

March 2020

Reasons Why



Standard Life Investments Global SICAV II - Emerging Market Debt Sustainable and Responsible Investment Fund

01 Responsible investing in EMD



Responsible investing is increasingly becoming a requirement for many investors. Crucially, we think it is possible to achieve more responsible emerging market debt (EMD) portfolios without any diminution in long term (nominal) returns and possibly enhanced long term risk-adjusted returns.

02 Exceptional EM research

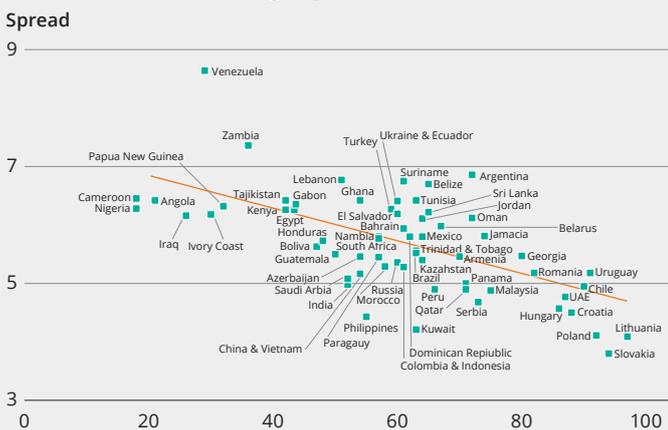


We believe the size and scale of our EMD team, comprising 50 investment professionals, helps us to undertake the kind of detailed, Environmental, Social, Governance and Political (ESGP)-integrated research that can add active value for clients. An important facet of this, wherever possible, is direct engagement with sovereign issuers.

03 Deeply embedded proprietary 'ESGP' framework

As an integral part of our investment process, we utilise our proprietary Environmental, Social, Governance and Political (ESGP) framework. Our research shows that our ESGP framework is effective in capturing and explaining non-financial factors that could influence prices.

ESGP scores and sovereign spreads



04 Improved long-term risk-adjusted returns

Back-testing of a hypothetical portfolio constructed using our ESGP framework suggests it would have outperformed the index over the long run, particularly on a risk-adjusted basis. Furthermore, relative performance improved in market stress periods when weaker issues were typically penalised more heavily.

Hypothetical (back-tested) ESGP portfolio outperformance (Nov 2013 = 100)



Source: JP Morgan, national sources 31 May 2019. These figures relate to simulated past performance. When interpreting the results, the investor should always take into consideration the limitation of the model applied. The simulated past performance of the model is not a guide to future results. Figures shown are gross, USD. Had fees and charges been deducted this would have the effect of reducing the performance from that shown. Currency exchange rate fluctuations could have a positive or negative impact on these results.

05 Forward-looking ESGP assessment



Since many ESGP indicators are published with sizeable time lags, data 'staleness' can be a problem. We seek to correct for this by incorporating 'Direction of Travel' designations, which are determined through additional qualitative research, including wherever possible, sovereign issuer engagement.

06 Filters aimed at avoiding unfair biases



When incorporating ESGP evaluation, we favour a filtering approach based on certain minimum thresholds being achieved across the political and governance indicators. We favour this approach as it is less likely to be biased against countries that may have low social or environmental scores due to factors such as industrialisation or vulnerability to disasters.

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07 Indicators specifically chosen for emerging markets relevance

The 20 separate indicators used in our ESGP framework have been selected based on relevance to emerging markets as well as their relevance for sustainable development.

Pillar	Weight	Indicators	Source
Environmental	15%	PM2.5 Air pollution	World Bank
		Carbon emissions	EDGAR - Emissions Database for Global Atmospheric Research
		Access to safe water (% population)	World Bank
Social	35%	Access to electricity (% population)	World Bank
		Life Expectancy	World Bank
		Quality of infrastructure	Global Competitiveness Index (World Economic Forum)
		Gender Inequality Index	Human Development Report (UN Development Program)
		GINI Coefficient	CIA World Factbook / World Bank
		Mean years of schooling	Human Development Report (UN Development Program)
		Infant mortality	World Bank
Governance	25%	Ease of Doing Business	World Bank
		Voice and Accountability	Worldwide Governance Indicators (World Bank)
		Government Effectiveness	Worldwide Governance Indicators (World Bank)
		Regulatory Quality	Worldwide Governance Indicators (World Bank)
		Rule of Law	Worldwide Governance Indicators (World Bank)
		Open Budget Index	International Budget Partnership
Political	25%	Corruption perceptions	Transparency International
		Political Stability	Worldwide Governance Indicators (World Bank)
		State fragility	Fund for Peace
		Press freedom	Reporters without Borders

Important Information

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Risk factors you should consider before investing:

- The value of shares and the income from them can go down as well as up and you may get back less than the amount invested. Past performance is not a guide to future performance.
- The fund invests in securities which are subject to the risk that the issuer may default on interest or capital payments.
- The fund price can go up or down daily for a variety of reasons including changes in interest rates, inflation expectations or the perceived credit quality of individual countries or securities.
- The fund invests in emerging market equities and / or bonds. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- The use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives may result in the fund being leveraged (where market exposure and thus the potential for loss by the fund exceeds the amount it has invested) and in these market conditions the effect of leverage will be to magnify losses. The fund makes routine use of derivatives.
- The fund invests in high yielding bonds which carry a greater risk of default than those with lower yields.

Other important information

The Standard Life Investments Global SICAV II is authorised in Luxembourg and regulated by the Commission de Surveillance du Secteur Financier (CSSF).

Additional Information for Switzerland : The prospectus, the key investor information documents, the articles of incorporation, the annual and semiannual report in German, and further information can be obtained free of charge from the representative in Switzerland: Carnegie Fund Services S.A., 11, rue du Général-Dufour, CH-1204 Geneva, Switzerland, web: www.carnegie-fund-services.ch. The Swiss paying agent is: Banque Cantonale de Genève, 17, quai de l'Île, CH-1204 Geneva. The last share prices can be found on www.fundinfo.com.

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Subscriptions for shares in the fund may only be made on the basis of the latest Prospectus and relevant Key Investor Information Document (KIID) which can be obtained free of charge upon request or from aberdeenstandard.com.

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