

SIMPLEBeta

Tracking indices in a *simple* and efficient manner

SIMPLEBeta

SYSTEMATIC

provides systematic and efficient exposure to equity and fixed income markets

INDEXATION

uses either full replication or stratified sampling to track equity and fixed income markets with minimal tracking error

MARKET EXPOSURE

offers a broad and diversified exposure to financial markets for strategic and tactical asset allocation purposes

PASSIVE

employs a management approach founded on the efficient-market hypothesis

LOW COST

takes a low-cost approach to investing, with lower turnover (and associated costs) than more actively managed strategies

ENGAGEMENT

employs active voting and engagement



"We have a highly experienced team managing passive investments, with a strong track record of performance dating back to 2005. Our extensive range of passive solutions answer the challenge facing many cost-conscious investors. By focussing on key manufacturing and implementation efficiencies our conventional passive management process delivers the outcomes they need at a competitive price."

Sean Phayre

Global Head of Quantitative Investments

About SIMPLE Beta

The first index-tracker funds launched in the 1970s, seeking to achieve long-term returns by replicating the holdings and performance of equity and fixed income indices. Since then, passive, or index tracking, investment strategies have grown in popularity. They provide investors with a low-cost and reliable way to gain access to financial markets.

Our SIMPLE Beta index tracker funds aim to deliver index returns in the most repeatable, pragmatic, scalable and risk-controlled manner. They track equity and fixed income indices weighted according to constituent market capitalisation or debt outstanding. We give investors flexibility to implement their investment ideas by offering index

tracker funds across a wide range of geographies and sectors.

Our expert understanding of the individual sources of risk in a passive portfolio means we are well-placed to provide effective passive solutions. These can form the building blocks for investors' long-term investment portfolios.

“SIMPLEBeta
A low-cost and reliable way to gain access to financial markets”

Meeting investors' needs with SIMPLE Beta:



Cost effectiveness – gain exposure to markets at lower costs versus active management.



Transparency – straightforward investment objectives and transparent holdings.



Broad market exposure – a range of investment options across geographies and sectors.



Risk management – robust risk management as an ongoing part of the investment process.



Experience – a highly skilled and dedicated team, which has been managing passive funds since 2005.



Active voting and engagement – corporate governance and engagement are key components of our investment process.

SIMPLE Beta investment approach

Benchmark returns exist in a 'cost-free' world, but fund returns do not. We believe that passive investment should not be limited to replicating the components of an index. Instead, our experienced and dedicated team considers all aspects of portfolio implementation.

The relationship between the costs and benefits of an ideal portfolio versus a practical one is paramount. We focus on adding value by exploiting opportunities. These range from index rebalancing to corporate actions, dividend enhancements and securities lending.

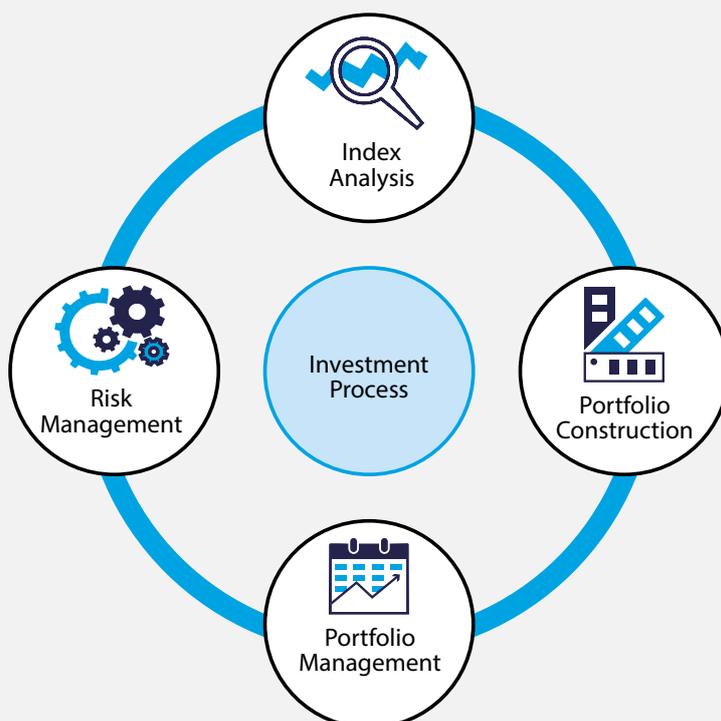
SIMPLE Beta investment process: each of these themes are crucial to successful passive investing.

Index analysis

We make sure we fully understand the index returns that we are required to replicate. This analysis extends to index composition, similarity of the assets in the index, index turnover, tracking error and index changes.

Risk management

This is the backbone to our investment approach. At every stage of our process, risk management informs our decisions. With this input, we know where and when action is needed to ensure our portfolio returns replicate those of the relevant index.



Portfolio construction

We build our portfolios by considering all of the characteristics that influence real returns. We use the output from this process to adjust positions accordingly, producing cost-efficient notional tracking portfolios. It also allows us to devise an appropriate timetable for rebalancing.

Portfolio management

Each day, our team ensures index events and the cash-flow process is efficiently managed. This combined with extensive risk reporting provides them with all the pertinent information they need to ensure our portfolios track as required.

