

Nov  
2018

# Global Index Linked Bond Fund

AberdeenStandard  
Investments

30 November 2018

The fund aims to provide long term growth from a combination of income and capital growth by investing predominantly in sovereign-issued and corporate inflation-linked bonds. The fund is actively managed by our investment team who may also invest in other bonds (such as conventional government bonds and corporate bonds) to try to take advantage of opportunities they have identified. Non-sterling denominated assets will typically be hedged back to sterling.

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 Skerry & Tom Walker
Fund Manager Start	1 Jan 2015
Launch Date	19 May 2004
IA Sector	IA Global Bond Sector

Benchmark	Bloomberg Barclays World Govt Inflation Linked Index (hedged to GBP)
Current Fund Size	£1093.5m
Base Currency	GBP
No. of Positions	113
Underlying Yield	1.41%

This document is intended for use by individuals who are familiar with investment terminology. Please contact your financial adviser if you need an explanation of the terms used. Please note that the breakdowns below do not take into account the economic exposure created by derivative positions.

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

## Fund Information \*

### Composition by Maturity

	Fund %
0-5YRS	25.8
5-10YRS	31.4
10-15YRS	11.3
15-20YRS	5.4
20+YRS	26.1

### Top Ten Holdings

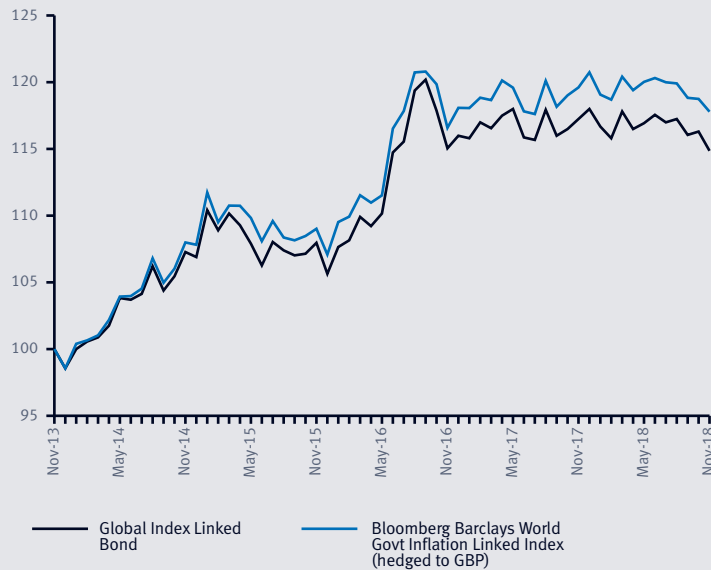
Bonds	Fund %
US (Govt of) 2% IL 2026	3.0
US (Govt of) 1.125% IL 2021	3.0
France (Govt of) 2.25% OATEi 2020	1.9
US (Govt of) 0.125% IL 2021	1.9
UK (Govt of) 0.125% IL 2024	1.8
France (Govt of) 3.40% OATI 2029	1.8
US (Govt of) 0.125% IL 2022	1.7
US (Govt of) 0.125% IL 2022	1.7
US (Govt of) 0.125% IL 2022	1.7
US (Govt of) 0.125% IL 2023	1.7
Assets in top ten holdings	20.2

### Composition by Country

	Fund %
USA	42.8
UK	29.1
France	9.4
Italy	4.7
Australia	2.9
Japan	2.9
Canada	2.1
Spain	2.1
Germany	1.8
Sweden	0.8
New Zealand	0.7
Denmark	0.3
Netherlands	0.2
Supra-National	0.2

## Fund Performance \*

### Price Indexed



The performance of the fund has been calculated over the stated period using bid to bid basis for a UK basic rate tax payer. The performance shown is based on an Annual Management Charge (AMC) of 0.50%. You may be investing in another shareclass with a higher AMC. The charges for different share classes are shown on the next page. For details of your actual charges please contact your financial adviser or refer to the product documentation.

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

### Year on Year Performance

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

	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 (%)
Retail Fund Performance	-0.3	-3.9	12.0	2.1	4.2
Institutional Fund Performance	0.1	-3.5	12.3	2.5	4.6
Platform One	0.0	-3.5	12.3	2.4	4.6
Bloomberg Barclays World Govt Inflation Linked Index (hedged to GBP)	0.4	0.9	18.1	-1.0	2.5

### Cumulative Performance

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

	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Retail Fund Performance	-2.0	-2.5	5.1	12.5
Institutional Fund Performance	-1.8	-2.0	6.4	14.9
Platform One	-1.8	-2.1	6.2	14.6
Bloomberg Barclays World Govt Inflation Linked Index (hedged to GBP)	-0.5	-0.2	9.5	17.7

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

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.

