Nov 2018

Strategic Bond Fund

Aberdeen Standard Investments

30 November 2018

The fund aims to provide a return from a combination of income and capital growth investing mainly in bonds including government and corporate bonds, sub investment grade bonds, emerging market bonds and inflation linked bonds issued anywhere in the world. The fund is actively managed by our investment teams who may also invest a proportion of the fund's assets in other bonds, derivatives and/or money market instruments to try 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.

Unit Trust

Bond Fund

Monthly

Fund Manager	Strategic Bond Fund Team
Launch Date	5 Feb 2009
IA Sector	IA £ Strategic Bond
Benchmark	IA £ Strategic Bond Sector
Current Fund Size	£185.1m
Base Currency	GBP

No. of Positions	265
Underlying Yield	2.60%

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 or the effect of currency forwards for hedging purposes. 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 Asset

	Fund %
Corporate Investment Grade	49.7
Corporate High Yield	31.1
Government Investment Grade	9.6
Not Classified	5.1
Government High Yield	2.8
Government Index Linked	1.7

Top Ten Issuers

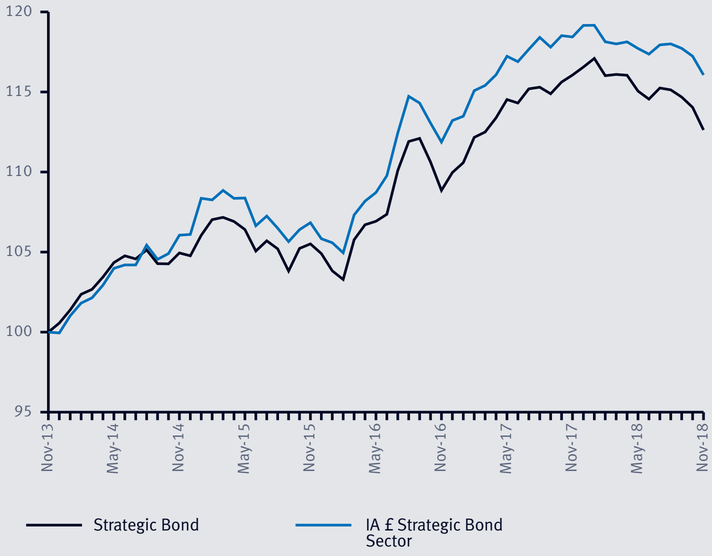
Issuer	Fund %
Lloyds Banking Group	3.4
US (Govt of)	2.6
HSBC	2.4
UK (Govt of)	2.3
Canada (Govt of)	2.1
Barclays Bank	2.0
Australia (Govt of)	1.9
Aviva	1.9
Royal Bank of Scotland	1.9
AXA	1.7
Assets in top ten issuers	22.2

Composition by Credit Rating

Rating	Fund %	Rating	Fund %
AAA	7.4	BB	22.8
AA	3.4	B	10.4
A	9.0	CCC	0.7
BBB	41.1	N/R	5.2

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 0.63%. 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 Morningstar (Sector)

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 (%)
Retail Fund Performance	-0.6	2.0	7.5	-0.9	5.5
Institutional Fund Performance	-0.2	2.5	8.0	-0.4	6.0
Platform One	-0.2	2.4	7.9	-0.5	6.2
IA £ Strategic Bond Sector	-0.1	3.1	8.2	1.1	6.1

Cumulative Performance

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

	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Retail Fund Performance	-2.3	-3.4	5.4	10.1
Institutional Fund Performance	-2.1	-3.0	6.7	12.6
Platform One	-2.1	-3.0	6.6	12.6
IA £ Strategic Bond Sector	-1.4	-2.0	8.6	16.1

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.

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

The credit market sell-off that started in October accelerated in November. Global high yield (hedged to sterling) had a total return of -1.09%, with euro high yield significantly underperforming dollar high yield. Global Investment Grade produced a negative return of -0.46%, with spreads widening by 20 basis points (bps) over government bonds. Total returns were also negative in emerging market bonds, with both credit and sovereign spreads widening by up to 30bps.

There was no one single driver for the sell-off in November, but continued trade war/tariff concerns, as well as a spike in UK political volatility due to mounting Brexit-related concerns and a general trend of investors seeking to reduce risk led to wider spreads in global credit. The rather extreme decline in the oil price in November also hit the US high yield market in particular due its high energy exposure.

Activity

November was generally a period of risk reduction for the Fund, albeit with some opportunistic purchases in parts of the market where we felt dislocations appeared excessive.

We believe the UK property sector is likely to come under further pressure as we move through next year owing to Brexit-related concerns. As a result of this, we sold Tritax Big Box REIT, which is a BBB+ rated warehouse-and-distribution-centre owner in the UK. We also trimmed our exposure to the corporate hybrid bonds of Telefonica, as well as to Teva Pharmaceutical and the German high yield industrial company Schenk.

