investable stocks for further analysis. We then select stocks for our portfolios following discussions with company management. Thanks to our excellent industry reputation, we have access to the most senior management teams and advisers across the investment world. Each year, our investment professionals hold more than 3,000 meetings with companies in which we invest, or are considering investing. These allow us to cross-check our investment rationale.

In-depth peer review process

Robust peer review is an essential part of our process. Debate is encouraged and results in only the strongest ideas making it into portfolios. We have over 60 professionals dedicated to our equity portfolios. Our analysis is organised on an industry basis rather than by country, as we believe it is essential to be industry and asset class experts to understand material changes.

When investing in real estate, we aim to add value at each stage of our disciplined and repeatable investment process through our 160-strong team, which provides expertise in all aspects of real estate investments. Research is the key driver in our decision-making process. Understanding what drives returns and constantly tracking what is changing helps us to anticipate real estate pricing. The team uses a top-down approach that considers a variety of factors. This research helps set our Real Estate House View and provides valuable insight to our investment team. These views drive asset selection, asset allocation and asset management across all our portfolios.

Selecting the right properties is critically important so we scrutinise every potential investment, taking into account location, local market dynamics, physical condition and income quality. The evaluation and management of risk is vital, from rigorous due diligence on acquisition to monitoring risk at each of our individual properties on a daily basis. We think of our properties as individual enterprises, each of which requires a multifaceted strategy to unlock their full potential.

Our investment trust range

Below we describe our investment trust range in more detail. Please refer to our website for more information on all of our investment trusts.
http://uk.standardlifeinvestments.com/consumer/funds/investment_trusts/index.html

Standard Life Equity Income Trust (SLEIT) www.standardlifeequityincometrust.co.uk

SLEIT is suitable for those investors seeking an income stream alongside long-term capital growth potential to generate attractive total returns from UK equities. We adopt an unconstrained approach, which allows increased allocation to mid-cap stocks. This provides a more diversified portfolio than the more traditional UK equity income funds. This brings important risk and diversification benefits.

Objective

To provide shareholders with an above-average income from their equity investment, while also providing real growth in capital and income.

Trust Manager

Thomas Moore is an Investment Director in our UK equities team. He is responsible for managing the Standard Life Equity Income Trust, the UK Equity Income Unconstrained Fund and analysing the banking and financial services sectors. Thomas is an Associate of the CFA Society of the UK and holds a BA (First Class) in Economics and Politics from Exeter University.



Thomas Moore
Investment Director

Reasons to invest

- ▶ **Best income and growth ideas** – a ‘best ideas’ focus enables Thomas to take concentrated (but diversified) positions in the UK equities team’s strongest ideas. This flexibility allows Thomas to take advantage of opportunities across the market-cap and style spectrum as they arise.
- ▶ **The importance of earnings and dividend growth** – rather than focusing on high absolute yields, Thomas targets those companies exhibiting better earnings growth prospects and which are therefore likely to be able to increase their payouts over time.
- ▶ **Total return focus** – Thomas targets attractive total returns by balancing the Trust’s income-producing requirement with capital growth stocks.

Awards

2015 Winner of the ‘UK Core Equity’ category in Institutional Investor’s 2015 European Money Masters

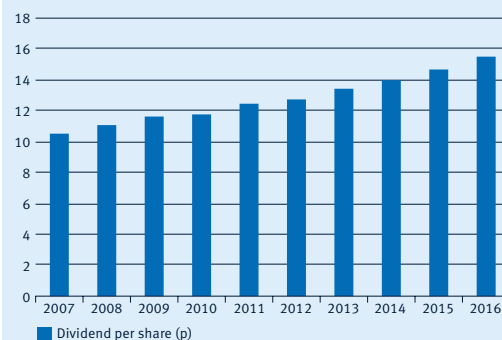
2014 Winner of What Investment Trust Awards 2014 – Best Investment Trust for Income

2014 Named ‘One to Watch’ at the RSMR (Rayner Spencer Mills Research) R Awards

2014 Winner of Investment Adviser 100 Club Awards 2014 – UK Equity Income Trust of the Year



10-year dividend growth – 4.9% CAGR*



Dividends are not guaranteed and past performance is not a guide to the future

Source: Standard Life Investments

*Compound Annual Growth rate



Harry Nimmo
Head of Smaller
Companies

Standard Life UK Smaller Companies Trust (SLS) www.standardlifeuksmallercompaniestrust.co.uk

The Standard Life UK Smaller Companies Trust offers an actively managed portfolio of smaller and mid-sized companies in the UK equity market. It is primarily designed to produce long-term capital growth, but also boasts an impressive record of income growth. Over the long term, smaller company returns have outstripped those of their large-cap peers and on a risk-adjusted basis. Therefore, investing in the Trust is an attractive way to gain diversified exposure to this fast-growing area of the market.

