Standard Life Investments

Fund Guide

Total Return Credit Fund

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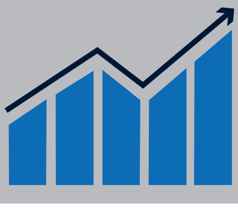
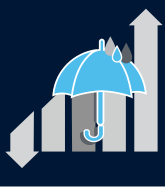
Key facts

Compelling return



Targets a return of between **6-8% per annum** over the course of a market cycle

Downside protection



The Fund aims to reduce volatility and **provide enhanced downside protection**

Unconstrained

The Fund is **unconstrained by a benchmark index**

Best ideas

Built around the **best ideas** of our Global Credit team

"Through the fusion of our credit holdings and risk-dampening macro strategies, we aim for an asymmetric correlation with credit returns. In other words, we seek to capture more of the upside in markets than downside — an important return characteristic for investors in volatile markets." **Mark Munro,** Fund Manager

Why invest in the Total Return Credit Fund?

The Fund aims to deliver a **compelling return of between 6-8% per annum** over the course of a market cycle with reduced volatility and enhanced downside protection.

We employ an innovative combination of fundamental, bottom up credit selection with emphasis on global diversification and **risk-focused portfolio construction**.

Unconstrained by a benchmark index, **the Fund can invest across the global credit spectrum**. This includes investment grade corporate bonds, high-yield bonds, asset-backed securities and emerging market sovereign debt.

We build a **portfolio of 70-100 of the best ideas** of our Global Credit team, diversified by country, sector and rating.

We expect the Fund to have a low correlation with interest rates, providing a **potential solution for a rising rate environment**.

What is our investment approach?

Unconstrained investing

In a traditional credit portfolio, security selection is typically limited, to a greater or lesser degree, by benchmark constraints and considerations, with implications for return potential. This is why we favour an unconstrained approach.

The global credit universe is a richly diverse opportunity set that offers myriad opportunities to add value for an asset manager with the necessary resource and expertise.

Unconstrained by geography, credit rating and sector, we have the flexibility to seek to do what we do best: delivering strong risk-adjusted returns from credit markets through rigorous security selection.

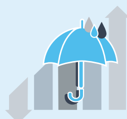
Alpha generation

To consistently generate alpha, successful credit selection is key. In our view, bottom-up, fundamental credit analysis is the most effective method of exploiting mispriced credit risk, as well as avoiding deteriorating credits.

This approach is particularly well-suited to an asset class as heterogeneous and diverse as global credit.

Downside protection

There are three pillars to the downside protection in the Total Return Credit portfolio.



One

We tactically adjust portfolio credit exposure between 85 and 100 % of the Fund's net-asset value dependent on our views on credit markets. This is done through credit default swaps or tailored cash levels.