Securities lending

Securities lending is the temporary transfer of securities from a lender to a borrower against collateral in return for a fee. Our robust securities lending program is designed to add incremental income to our SIMPLE Beta portfolios in a risk-adjusted manner. Securities lending can also aid market liquidity and reduce costs. As the fund manager, we never take a fee for our securities lending participation. Instead, we focus on maximising returns for clients. The only collateral we accept is high-quality, liquid government bonds.



Our SIMPLE Beta tracker fund range

Each fund aims to produce a return that, before fees, matches the return of the respective equity or fixed income index.

SIMPLE Beta equity tracker funds			
	Fund	Benchmark index	Tracking method
UK	ASI UK All Share Tracker Fund	FTSE All-Share Index	Full replication
Europe	ASI European Equity Tracker Fund	MSCI Europe ex-UK Index	Full replication
North America	ASI American Equity Tracker Fund	S&P 500 Index	Full replication
Japan	ASI Japan Equity Tracker Fund	MSCI Japan Index	Full replication
Asia Pacific	ASI Asia Pacific ex-Japan Equity Tracker Fund	MSCI AC Asia Pacific ex-Japan Index	Sample
GEM	ASI Emerging Markets Equity Tracker Fund	MSCI Emerging Markets Index	Sample
REIT	ASI Global REIT Tracker Fund	FTSE EPRA Nareit Developed Index (GBP Hedged)	Full replication

SIMPLE Beta fixed income tracker funds				
	Fund	Benchmark index	Tracking method	
Corporate	Global	ASI Global Corporate Bond Tracker Fund	Bloomberg Barclays Global Aggregate Corporate Index (GBP Hedged)	Sample
	UK	ASI Sterling Corporate Bond Tracker Fund	iBoxx GBP Non-Gilts Overall Total Return Index	Sample
	Global	ASI Short Dated Global Corporate Bond Tracker Fund	Bloomberg Barclays Global Aggregate Corporate 1-5 yrs Index (GBP Hedged)	Sample
	UK	ASI Short Dated Sterling Corporate Bond Tracker Fund	iBoxx GBP Non-Gilts 1-5 year Index	Sample
Government	Global	ASI Global Inflation-Linked Bond Tracker Fund	Bloomberg Barclays World Government Inflation-Linked Bond All Maturities Total Return Index (GBP Hedged)	Sample
	Global	ASI Short Dated Global Inflation-Linked Bond Tracker Fund	Bloomberg Barclays World Government Inflation Linked Bonds 1-10 year Index (GBP Hedged)	Sample
	GEM	ASI Emerging Markets Local Currency Bond Tracker Fund	J. P. Morgan GBI-EM Global Diversified Index (GBP Hedged)	Sample

Tracking error (also known as active risk) is a commonly used performance measure for passive funds. It is defined as the standard deviation of the difference between the returns of the fund and its benchmark. Maintaining a zero tracking error can sometimes be inefficient, however. For example, fully replicating the exact constituent weights of an index that has illiquid components can be an expensive exercise. While we aim to keep tracking error on our SIMPLE Beta portfolios as low as possible, we recognise that an acceptably low, non-zero, tracking error can be desirable.

SIMPLE Beta funds invest in physical securities only. Derivatives are only used for efficient portfolio management purposes.

About REITs

An equity REIT (Real Estate Investment Trust) is an investment company that owns and/or operates a diversified portfolio of real estate that aims to provide an income, by leasing space and collecting rent. REITs also offer potential for long term capital growth. The FTSE EPRA Nareit Developed Index is designed to track the performance of listed real estate companies and REITs worldwide.

ASI Global REIT Tracker Fund aims to provide long term capital growth and income by investing in REITs and property company shares that match the index. REITs have historically demonstrated low to moderate correlation to equities and bonds over the medium to long-term and so they can help as a portfolio diversification tool to enhance risk-adjusted returns.

Active Stewardship



As one of the world's largest investment companies, we are dedicated to creating long-term value for our clients. We take an active approach to stewardship practices, fostering engagement with companies on a wide range of social, ethical and sustainability issues. In addition to proxy voting, we engage directly with companies to influence a variety of issues and to encourage the adoption of good company practice.

Quantitative Investment Strategies



Quantitative Investment Strategies (QIS), our team of over 30 dedicated quantitative investment professionals, based in our London, Edinburgh and Shanghai offices.

- Manage £83 billion across quantitative investment strategies*
- Track record in passive investing since 2005 – enhanced index strategies since 2007, smart beta strategies since 2013 and active quant using AI since 2018

* As at 30 June 2019

Contact us

For more information visit aberdeenstandard.com or email QIS@aberdeenstandard.com

The value of investments and the income from them can go down as well as up and your clients may get back less than the amount invested.

SIMPLEBeta

AberdeenStandard
Investments

Important information

Investment involves risk. The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested. Past performance is not a guide to future results.

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Risks of investing:

Equities: securities in certain markets may be more volatile, harder to price and less liquid than securities in other markets. They may be subject to different accounting and regulatory standards, and political and economic risks. These risks may be enhanced in emerging markets countries.

Fixed Income: Fixed income securities are subject to certain risks including, but not limited to: interest rate, credit, prepayment, and extension.

Diversification does not necessarily ensure a return or protect against a loss.

This is not a complete list or explanation of the risks involved and investors should read the relevant offering documents and consult with their own advisers about investing.

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