

Q3 2020

InFocus

European Corporate Bond Fund

Investment Objective

The Fund aims to provide long term growth from capital gains and the reinvestment of income by investing in European investment grade corporate bonds. The Fund aims to outperform the iBoxx Euro Corporates Index (EUR) benchmark (before charges).

What happened in the third quarter?

The third quarter saw continued recovery in European investment grade credit. Although more negative bund yields contributed positively, spread compression and coupon income were the main drivers of the +1.98% total return over the quarter.

Some parts of the world, including parts of the US, Europe and the UK, seem to be seeing second waves of coronavirus infections. This has prompted concerns that as temperatures start dropping in autumn, hospitalisations and deaths could start to pick up once again. However, improved virus control capabilities, notably better testing and tracing, have so far allowed the implementation of more targeted countermeasures rather than complete lockdowns. Furthermore, largely improving economic data and expectations for a viable coronavirus vaccine in coming months, continue to support investor sentiment.

Against this backdrop, the Fund delivered a positive return over the quarter (2.17%) and outperformed the benchmark (1.98%). In terms of ratings, there was a positive contribution from being underweight in A rated and AA rated credits.

Amid improving sentiment, there were positive contributions from the long dated bonds of the Swiss luxury goods company Richemont and the US telecoms company Verizon. Similarly, our corporate hybrid holdings of the French electricity companies Engie and EDF performed well for the Fund.

On the negative side, less positive newsflow in terms of second virus waves and the re-imposition of travel control measures in some regions, weighed on Heathrow Airport bonds. In addition, zero exposure to the US industrial conglomerate General Electric and an underweight in the Italian bank Intesa Sanpaolo detracted from Fund returns as they both outperformed the broader index.

What changes were made to the portfolio over the quarter?

In the primary market, towards the end of the period, we bought the 2032 and 2040 bonds of the medical device company Medtronic and the 2028 and 2032 bonds of the US wireless and broadcast communications infrastructure operator in American Tower. These were all attractively priced new issues in relative defensive sectors with reliable earnings and cashflows. We also bought the 2032 green bonds of Digital Euro and 2030 bonds of Global Switch, which are two leading data centre companies from benefiting accelerating demand for online activity in post-coronavirus world.

In the secondary market, we added exposure to the Dutch chemicals company OCI and generic pharmaceuticals company Mylan, which are both credits whose fundamentals we like relative to pricing. On the sell side, given the likelihood of a slower-than-expected recovery of international travel activity, we continued cutting our exposure to the Dutch state-owned airport operator Royal Schiphol and the Spanish toll road operator Abertis. We also selectively reduced exposure to higher risk holdings such as the corporate hybrids of French oil company Total and the French water and waste management company Suez.

What are our short and long-term views from here?

We remain broadly constructive on credit spreads as we get closer to the point of having a viable coronavirus vaccine, which should pave the way for further normalisation in the developed world heading into 2021. Technical factors remain supportive – we continue to see inflows into our asset class and anticipate that issuance volumes should drop from the record levels in the first half of 2020 as companies have built up sizeable cash positions as safety buffers, with cashflows also expected recover in line with

business activity. Having said this, valuations have broadly discounted the fundamental improvement from the trough of the second quarter and some very defensive and highly rated areas of the market are back or close to February levels. However, we still see value and scope for further spread compression in banks, corporate hybrids and more selectively in non-financial BB rated credits.

	Year to 30/09/2020	Year to 30/09/2019	Year to 30/09/2018	Year to 30/09/2017	Year to 30/09/2016
Institutional Fund Performance	0.13	6.03	-0.16	0.32	8.24
iBoxx Euro Corporate All Stocks Index	0.23	6.15	-0.03	0.47	7.36

Source: Aberdeen Standard Investments (Fund) and Thomson Reuters DataStream (Benchmark). Performance is shown for the Euro D Accumulating share class.

Note: Performance has been calculated over the stated period on the share price performance basis, based on the given shareclass and net of fees. Past Performance is not a guide to future performance. The price of shares and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment.

