

March 2019

InFocus



Standard Life Investments Global SICAV – Emerging Market Local Currency Debt Fund

Key features

Top decile returns and risk adjusted returns since inception¹

The biggest and most liquid segment of emerging market debt (EMD)

Deeply embedded proprietary Environmental, Social and Governance (ESG) evaluation framework

Potentially improved entry point after a challenging 2018

Performance

Cumulative (gross) fund return since inception

Inception date (1 July 2013)



Source: Aberdeen Standard Investments, BPSS, Datastream as of 31 January 2019. Shows gross returns in USD for SLI Global SICAV – Emerging Markets Local Currency Debt Fund. D Acc USD share class since inception (1 July 2013); Reference index: JP Morgan GBI-EM Global Diversified Composite.

5 year Discrete Performance Table - Annual returns (%) - Year ended 31/01

Calendar year performance (%)	2019	2018	2017	2016	2015
Fund	4.87	-6.25	13.11	7.59	-14.49

Performance Data: Share Class D Acc USD.

Source: Lipper. Basis: Total Return, NAV to NAV, net of annual charges, gross income reinvested, (USD).

All return data includes investment management fees, performance fees, and operational charges and expenses, and assumes the reinvestment of all distributions. The returns provided do not reflect the initial sales charge and, if included, the performance shown would be lower.

Past performance is not a guide to future results.

Investment Objective

The SLI – Emerging Market Local Currency Debt Fund's aims to provide attractive long term returns from a combination of income, capital appreciation and foreign currency appreciation. The Fund will achieve this by investing primarily in bond securities and emerging market currencies. The majority of bonds will be denominated in local currency and issued or guaranteed by governments, financial institutions or companies in emerging markets (EMs). The Fund is actively managed by our investment team which selects the EM bonds and currencies to invest in. A portion of the Fund's assets may be invested in other types of bonds and/or money market instruments on a more opportunistic basis.

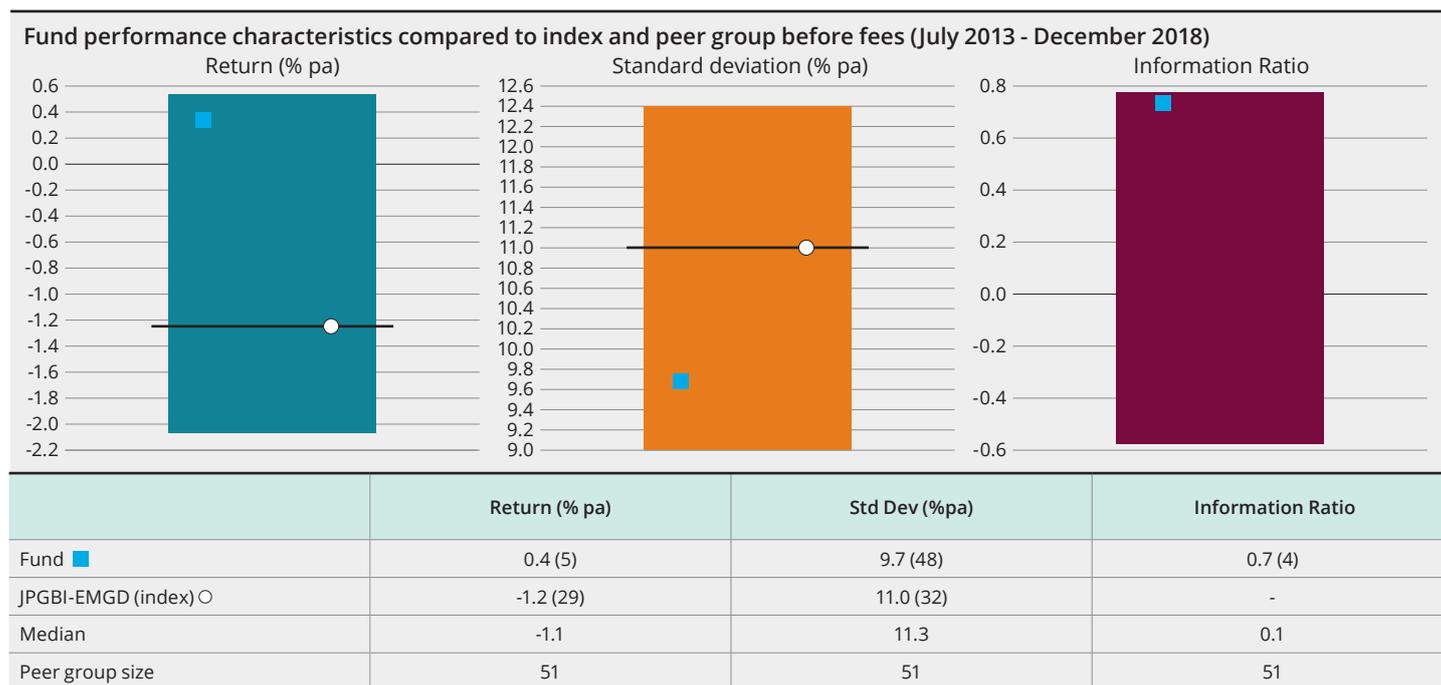
Robust risk adjusted returns

As shown above, the SLI – Emerging Market Local Currency Debt Fund has a good track record – since its inception in July 2013, the Fund has delivered a cumulative (gross) return of 1.69% compared to -3.88% for the index². In addition, the Fund is ranked in the first decile of its peer group since inception.¹

Beyond headline returns however, a notable feature of the Fund's approach is its strong emphasis on delivering risk-adjusted returns. In line with this, as shown below, the volatility of Fund returns has been considerably lower than the index, contributing to significantly better risk adjusted returns. Indeed, as shown below in analysis conducted by Mercer, the Fund's Information Ratio is in the top decile of its (since-inception) peer group of 51 competitor funds.²

¹ Mercer LLC, January 2019 (period of analysis: July 2013 to December 2018).