Objective

To achieve long-term capital growth by investment in UK-quoted smaller companies.

Trust Manager

Harry Nimmo is Head of Smaller Companies. He manages the Standard Life UK Smaller Companies Trust and the UK Smaller Companies Fund. He joined Standard Life Investments in 1985, a year after gaining an MBA from Edinburgh University.

Reasons to invest

- ▶ **Investing in tomorrow's large-caps today** – less mature than their large-cap peers and often exposed to new and exciting industries, smaller companies can provide investors with attractive long-term returns.
- ▶ **An overlooked asset class** – Harry believes that small-caps could continue to outperform large-caps over time given a number of structural market issues that mean smaller companies are systematically overlooked.
- ▶ **An established and proven process** – Harry uses our proprietary screening tool, The Matrix, to focus on key corporate attributes that are proven indicators of share price performance. This helps to target research efforts and to provide a shortlist of investable stocks for further analysis.
- ▶ **Strong long-term performance track record** – this consistent approach has driven impressive long-term performance. And, while the Trust's primary objective is to generate capital growth, Harry has also built an impressive track record in both absolute and real income growth. Since 2007, underlying (i.e. excluding special payments) dividends per share have risen from £0.80p to £6.60p – a compound annual growth rate of 23.5%.

Awards

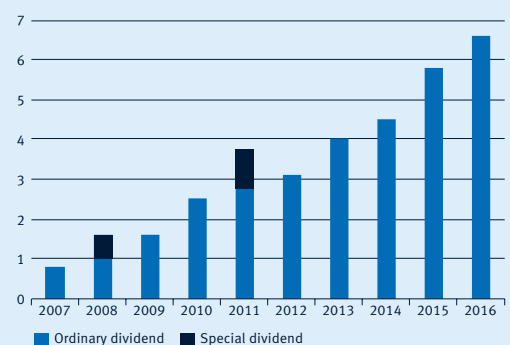
2014 Harry Nimmo was named 'Fund Manager of the Decade' at the Quoted Company 10th anniversary awards for his UK Smaller Companies Investment Trust performance.

2013 The Trust won the Moneywise UK Smaller Companies Investment Trust of the Year for the seventh year in a row, the first investment trust to win any Moneywise award seven years in a row.

2013 The Trust again won the Investment Week Investment Trust 'UK Smaller Companies' category - the fourth time in five years.

2012 Harry was awarded an 'Outstanding Investor' accolade from Morningstar OBSR in recognition of exceptional results over at least ten years.

10-year dividend growth – 23.5% CAGR*



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Source: Standard Life Investments

*Compound Annual Growth rate

Standard Life Investments Property Income Trust (SLIPIT) www.slipit.co.uk

Real estate can be a particularly attractive proposition for investors seeking stable long-term capital and income growth. The Trust seeks to provide to provide attractive total returns through exposure to a diversified portfolio of UK commercial real estate.

Objective

To provide an attractive level of income along with the prospect of income and capital growth from investing in a diversified UK commercial real estate portfolio. The Trust invests in the three principal commercial real estate sectors: office, retail (including leisure) and industrial, but may also invest up to 10% of the portfolio in other commercial real estate. It can also undertake development (including up to 10% in speculative development) and invest in indirect real estate vehicles or funds up to 10% of gross assets.



Jason Baggaley
Fund Manager

Trust Manager

Jason Baggaley manages the Guernsey registered and London-listed SLIPIT. He has 27 years' industry experience and is a Member of the Royal Institution of Chartered Surveyors.

Reasons to invest

- ▶ **Attractive income yield and diversification** – investors can gain access to property's potential to provide an attractive and stable income stream in a diversified portfolio.
- ▶ **Long-term growth from real assets** – real estate can be appealing to investors because it is tangible in a way that other assets are not. Many investors like the additional level of security security that investing in bricks and mortar can bring.
- ▶ **The benefits of a direct approach** – choosing a traditional direct real estate fund, that invests in and sells physical assets, can be an attractive investment option. Long lease durations and ongoing rent reviews increase stability and provide a degree of inflation protection. As well as choosing the right mix of properties and tenants, we aim to maximise returns at every stage of the investment process. This includes lease restructuring, property refurbishment and development projects.
- ▶ **Extensive resources** – Jason benefits from the input of a wider team of more than 160 dedicated real estate professionals. He handpicks the assets for the Trust based on location and the prospects for strong rental growth and capital appreciation.
- ▶ **Ongoing asset management** – our focus is on letting premium buildings to good-quality tenants, preferably on long-term leases. Our in-house credit management team screens each tenant and we also examine the ratings of independent credit agencies. This helps to limit the risk of default and provides stable cashflows.



