

4 September 2018

## Standard Risk Measures for Aberdeen Standard Investments Funds - 2018/2019

The Standard Risk Measure (SRM) for each fund is calculated based on industry guidance to allow investors to compare investment options that are expected to deliver a similar number of negative annual returns over any 20 year period.

The SRM is not a complete assessment of all forms of investment risk, for instance it does not detail what the size of a negative return could be or the potential for a positive return to be less than an investor may require to meet their objectives. Further, it does not take into account the impact of administration fees and tax on the likelihood of a negative return.

Investors should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option/s. Investors should regularly review their investment decision with their financial adviser.

The following table is used to determine the risk label that applies to a fund:

Risk band	Risk label	Estimated number of negative annual returns over any 20 year period
1	Very low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to medium	1 to less than 2
4	Medium	2 to less than 3
5	Medium to high	3 to less than 4
6	High	4 to less than 6
7	Very high	6 or greater

The table overleaf details the current SRM that applies to each Aberdeen Standard Investments fund. The calculations are undertaken by Rice Warner based on the *FSC/ASFA Standard Risk Measure Guidance Paper for Trustees, July 2011*. Investors should be aware that the SRM labels used for each fund may differ to similar funds offered by other providers. The differences are generally due to the methodology used in calculating the SRM or differences in timing of the most recent review of a fund's SRM.

### Rice Warner calculation method

Rice Warner have adopted the approach of Monte-Carlo Simulation. The steps in the process are:

1. Generate 40,000 random scenarios of annual returns for each of the 14 asset classes (using the Rice Warner Stochastic Investment Model).
2. Determine the annual return for each investment option under each scenario, as the sum of the gross return of each asset class in the portfolio times the proportion allocated into that asset class; minus investment management costs (but gross of tax and administration fees).
3. For each investment option, count the number of scenarios which have negative annual returns, divide this number by 40,000, to arrive at the estimated the probability of a negative return over one year.
4. For each investment option, multiply the probability in Step 3 by 20 to determine the expected number of years with negative returns in 20 years.

No adjustment has been made for the impact of active investment management.

# Standard Risk Measures

The modelling for the SRM calculation considers Rice Warner's 2018 Expected Return Survey, which includes the views of superannuation funds, fund managers and asset consultants on the expectations of investment returns and volatility for various asset classes over the next ten years. This is supplemented with historical data based on Australian and international experience, going back over 40 years for assets classes where this data is available.

The following table sets out the SRM for each Aberdeen Standard Investments fund:

Fund	Risk band	Risk label
<b>EQUITIES</b>		
Aberdeen Standard Australian Equities Fund	7	Very high
Aberdeen Standard Ex-20 Australian Equities Fund	7	Very high
Aberdeen Standard Australian Small Companies Fund	7	Very high
Aberdeen Standard Actively Hedged International Equities Fund	7	Very high
Aberdeen Standard Fully Hedged International Equities Fund	7	Very high
Aberdeen Standard International Equity Fund	7	Very high
Aberdeen Standard Select Investment Actively Hedged International Equities Fund	7	Very high
Aberdeen Standard Asian Opportunities Fund	7	Very high
Aberdeen Standard Emerging Opportunities Fund	7	Very high
<b>FIXED INCOME</b>		
Aberdeen Standard Active Index Income Fund	4	Medium
Aberdeen Standard Australian Fixed Income Fund	4	Medium
Aberdeen Standard Australian Floating Rate Income Fund	2	Low (previously '3 - Low to medium')
Aberdeen Standard Diversified Fixed Income Fund	4	Medium
Aberdeen Standard Inflation Linked Bond Fund	4	Medium
<b>MULTI-ASSET</b>		
Aberdeen Standard Multi-Asset Real Return Fund	6	High
Aberdeen Standard Multi-Asset Income Fund	6	High

The SRM is generally reviewed each year based on the latest estimates of long-term volatility and correlation data. A significant change to market conditions or refinements to the SRM methodology may alter the SRM from time to time. As a result, the current SRM for a Fund may differ from the SRM ('Risk Level') detailed in the Product Disclosure Statement (PDS).

More information on the risks which may affect an investment in each of the above-listed funds are included in the 'Risks of managed investment schemes' section of the relevant PDS, which can be viewed or downloaded from this website.

## Further information

If you require further information, please contact your financial adviser or our Client Service team on 1800 636 888 (Australian investors toll free) or +61 2 9950 2853 (if calling from outside Australia). Alternatively you may wish to email us at [client.service.aust@aberndeenstandard.com](mailto:client.service.aust@aberndeenstandard.com)

### Visit us online

[aberndeenstandard.com.au](http://aberndeenstandard.com.au)

### Contact us

**Telephone:** 1800 636 888 or +61 2 9950 2853 (if calling from outside Australia)

**Email:** [client.service.aust@aberndeenstandard.com](mailto:client.service.aust@aberndeenstandard.com)

**Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments.**

### Important Information

Issued by Aberdeen Standard Investments Australia Limited ABN 59 002 123 364 AFSL No. 240263. Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments. This document has been prepared with care, is based on sources believed to be reliable and opinions expressed are honestly held as at the applicable date. However it is of a general nature only and we accept no liability for any errors or omissions. This is not an offer of securities. A Product Disclosure Statement (PDS) and application form is available for each Fund by calling Aberdeen Standard Investments Client Services on 1800 636 888, at [www.aberndeenstandard.com.au](http://www.aberndeenstandard.com.au), or from your financial adviser. This document has been prepared without taking into account the particular objectives, financial situation or needs of any investor. Investments are subject to investment risk, including possible delays in payment and loss of income and principal invested. It is important that before deciding whether to acquire, hold or redeem an investment in a Fund that investors consider the Fund's PDS, the Fund's appropriateness to their own circumstances, objectives and financial situation and consult financial and tax advisers. Past performance is not a reliable indicator of future results. All dollars are Australian dollars unless otherwise specified. Indices are copyrighted by and proprietary to the issuer.

AU-290818-71171-1