

31 December 2017

The fund is invested in the Standard Life Investments Global Absolute Return Strategies Fund which aims to provide positive investment returns in all market conditions over the medium to long term. The fund is actively managed, with a wide investment remit to target a level of return over rolling three-year periods equivalent to cash plus five per cent per year, gross of fees. It exploits market inefficiencies through active allocation to a diverse range of market positions. The fund uses a combination of traditional assets (such as equities and bonds) and investment strategies based on advanced derivative techniques, resulting in a highly diversified portfolio. The fund can take long and short positions in markets, securities and groups of securities through derivative contracts.

The value of investments within the fund can fall as well as rise and is not guaranteed - you may get back less than you pay in. The fund may use derivatives for the purposes of efficient portfolio management, reduction of risk or to meet its investment objective if this is permitted and appropriate. The sterling value of overseas assets held in the fund may rise and fall as a result of exchange rate fluctuations.

Life Investment Fund

Absolute Return Fund

Quarterly

Fund Manager	Multi Asset Investing Team
Fund Manager Start	19 May 2008
Launch Date	19 May 2008
Current Fund Size	£71.4m
Fund Code	YY

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.

Fund Information *

Portfolio Risk and Return Analysis

Strategy	Stand-alone Risk Exposure %	Weighting (risk based %)	Contribution to Returns %	
			Q4	1 Yr
Market Returns Strategies				
US equity	1.4	9.3	0.4	1.6
Japanese equity	1.0	6.5	0.0	0.0
Korean equity	0.8	5.1	0.3	0.5
Emerging markets income	0.7	5.0	0.1	0.0
Global REITs	0.5	3.3	0.3	0.6
High yield credit	0.4	2.5	0.0	0.3
European equity	0.2	1.0	0.3	1.4
US investment grade credit	0.1	0.9	0.1	0.7
Equity option premium	0.1	0.8	0.0	0.0
EU corporate bonds	0.1	0.6	0.0	0.1
UK equity	0.0	0.2	0.0	0.0
Directional Strategies				
US real yields	1.3	8.6	0.4	0.5
Long JPY v KRW	0.9	5.8	-0.5	-0.7
Long INR v CHF	0.9	5.7	0.3	0.5
Australian forward-start interest rates	0.6	4.3	0.0	0.1
Long USD v GBP	0.6	3.8	0.0	-0.2
Long SEK v EUR	0.4	2.4	-0.2	-0.2
Long INR v KRW	0.2	1.6	-0.1	-0.1
US front end steepener	0.2	1.5	-0.2	-0.2
Japanese steepener	0.2	1.5	0.0	0.0
Relative Value Strategies				
European equity banks v EuroStoxx50	1.5	9.8	-0.2	-0.2
UK v German duration	1.2	8.3	0.4	0.2
US equity large cap v small cap	0.8	5.3	-0.1	-0.1
Emerging markets v Brazilian equity	0.3	2.0	0.1	0.3
Swedish flattener v Canadian steepener	0.2	1.2	-0.1	-0.1
HSCI v FTSE variance	0.1	0.8	0.0	0.0
Asian v S&P variance	Closed		0.0	0.0
EuroStoxx50 v S&P variance	Closed		0.0	0.0
US equity banks v consumer staples	Closed		0.1	0.2
FX Hedging				
FX hedging	0.1	0.3	0.0	-0.1
Cash				
Cash			0.0	0.1
Residual	0.0	0.0	-0.2	-0.8
Stock selection	0.3	2.1	-0.2	-0.4
Total	14.9		2.0	
Diversification	10.7			
Expected Volatility	4.2			

Should you require more information regarding the Physical Allocation please use contact numbers shown. Individual strategy contributions are based on gross returns. We calculated the totals using actual (unrounded) returns. We then rounded the figures for the purposes of this presentation.

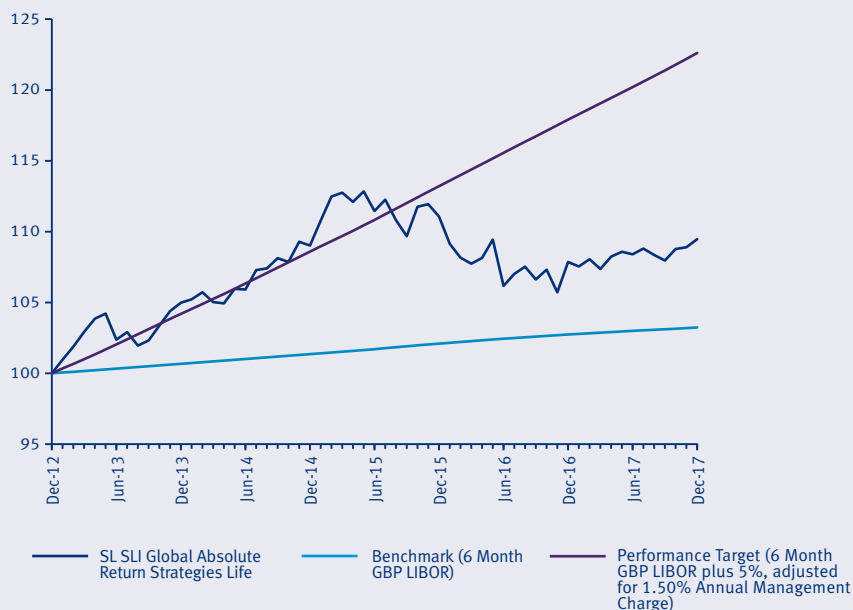
Fund Performance *

Year on Year Performance

Source: Standard Life Investments (Fund) and Thomson Reuters DataStream (Index and Comparator)