Awards

2017 Moneywise Investment Trust Awards – Property Direct UK – Standard Life Investments Property Income Trust.

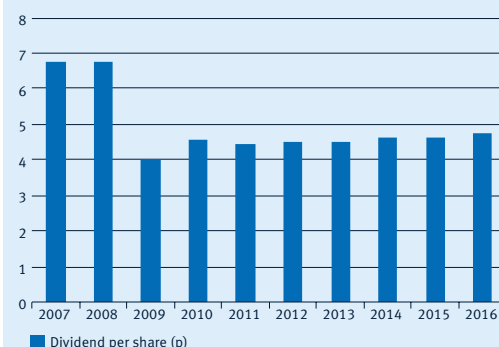


2014 The Trust won 'Property Trust of the Year' at the Investment Adviser 100 Club Awards.



2014 The Trust won the 'Property' category at the Investment Week Investment Company of the Year Awards.

Dividend history



■ Dividend per share (p)

Dividends are not guaranteed and past performance is not a guide to the future

Source: Standard Life Investments

Standard Life Private Equity Trust www.slpet.co.uk

The Standard Life Private Equity Trust was established in 2001 and the portfolio contains 35-40 private equity fund commitments, which are invested across 350 private, unlisted companies. The focus is on investing in businesses with the potential for considerable growth.

Objective

To achieve long-term total returns through a portfolio of holdings in private equity funds.



Roger Pim
Deputy Head of
SL Capital Partners

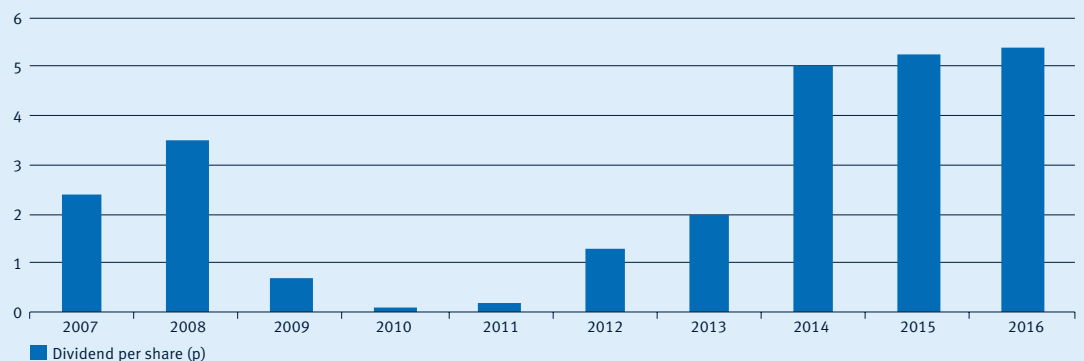
Trust Manager

SL Capital Partners is the manager of the Trust. Part of Standard Life Investments, its expertise is founded on long-established experience providing shareholders exposure to private companies through investments in leading regional and global private equity fund managers. Roger Pim, Deputy Head of SL Capital Partners, manages the Standard Life Private Equity Trust, and leads Capital Partners' fundraising and investor relations team. Roger is a member of the investment committee and serves as an advisory board member on a number of leading European private equity funds. Roger has an MA (Hons) in Economics from the University of Cambridge and an MBA from the University of Edinburgh.

Reasons to invest

- ▶ **A strong track record** – the investment strategy has been successful over both the long and the short term. For example, the Trust achieved a total return of 24.8% and share price growth of 27.9% for the 12 months to 30 September 2016.
- ▶ **Attractive dividend yield** – the Trust has more than doubled its annual dividend for 2017 to 12p per share, up from 5.4p. The dividend yield is now over 4% and the board has committed, in the absence of unforeseen circumstances, to maintaining the real value of the dividend, growing it at least in line with inflation.
- ▶ **Diversity and choice** – private equity opportunities are numerous: there are five times as many private companies with revenues about \$100 million, as there are in listed markets. Shareholders benefit from unique exposure to leading private equity managers that provide access to these hard to find opportunities.
- ▶ **Patience rewarded** – while capital growth remains an important driver of the net asset value of the fund and its share price, the commitment to pay an increased dividend rewards patient investors with an income as the portfolio matures.

Dividend history



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Source: Standard Life Investments

UK Commercial Property Trust www.ukcpt.co.uk

The UK Commercial Property Trust, a FTSE 250-listed property investment company, focuses on the prime, high-quality end of the real estate market. It invests in all the major sectors, including industrial, office and retail.

Objective

To provide an attractive level of income together with the potential for capital and income growth, from investing in a diversified UK commercial property portfolio.

The Trust is focused on institutional-grade income-producing assets. It is currently permitted to invest up to 15% of its total assets in indirect property funds including in other listed investment companies.

