

31 October 2018

The fund aims to provide a return from a combination of income and capital growth by investing predominantly in investment grade bonds. The fund is actively managed by our investment teams who may invest in a wide range of bonds (e.g. corporate bonds including sub investment grade bonds, government backed securities, overseas bonds, index-linked bonds, floating rate notes (FRNs) and asset backed securities (ABSs)) and/or money market instruments in order to take advantage of opportunities they have identified.

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 routinely use derivatives to reduce risk or cost, or to generate additional capital or income at low risk. 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.

OEIC Fund

Bond Fund

Monthly

Fund Manager	Adam Walker	No. of Positions	165
Fund Manager Start	1 Dec 2005	Underlying Yield	3.5 %
Launch Date	9 Jul 1990	Duration	7.9 Yrs
Benchmark	IA £ Corporate Bond Sector		
Current Fund Size	£235.7m		
Base Currency	GBP		

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 breakdowns below do not take into account the economic exposure created by derivative positions. The credit ratings shown below are the average of those from S&P, Moody's and Fitch.

Aberdeen Standard 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 *

Composition by Sector

	Fund %
Financials	43.3
Corporates	41.0
Collateralised	12.8
Gilts	2.5
Not Classified	0.2
Sub-Sovereigns	0.2

Composition by Credit Rating

Bonds	Fund %
AAA	0.6
AA	4.8
A	21.1
BBB	63.2
BB	8.5
B	0.6
N/R	1.2

Composition by Maturity

	Fund %
0-5	24.3
5-10	31.3
10-15	21.0
15-20	7.8
20-25	8.5
25+	7.1

Top Ten Holdings

Bonds	Fund %
Longstone Finance 4.896% 2031	1.8
E.ON Finance 6.75% 2039	1.6
Southern Water Services 4.5% 2038	1.4
Telereal 6.1645% 2031	1.3
AA Bond 2.875% 2043	1.2
America Movil 4.948% 2033	1.2
Innogy Finance 6.125% 2039	1.2
Enel 5.625% 2024	1.2
Premiertel 6.175% 2032	1.2
Gatwick 5.75% 2037	1.2
Assets in top ten holdings	13.3

Fund Performance *

Year on Year Performance

Source: Aberdeen Standard Investments (Fund) and Morningstar (Sector)

	Year to 30/09/2018 (%)	Year to 30/09/2017 (%)	Year to 30/09/2016 (%)	Year to 30/09/2015 (%)	Year to 30/09/2014 (%)
Corporate Bond	-0.3	0.1	12.1	1.1	7.3
Platform One	0.1	0.5	12.6	1.8	8.1
IA £ Corporate Bond Sector	0.1	0.5	12.2	2.7	6.4

Cumulative Performance

Source: Aberdeen Standard Investments (Fund) and Morningstar (Sector)

	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Corporate Bond	-0.1	-0.4	12.8	19.6
Platform One	0.0	-0.1	14.2	22.6
IA £ Corporate Bond Sector	-0.2	-0.2	13.2	21.3

The fund's name was changed from 25 September 2015 to better reflect the investment objective and policy of the fund.

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.

For a full description of those eligible to invest in each share class please refer to the relevant prospectus.

The fund does not have an index-tracking objective.

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.

The Underlying Yield takes account of all expected cash flows from a bond over its lifetime. This includes, in addition to coupons, any differences between the purchase cost of a bond and its final redemption amount. It reflects the annualised income net of expenses of the fund (calculated in accordance with relevant accounting standards) as a percentage of the mid-market unit price of the fund as at the 15th of the month. It is based on a snapshot of the portfolio on that day. It does not include any preliminary charge and investors may be subject to tax on distributions. This is also the distribution yield for this fund. The Underlying Yield is based on the institutional shareclass.

Not Classified (N/C) may include bonds which do not fall into the specified categories and 'Cash and Other'.

Not Rated (N/R) may include bonds which do not have a rating under iBoxx classification (such bonds may still be rated by S&P and/or Moodys) and 'Cash and Other'.

Cash and Other - may include bank and building society deposits, other money market instruments such as Certificates of Deposits (CDs), Floating Rate Notes (FRNs) including Asset Backed Securities (ABSs), Money Market Funds and allowances for tax, dividends and interest due if appropriate.

Market Review

October was a weak month for investment grade credit and risk assets in general. The iBoxx Corporate and Collateralised index returned 0.49%, with spreads widening by nine basis points (bps) and ending the month at year-to-date wide levels. Rapidly rising government bond yields are usually a precursor to 'risk-off' sentiment and this time proved to be no different.

Economic data, particularly in Europe, was softer, while corporate earnings were also weaker than expected. The autos sector in particular was weighed down by trade concerns. Negative headlines surrounding Brexit and Italy also added to investor concerns.