	Year to 31/12/2017 (%)	Year to 31/12/2016 (%)	Year to 31/12/2015 (%)	Year to 31/12/2014 (%)	Year to 31/12/2013 (%)
SL SLI Global Absolute Return Strategies Life	1.5	-2.9	1.9	3.8	5.0
6 Month GBP LIBOR	0.5	0.6	0.7	0.7	0.6
Performance Target (6 Month GBP LIBOR plus 5%, adjusted for 1.50% Annual Management Charge)	4.0	4.1	4.3	4.2	4.2

Price Indexed



Cumulative Performance

Source: Standard Life Investments (Fund) and Thomson Reuters DataStream (Index and Comparator)

	Q4 (%)	1 Year (%)	3 Years (%)	5 Years (%)
SL SLI Global Absolute Return Strategies Life	1.4	1.5	0.4	9.5
6 Month GBP LIBOR	0.2	0.5	1.9	3.2
Performance Target (6 Month GBP LIBOR plus 5%, adjusted for 1.50% Annual Management Charge)	1.0	4.0	12.9	22.6

Note: The information shown relates to the past. Past performance is not a guide to the future. The value of your investment can go down as well as up. For the relevant charges on your policy please refer to your policy documentation.

Fund performance is shown after deduction of Annual Management Charge and expenses. The performance target for the fund is to achieve 5% per annum above the benchmark before charges over rolling 3 year periods. To provide a 'like for like' comparison against the fund performance the performance target figures have been reduced by the Annual Management Charge (benchmark, plus the 5% per annum performance target, less 1.5% Annual Management Charge)

Key Risks

Standard Risks - What you get back depends on future investment performance and is not guaranteed. Past performance is not a guide to future returns. The value of your investment, and any income from it, may go down as well as up.

Intangible risks and volatility - The risks of a fund can be measured in different ways. Volatility (a measure of how much a fund's price has varied in the past) will not necessarily always provide a complete picture of a fund's risk. Some risks are not represented in the movement of the unit price until they emerge and only then will they have a significant effect on a portfolio.

The fund can invest in a wide variety of investment strategies and assets. Below we document the specific or heightened risks applicable to this fund rather than an exhaustive list.

Extensive use of Derivatives - In order to achieve its objectives an absolute return fund utilises a combination of traditional investments (such as equities, bonds and foreign exchange) and advanced techniques where it can use derivatives extensively. Derivatives are financial instruments which derive their value from an underlying asset, such as a share or bond, and are used routinely in global financial markets. Used carefully, derivatives offer an effective and cost-efficient way of investing in markets. However, derivatives can lead to increased volatility of returns in a fund, thus requiring a robust and extensive risk management process. While the fund will not borrow cash for investment purposes, the total value of exposures to markets will routinely exceed the Fund's net asset value. Derivatives may be Exchange Traded or Over the Counter (OTC).

Key Risks (continued)

Use of 'short' positions - Typically, UK authorised collective investment schemes invest on a 'long only' basis. The fund, by employing certain derivative techniques, will establish both 'long' and 'short' positions in individual stocks and markets. Investing on a 'long' basis means that the value of the derivative will rise or fall in the same direction as the underlying market value of the asset from which it is derived. If investments are made on a 'short' basis the value of the derivative will rise and fall in the opposite direction to the underlying market value of the asset from which it is derived.

Counterparty risk - The Investment Adviser may use one or more separate counterparties to undertake derivative transactions on behalf of the fund. From time to time the fund may be required to pledge collateral, and when this is required it will be paid from within the assets of the fund. When a derivatives contract moves in favour of the fund there is a risk that the counterparty may wholly or partially fail to honour their contractual obligations under the arrangement. The Investment Adviser assesses the creditworthiness of counterparties as part of the risk management process and will ordinarily hold collateral to mitigate this.

Active Fund Management - The majority of risks within traditional investment funds are driven by the type of investments held (i.e. equities, fixed interest or property, etc). The risks that fund management decisions add are generally of a smaller magnitude than those of the asset types themselves. The GARS fund however doesn't have a structure where most of the returns are generated from traditional asset types. Rather, it derives most of its returns from very specific strategies. As a result of this the risks of the fund are driven primarily by these fund management decisions, and less by the characteristics of the underlying traditional asset types.

Correlation - The fund will invest in a diverse set of investment strategies which, in the opinion of the investment adviser, have attractive risk reward characteristics. While the breadth of the strategies is significant, should they start to exhibit closer correlation ie move in the same direction as one another, the fund may be subject to a higher level of risk and volatility than anticipated.

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