Trust Manager

Will Fulton has managed the Trust, which is Guernsey-registered and London-listed, since April 2015. Will has 27 years' experience of the property sector and previously managed the £2.3 billion Standard Life Heritage With Profits Real Estate Fund. He has a degree in Land Economy from the University of Aberdeen and is a member of the Royal Institution of Chartered Surveyors.

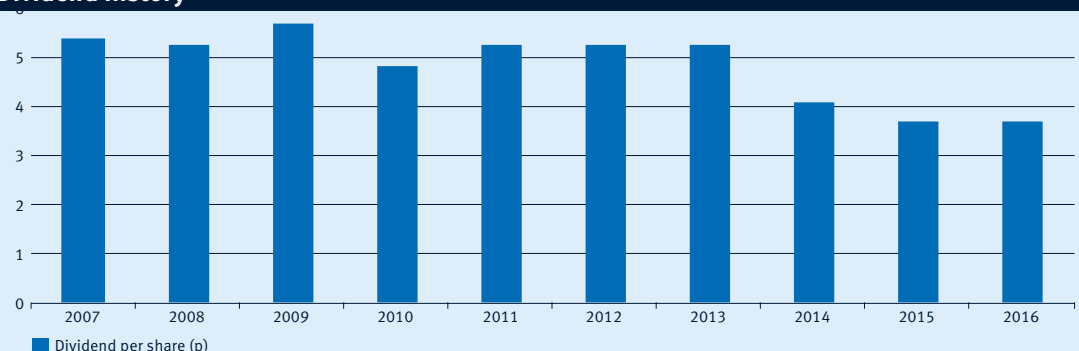


Will Fulton
Fund Manager

Reasons to invest

- ▶ **An attractive dividend yield** – the Trust currently offers an attractive dividend yield which is significantly higher than UK gilts, making it appealing from an income perspective.
- ▶ **Low gearing** – one of the Trust's most desirable defensive characteristics is its strong balance sheet, with low levels of debt.
- ▶ **A solid tenant base** – the Trust has a diverse and solid tenant base, from a wide range of sectors, which reduces risk and helps provide good prospects for long-term income.
- ▶ **Extensive liquidity** – with a market capitalisation of over £1 billion, the Trust's shares are highly liquid. This makes it easy for investors to trade in and out of the Trust.
- ▶ **Extensive resources** – Will benefits from the input of a wider team of more than 160 dedicated real estate professionals. He handpicks the assets for the Trust based on location and the prospects for strong rental growth and capital appreciation.
- ▶ **Ongoing asset management** – our focus is on letting premium buildings to good-quality tenants, preferably on long-term leases. Our in-house credit management team screens each tenant and we also examine the ratings of independent credit agencies. This helps to limit the risk of default and provides stable cashflows.

Dividend history



Dividends are not guaranteed and past performance is not a guide to the future

Source: Standard Life Investments

Summary of benefits

Why investment trusts?

- ▶ Investment trusts' fixed capital structure gives managers the ability to take a longer-term view on the investment opportunities available.
- ▶ This works for any asset class, but is particularly attractive for those where the liquidity of the underlying asset is more limited, like small or mid-cap stocks, private equity or real estate.
- ▶ The ability to take on debt to invest in the underlying portfolio can further enhance investor returns if asset prices are rising.
- ▶ The ability to smooth dividend payments means investment trusts can maintain or grow dividend payouts in more challenging years.
- ▶ As studies like that conducted by Canaccord Genuity highlight, investment trusts have historically outperformed similar open-ended alternatives.
- ▶ Lower fees make investment trusts potentially cheaper alternatives to equivalent mutual funds, ensuring that more investor capital is exposed to the underlying investments.
- ▶ The manager of the trust reports to the trust's board of directors, who are independent of the management company. The main function of the board is to look after the interests of the shareholders.

Why Standard Life Investments for investment trusts?

- ▶ The success of our approach is evident in the performance of our various investment trusts and in the many awards and ratings they have received.
- ▶ Our investment trust range benefits from the consistent application of Standard Life Investments' proven and disciplined investment philosophy and process.
- ▶ We have extensive research capabilities across various asset classes, geographies and sectors, ensuring that investors can benefit from our wide market coverage.
- ▶ Our range allows investors to gain maximum benefit from our investment teams' expertise and their best, high-conviction ideas in a diversified portfolio.

How to invest

- ▶ Investors need to research which investment trust suits their needs and risk tolerance. However, once chosen, investments can be made relatively cheaply via a stockbroker or through online trading platforms.

Important information

Past performance is not a guide to future performance. All investments carry some degree of risk. The value of investments can fall as well as rise and an investor may get back less than they originally invested.

To find out more about our investment trust capabilities, please visit.

http://uk.standardlifeinvestments.com/consumer/funds/investment_trusts/index.html

Visit us online



standardlifeinvestments.com

standardlifeinvestments.com

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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 paid in. Past performance is not a guide to the future.

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