On the buy side, we added a new position in the Tier-1 debt of AXA, which is callable next year and which offered an attractive yield-to-call (i.e. the yield achievable if held until the call date). Owing to spreads widening significantly, we also added some new positions in Standard Chartered (in particular its short-dated, euro-denominated senior holding company bonds) and APT Pipelines, an Australian gas pipeline operator, where spreads widened after take-over talks with Hong Kong's Cheung Kong Infrastructure broke down.

Performance

The Fund return was -0.93% on a gross basis in November. On the credit front, two of the main sources of negative returns were subordinated financials and euro high yield. On the financials side, the Tier-2 debt and Additional Tier-1 (AT1) bonds of Clydesdale Yorkshire and Tier-2 and senior bonds of Barclays all saw spreads widen, owing in large part to Brexit-related concerns. In the euro high yield space, French environmental waste business Paprec was a poor performer – the company produced adequate results, but was negatively impacted by indications that it was having difficulties sourcing the required amount of waste raw material to meet its production targets.

On the positive side, although emerging markets suffered overall, we were helped by good stock selection in our unconstrained EM fund, with Brazilian beef producer Mafrig and the dollar -denominated debt of Chinese property company Shimao both performing well. Another notable strong performer in the Fund was legacy Tier-1 debt from Royal Bank of Scotland (RBS); following the Bank of England stress test results, RBS redeemed a number of outstanding legacy bonds, which included our bonds, which rallied significantly.

Macro strategies had a generally good November, with long duration positions in US, Australian and Canadian government bonds performing strongly as concerns over global growth intensified. More nuanced communication from the Federal Reserve Chairman, Jerome Powell, around the future path for US policy rates, gave US Treasuries a boost, while weaker oil prices supported our Canadian rates position. On the negative side, our short position on UK inflation suffered however owing to Brexit-related concerns.

Outlook

Economic growth is already slowing in Europe and the UK. The US economy continues to perform relatively well, but growth is forecast to peak very shortly as the benefits from tax cuts fade and higher interest rates slow activity. In this context, corporate earnings are likely to come under pressure globally due to weaker demand. A number of areas in global credit markets already seem to be pricing this in, particularly European Investment Grade and high yield markets, which have seen spreads retrace nearly 70% of their tightening seen since February 2016. Although US markets have also been under increased pressure in the last two months, they have only retraced around 30% of the tightening that has occurred since 2016, suggesting scope for further downside.

Political risks around the world are proving more difficult to price. Italy's budgetary situation and Brexit remain in focus, with the continuing trade tensions also impacting sentiment. While Brexit headlines have been worsening, the other concerns seem to have eased somewhat recently. Any further improved news-flow in these areas, including further Targeted Longer-Term Refinancing Operations (TLTROs) from the European Central Bank could lead to a stabilisation of spreads in the short term.

Looking ahead, it would be very unusual for credit markets to have two consecutive negative return years, whether in absolute terms or in terms of excess return over government bonds, so this could provide some basis for optimism heading into 2019. However, considering the maturity of the global growth and credit cycles, we remain cautious on the overall environment and will continue to look for opportunities to add reduce risk exposures. On the macro strategies side, given our scepticism regarding global markets' ability to sustain higher yields amid elevated consumer and corporate debt levels, we remain doubtful of the scope for the so-called 'neutral' interest-rate level being reached.

Other Fund Information

	Retail Acc	Retail Inc	Institutional Acc	Institutional Inc
Lipper	65138239	65138238	65138241	65138240
Bloomberg	SLISBRA LN	SLISBRI LN	SLISBIA LN	SLISBII LN
ISIN	GB00B3D8LV94	GB00B3D8LS65	GB00B3D8M611	GB00B3D8M504
SEDOL	B3D8LV9	B3D8LS6	B3D8M61	B3D8M50

	Platform One Acc	Platform One Inc
Lipper	68165481	68165483
Bloomberg	U223RPA LN	U223RPI LN
ISIN	GB00B7MWXH01	GB00B6W21135
SEDOL	B7MWXH0	B6W2113

	Interim	Annual
Reporting Dates	31 Jul	31 Jan
XD Dates	30 Apr,31 Jul,31 Oct	31 Jan
Payment Dates (Income)	30 Jun,30 Sep,31 Dec	31 Mar

Valuation Point	7:30 am
Type of Share	Income & Accumulation
ISA Option	Yes

	Retail	Institutional	Platform One
Initial Charge	4.00%	0.00%	0.00%
Annual Management Charge	1.15%	0.63%	0.63%
Ongoing Charges Figure	1.19%	0.74%	0.79%

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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