Financials and non-financials performed broadly similarly, with the former's higher volatility offset by the bad news coming out of corporates. The downgrade of General Electric (GE) to BBB caused its bond spreads to widen dramatically. AB Inbev's A3 rating was placed on negative watch, which caused its spreads to widen. Tesco was upgraded to BBB- by Fitch, which was its first step back to investment grade indices. While one of the other ratings agencies will also need to take similar action for this to be confirmed, Tesco's spreads tightened on the back of this as well as its favourable results.

Activity

Having reduced risk over the summer, the weakness in October was used as a buying opportunity. We added to the senior bank holding company debt of Lloyds, as well as the AT1 bonds of CYBG and Lloyds. UK banks continue to suffer from hard Brexit fears and Lloyds has recently posted decent

results, while CYBG's recent merger with Virgin money is also positive in our view.

We also topped up on our holdings in Bayer as its spreads weakened on litigation headlines surrounding its Monsanto business. The judge in the case reduced the amount awarded to the plaintiff but did not overturn the ruling. Monsanto will appeal the case and we believe that a more science-based defence should impress at the higher courts, resulting in a much reduced pay-out.

The Fund added around half a year of duration by selling short-dated gilts to buy long dated 2071 UK government bonds, which looked attractive to us based on curve steepening and increased yields. Moreover, longer dated bonds tend to do quite well heading into year-end periods owing to insurance companies and pension funds seeking to hedge their liabilities.

Performance

The Fund was two basis points (bps) ahead of benchmark in October, which was a good result given the Fund's higher risk exposure compared to the index. Stock selection was positive, helped by the Fund's zero exposure to GE, which makes up 1% of the index, with the overweight in Tesco also helping. In addition, curve positioning contributed positively since the Fund was initially short duration before lengthening back to neutral in early October.

While it was underweight to autos as a whole, the Fund's exposure to Volkswagen was still a drag on performance, particularly our corporate hybrid holdings in the German automaker. However, Volkswagen did

recover from its lows before the end of the month, helped by speculation that the Chinese authorities would announce a cut in the car sales tax rate.

The Fund's subordinated insurance and Additional Tier-1 (AT1) exposure also detracted, which is typically the case in 'risk-off' environments.

Outlook & Strategy

Valuations cheapened in October. The macroeconomic backdrop outside the US weakened somewhat and Italian politics and US/China trade tensions combined with disappointing earnings outlooks and rising US Treasury yields to cause a correction in US equities. This also spilled over into credit spreads globally. While a large majority of US corporates showed solid earnings growth and beat expectations, it was mainly forward guidance, along with profit warnings in more cyclical sectors, which disappointed investors. The auto sector was a notable example of this, with the combination of slowing Chinese car sales, trade risks and the changeover to a new emissions testing regime in Europe all weighing on sales and profits. However, we think that regulatory headwinds should wash out in the first quarter of 2019, as all models should have received new certification by then.

From the broader market perspective, we expect a continuation of the volatile range-bond market that we have seen since June, with fair-to-cheap valuations and solid bottom-up fundamentals battling against the more external-orientated risk factors of Italian political risks, trade wars and less synchronised global growth.

Other Fund Information

	Retail Acc	Retail Inc	Institutional Acc	Institutional Inc
Lipper	n/a	n/a	n/a	n/a
Bloomberg	n/a	n/a	n/a	n/a
ISIN	GB00BYYROW60	GB00BYYROX77	GB00BYMMJL57	GB00BYMMK898
SEDOL	BYYROW6	BYYROX7	BYMMJL5	BYMMK89

	Platform One Acc	Platform One Inc
Lipper	n/a	n/a
Bloomberg	n/a	n/a
ISIN	GB00BYYROY84	GB00BYYROZ91
SEDOL	BYYROY8	BYYROZ9

	Interim	Annual	Valuation Point	7:30 am
Reporting Dates	31 Aug	28 (29) Feb	Type of Share	Income & Accumulation
XD Dates	31 May,31 Aug,30 Nov	28 (29) Feb	ISA Option	No
Payment Dates (Income)	31 Jul,31 Oct,31 Jan	30 Apr		

	Retail	Institutional	Platform One
Initial Charge	4.25%	0.00%	0.00%
Annual Management Charge	1.00%	0.50%	0.50%
Ongoing Charges Figure	1.03%	0.61%	0.66%

The Ongoing Charge Figure (OCF) is the overall cost shown as a percentage of the value of the assets of the Fund. It is made up of the Annual Management Charge (AMC) shown above and the other expenses taken from the Fund over the last annual reporting period. It does not include any initial charges or the cost of buying and selling stocks for the Fund. The OCF can help you compare the costs and expenses of different funds.

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