Important Information

For professional investors only - not for use by retail investors. In Switzerland for qualified investors only.

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.

This report is for use by the client to whom it is addressed only – it is not for use by any other third party.

- The fund invests in mortgage and asset-backed securities (which may include collateralised loan, debt or mortgage obligations (respectively CLOs, CDOs or CMOs). These are subject to prepayment and extension risk and additional liquidity and default risk compared to other credit securities. The fund invests in securities which are subject to the risk that the issuer may default on interest or capital payments.
- 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.
- Convertible securities are investments that can be changed into another form upon certain triggers. As such, they can exhibit credit, equity and fixed interest risk. Contingent convertible securities (CoCos) are similar to convertible securities but have additional triggers which mean that they are more vulnerable to losses and volatile price movements and hence become less liquid.
- The fund invests in high yielding bonds which carry a greater risk of default than those with lower yields.
- 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.

Management Process:

- The Fund is actively managed.
- The benchmark is used as a reference point for portfolio construction and as a basis for setting risk constraints.

Other important information:

The fund is a Luxembourg-domiciled UCITS fund, incorporated as a Société Anonyme and organized as a Société d'Investissement à Capital Variable (a "SICAV").

The information contained in this marketing document is intended to be of general interest only and should not be considered as an offer, or solicitation, to deal in the shares of any securities or financial instruments. The fund has been authorized for public sale in certain jurisdictions and private placement exemptions may be available in others. It is not intended for distribution or use by any person or entity that is a citizen or resident of or located in any jurisdiction where such distribution, publication or use would be prohibited.

No information, opinion or data in this document constitutes investment, legal, tax or other advice and are not to be relied upon in making an investment or other decision. This document does not constitute an offer or solicitation to invest in the Fund. The offering of the shares of the Standard Life Investments Funds is restricted in many jurisdictions and must not be marketed or offered in or to residents of any such jurisdictions unless such marketing or offering is made in compliance with applicable exemptions for the private placement of collective investment schemes and other applicable jurisdictional rules and regulations. It is the responsibility of every recipient to inform themselves and observe applicable regulations and restrictions in their jurisdiction. Before investing, investors should consider carefully the investment objective, risks, charges, and expenses of a fund.

Prospective investors should read the prospectus carefully before investing. 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 provides additional information as well as the risks of investing and may be obtained free of charge from Aberdeen Asset Managers Limited, 10 Queens Terrace, Aberdeen, AB10 1XL, Scotland and are also available on aberdeenstandard.com.

Standard Life Investments Global SICAV is an umbrella type investment company with variable capital registered in Luxembourg (no. B78797) at 2-4, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg. In Spain SLI Global SICAV is registered in CNMV with the number 814.

Additional Information for Switzerland: The prospectus, the key investor information documents, the articles of incorporation, the annual and semi-annual 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. Aberdeen Standard Investments (Switzerland) AG. Registered in Switzerland No. CHE-114.943.983. Registered Office: Schweizergasse 14, 8001 Zurich.

Tax treatment depends on the individual circumstances of each investor and may be subject to change in the future. You should obtain specific professional advice before making any investment decision.

Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use by Standard Life Aberdeen**. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, Standard Life Aberdeen** or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Past performance is no guarantee of future results. Neither the Owner nor any other third party sponsors, endorses or promotes the fund or product to which Third Party Data relates.

Austria, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Norway, Portugal, Spain and Sweden: Issued by Aberdeen Standard Investments Luxembourg S.A. 35a, Avenue J.F. Kennedy, L-1855 Luxembourg. No. S00000822. Authorised in Luxembourg and regulated by CSSF.

Switzerland: Issued by Aberdeen Standard Investments (Switzerland) AG. Registered in Switzerland (CHE-114.943.983) at Schweizergasse 14, 8001 Zürich.

Visit us online

aberdeenstandard.com

STA1120486234-001 | DH: GB-031120-133027-1