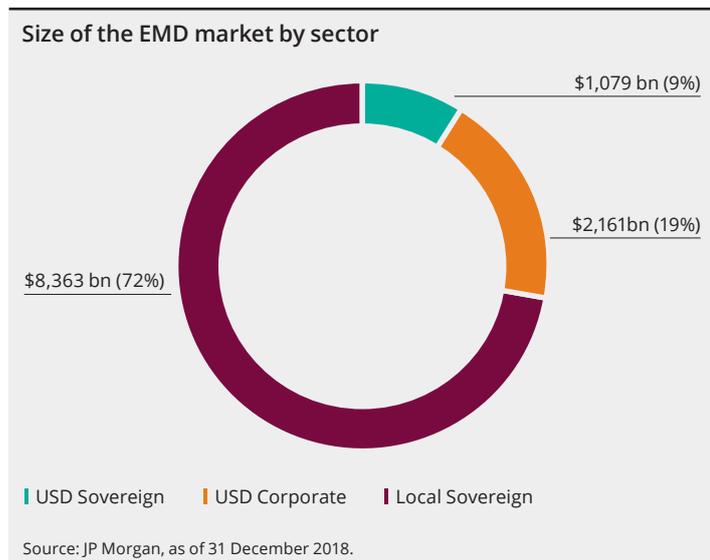
² Aberdeen Standard Investments, BPSS, Datastream as of 31 January 2019. Shows gross returns in USD for SLI Global SICAV – Emerging Market Local Currency Debt Fund. USD D Acc share class since inception (1 July 2013); Reference index: JP Morgan GBI-EM Global Diversified Composite January 2019.



Source: Mercer Insight January 2019; Numbers shown in brackets refer to ranking in peer group.

The biggest and most liquid part of EMD universe

As shown, the EM local currency debt market is comfortably the largest segment of EMD in terms of size. A key benefit related to this is good liquidity, resulting in lower trading costs compared to other EMD segments. Another key structural attraction of EM local currency sovereign debt market is low correlation to developed market bonds, enabling more diversified interest rate exposure.



ESG embedded in investment process

Environmental, Social and Governance (ESG) factors are deeply embedded in our process for establishing the overall risk level for each issuer. In the SLI – Emerging Markets Local Currency Debt Fund, issuer exposure to ESG risks and their capability and willingness to manage such risks is an integral part of the **research process**. In this regard, we have developed our own proprietary ‘ESGP’ framework, where Environmental, Social, Governance and Political factors are assigned quantitative values and integrated into the research process.

The current opportunity in EMD local currency debt

In keeping with most risk assets, EM local currency debt had a challenging 2018. The most important driver of this was tightening global liquidity, with the Federal Reserve (Fed) hiking interest rates on four separate occasions in 2018. However, more recent guidance from the Fed in early 2019 has been much more supportive, suggesting that US ‘monetary normalisation’ may be largely complete. In addition, following the tough 2018 for both EM bonds and EM currencies, valuations have improved significantly, as evidenced by elevated real yield differentials compared to developed markets. Coupled also with the scope for progress in US/China trade talks, we think there is ample scope for the positive start to 2019 to be sustained.



“The EM local currency bond market is the largest and most liquid part of the EMD complex, which thanks to low correlations with developed country bonds, offers ample scope for diversifying interest rate exposure. After a challenging 2018, we think the prospects for the asset class are significantly brighter in 2019.”

Kieran Curtis
Investment Director, Emerging Market Debt, Aberdeen Standard Investments

Important Information

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

Please consider these risk factors:

- The value of investments and the income from them can go down as well as up and investors may get back less than the amount invested. Past performance is not a guide to future results.
- Bonds are affected by changes in interest rates, inflation and any decline in creditworthiness of the bond issuer. The fund's portfolio may have significant exposure to bonds that typically have lower ratings. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may not be able to pay the bond income as promised or could fail to repay the capital amount used to purchase the bond. Where a bond market has a low number of buyers and/or a high number of sellers, it may be harder to sell particular bonds at an anticipated price and/or in a timely manner.
- Contingent convertible bonds can automatically convert into shares or be written down if the financial strength of the issuer falls in a certain way. This may result in substantial or total losses of the bond value.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This may mean your money is at greater risk.
- More details of the risks applicable to this fund can be found in the Key Investor Information Document (KIID) and Prospectus, both of which are available on request or at our website www.aberdeenstandard.com

Other important information

For professional investors (in Switzerland qualified investors) only – not for use by retail investors.

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