Two

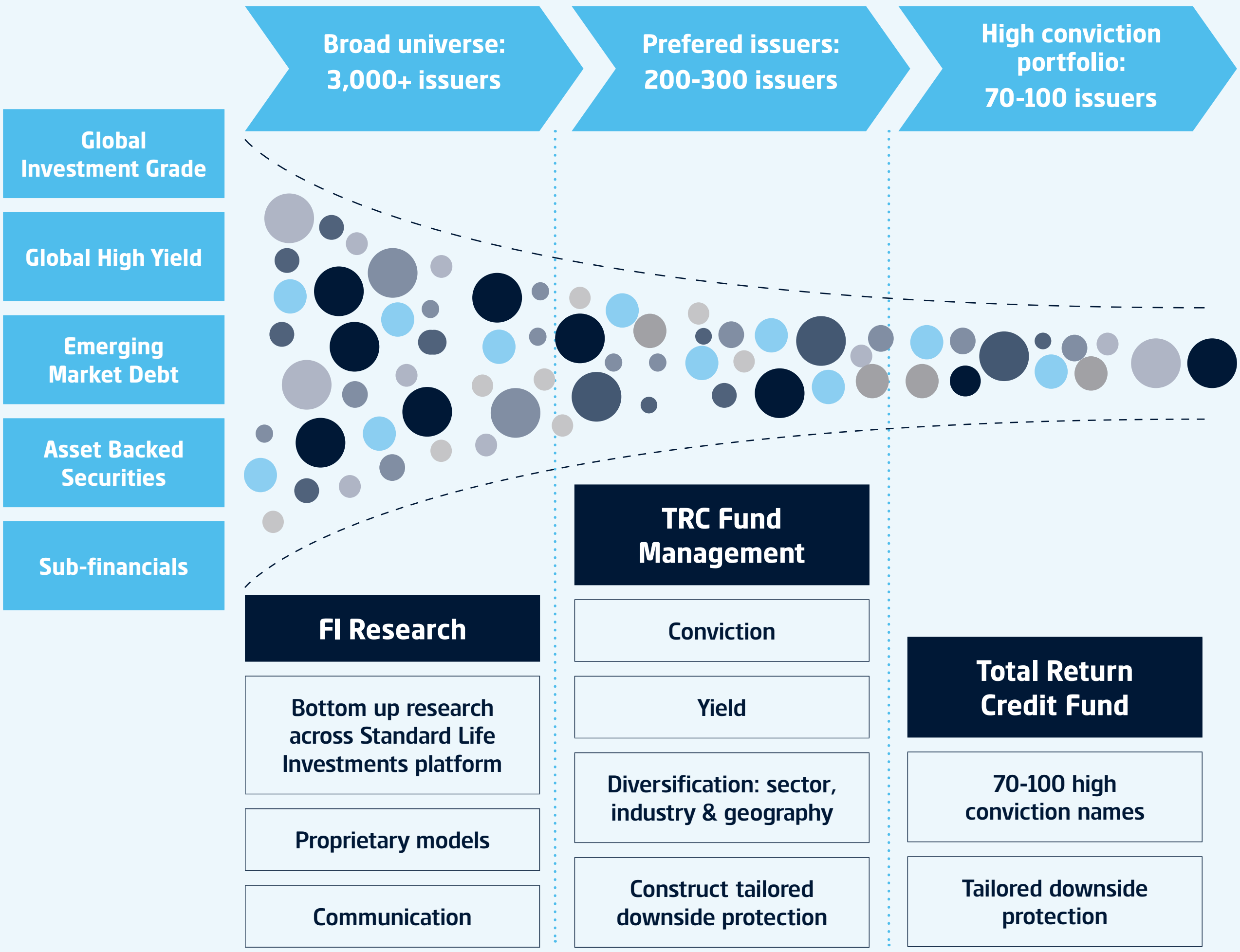
We use insurance strategies to reduce portfolio drawdowns in adverse market conditions. For example, option-based volatility strategies are used across a number of asset classes.

Three

We use portfolio dampeners designed to diversify credit beta and reduce correlation within the portfolio. These include a basket of fixed income and currency strategies with low or negative correlation with credit.

What is our investment process?

Free from the constraints of a benchmark index, we can focus on our strongest credit stories within the global opportunity set. We then filter these to construct a high-conviction portfolio of between 70-100 holdings diversified by sector, credit rating and geography. Typically, we seek to identify bonds where we believe idiosyncratic risks are mispriced, as well as solid credits with dependable business models.



Who is the Fund suitable for?

Investing in the Total Return Credit Fund can provide a number of benefits. The Fund might be suitable for investors who are:

- interested in an enhanced return from their credit allocation
- looking for a smoother return journey for their credit investments
- seeking to diversify an overall fixed income allocation.

Who manages the Fund?

Mark Munro
Edinburgh – Credit

Fraser Duff
Edinburgh – Credit

Chris Heckscher
Boston – Credit

Roger Sadewsky
Edinburgh – Multi Asset

About Standard Life Investments

Our global operations

manages £275.2 billion* on behalf of clients **worldwide**

£89.2 billion in fixed income strategies

a global presence with operations across **Europe, Asia & North America**

employs over **1,700 talented individuals**

*Source: Standard Life Investments, as at 30 June 2017

Contact

If you would like to find out more about the **Total Return Credit Fund**, please get in touch with your usual Standard Life Investments contact or visit us at standardlifeinvestments.com

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 may be worth less than your client originally invested. Total Return Credit makes extensive use of derivatives.

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