## Market Review

In the US, Institute for Supply Management manufacturing data stuttered after its recent robust performance, falling to 57.7 in October from the previous month's figure of 59.8. Non-farm payrolls beat consensus expectations however, coming in at +250,000 compared to expectations of +200,000. The unemployment rate held steady at 3.7%, while the broader underemployment measure fell slightly to 7.4%. While it is unclear exactly how much slack remains in the US labour market, wages continue to increase slowly, a tentative sign that the labour market may be getting tighter. US growth momentum is expected to slow into 2019, which would have implications for US monetary policy. US Federal Reserve (Fed) Chairman Powell delivered a speech that was taken as dovish, as he stressed data dependency when judging the appropriate monetary policy. US government bonds rallied sharply and are currently pricing in just one further interest rate hike for 2019. US underlying inflation data was slightly weaker than expectations, with the core rate at 2.1%, however headline inflation was maintained at 2.5%

European Purchasing Managers' Index (PMI) data were stronger than expected, at 53.1 on the composite measure, although this was a slight fall from last month's 54.1 reading. The unemployment rate held at 8.1%, disappointing expectations for a drop to 8.0%, while inflation rose slightly, confirming consensus expectations by rising to 2.2% on the headline measure and 1.1% on the core measure. Despite this, the market seemed to focus more on oil and other factors, with inflation breakevens weakening significantly through November. We remain short on European inflation versus the US since we remain pessimistic on the inflation outlook in Europe.

UK PMI data was disappointing, with the composite level at 52.1, falling

from 54.1 in October. Although there was a bounce in construction which beat expectations, both manufacturing and services were weaker than expected. The unemployment rate edged up to 4.1%, but average weekly earnings posted strong 3.2% growth compared to expectations of 3.1%. It remains to be seen if UK wage growth will maintain this pace over the coming year. UK inflation data remained steady despite expectations of a small uptick, with consumer price inflation (CPI), core CPI and retail price inflation (RPI) readings of 2.4%, 1.9% and 3.3% respectively. Despite the lack of volatility in inflation data, Brexit headlines continued to drive volatility in UK markets.

## Activity

We added an overweight position in UK 20-year real yields as a partial hedge to our existing short position in UK (RPI) inflation, since we see increased chances of further political turmoil in the Brexit negotiation process. We also reduced our long position in French bonds linked to French inflation versus bonds linked to European inflation, taking profits after the spread narrowed.

## Performance

The Fund's long position in 30-year Treasury Inflation-Protected Securities (TIPS) responded to the global risk-off rally and more supportive Fed messaging, rallying strongly into the end of the month. The Fund's short position on French inflation also contributed positively as European inflation pricing fell over the month

On the negative side, the Fund's short position on UK (RPI) inflation was negatively affected by continuing fears around Brexit, with fundamentals taking a back seat. The Fund's long position on US inflation was also adversely affected by risk-off conditions and sharply declining oil prices.

## Outlook & Strategy

While momentum in US economic growth appears to have slowed, the Fed has not yet indicated any readiness to pause its interest rate hiking cycle just yet. The US labour market continues to tighten, with wages still slowly rising. While core measures of US inflation remain contained at levels consistent with the Fed target, inflation pricing remains benign and we continue to see value in long positions in US inflation versus Europe. We also continue to hold a small overweight in long-dated TIPS.

The Italian budget saga continues. While volatility persists, the Italian yield spread over German Bunds narrowed in November to 286 basis points (bps). With the economic picture for the Eurozone remaining tepid, the capacity for inflation to move higher also seems very limited. The European Central Bank is set to take its first step away from its ultra-accommodative policy with the end of quantitative easing. However, we remain sceptical of its ability to achieve much on the interest rate front given the lack of underlying inflationary pressures, with the headline inflation rate also vulnerable should energy and food prices continue to moderate.

In the UK, Brexit looks set to continue dominating the direction of UK assets for the near-term at the very least. Despite the impact this has had on inflation pricing – with the possible impact on sterling and the composition of the UK labour force causing the market to continue pricing a persistent overshoot – the latest inflation data has actually been moderating towards the Bank of England's target. We believe inflation will continue its downward trajectory, and that this will ultimately be reflected in market pricing. We are expressing this via our short position on UK (RPI) inflation. We also hold a small overweight in UK real yields to provide some protection in the event of further Brexit-related volatility.

## Other Fund Information

	Retail Acc	Retail Inc	Institutional Acc	Institutional Inc
Lipper	60093230	60093232	60093229	60093231
Bloomberg	SLGILRA LN	SLGILRI LN	SLGILIA LN	SLGILII LN
ISIN	GB00B00ZJK75	GB00B00ZJM99	GB00B00ZJP21	GB00B00ZJX05
SEDOL	B00ZJK7	B00ZJM9	B00ZJP2	B00ZJX0

	Platform One Acc	Platform One Inc
Lipper	68165400	68165401
Bloomberg	SLGILP1 LN	XGRET1A LN
ISIN	GB00B7C0H946	GB00B4PPHB71
SEDOL	B7C0H94	B4PPHB7

	Interim	Annual	Valuation Point	7:30 am
Reporting Dates	30 Apr	31 Oct	Type of Share	Income & Accumulation
XD Dates	31 Jan,30 Apr,31 Jul	31 Oct	ISA Option	Yes
Payment Dates (Income)	31 Mar,30 Jun,30 Sep	28 (29) Feb		

	Retail	Institutional	Platform One
Initial Charge	4.00%	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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