

Alternative Investment Strategies

Bringing together opportunities across the alternative investments spectrum to meet investor goals

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For professional investors only.
Switzerland: For Qualified Investors only.
Not for use by retail investors.

“Our aim is to harness the opportunities that traditional investors can’t access, using our scale and reputation to provide innovative solutions and maximise opportunities for our clients.”

Russell Barlow,
Global Head of Alternative Investment Strategies

Our alternative investment strategies capabilities

Alternative investment strategies can provide investors with valuable sources of return, portfolio diversification and ways to manage downside risk. We seek to deliver to our clients the most compelling opportunities the asset class can offer.

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What we do

Capturing opportunity beyond traditional asset classes

Alternative investments can offer a powerful source of risk and return diversification. But in this fast-evolving market, there are numerous investment possibilities that are not readily accessible to traditional investors.

Alternative investment refers to assets that go beyond traditional long-only equities, bonds and cash. At Aberdeen Standard Investments, we use the term to refer to strategies, such as hedge funds, that use an array of derivative instruments and techniques to provide returns not dependent on the equity risk premium or on interest rates.

Including these alternative investments in a portfolio can offer investors both diversification and more ways to seek growth and income. Often, however, the most compelling alternative investment managers and funds are hard to find, or hard to access. To capture them effectively, investment managers need specialist skillsets, specific resources and/or proprietary systems.

What we offer

Our alternative investment strategy specialists have been working to meet the investment objectives of our diverse client base for over 20 years combining investment opportunity with specialist skillsets.

Today, we offer a full range of global hedge fund and diversification strategies across the liquidity spectrum. We create and manage outcome-oriented portfolios of alternative investment strategies using a disciplined and proven research-driven investment process.

We believe that with rigorous due diligence, we can seek out opportunities that offer compelling properties for our clients. By providing research, access, implementation and ongoing management of alternative investment portfolios, we are committed to creating robust and diversified investment solutions allowing clients to meet their long-term goals.

Our team

Dedicated alternative investment professionals

Our alternative investment professionals provide the expertise to identify alternative investment opportunities globally then transform them into robust client solutions.

Our large and highly experienced, award-winning team* provides our clients with access to a breadth of alternative investment strategies and opportunities.

Dedicated asset specialists offer global research coverage, drawing on their global network of relationships to identify emergent managers, new strategies and innovative thinking.

With considerable assets under management, we invest based on our convictions and our decisions are underpinned by robust qualitative and quantitative analysis.

We are:

- alternative specialists, supported by a globally-resourced firm
- highly experienced in alternative investing
- a well-resourced team of dedicated investment professionals
- able to offer global research coverage
- providers of independent portfolio construction, risk and operational due diligence.



* Source: BANCO award, Swiss Hedge Funds Awards 2015: Best Fund of Hedge Funds over 5, 10 years.

Client solutions

Six ways to reach investor goals

We offer a range of structures and services to deliver the optimal alternative investment solution – or support a client’s own in-house expertise. Plus our alternative risk premia solutions can offer a further way to capture robust sources of return.

1.

Customised solutions

Creating tailored products

Some of our larger clients prefer to target specific outcomes or exposures. Working with them, our alternative investment strategies team helps them to define their needs and then designs appropriate portfolios. We provide ongoing discretionary management, oversight and governance.

- Breadth of coverage allows for greatest customisation, from global risk-mitigation strategies through to alternative credit
- Continuous manager evaluation and monitoring
- Process designed to be collaborative; the client is viewed as a partner in developing the solution
- Portfolio construction team dedicated to identifying an optimal mix of strategies and managers.

2.

Advisory/strategic partnerships

Acting as an extension of clients’ in-house resources

Using our 20+ years of industry experience, we can act as an extension of our clients’ investment staff, helping them to define their strategic vision and structure. We can help clients fulfil their fiduciary responsibilities by providing robust governance and an audit trail of decision making.

- A large number of approved funds
- Working in partnership with some of our strategic clients
- Shared desire to generate returns and reduce costs of ownership
- Acting as an extension of the client’s investment office
- Services are tailored to client needs: reporting, interaction, education
- Diversification across strategies and styles.

3.

Commingled funds

One of the longest track records in the industry of researching and investing in hedge fund strategies

Our first relative value/event-driven commingled fund opened in 1993, and our flagship offering launched in 1998. We focus on managers that are able to generate a genuinely differentiated return profile.

- A range of multi-strategy commingled funds, with varying liquidity
- Access to best-in-class managers
- Exposure to distinct and diversifying sources of returns.

4.

Liquid alternative strategies

Transparent and liquid investment solutions

Some strategies can be replicated in a form that allows for greater liquidity and regulatory oversight. Commonly, these are referred to as “liquid alternatives”. Using managed-account technology and our broad research platform, we bring a wider range of liquid strategies to our client base.

- Liquid strategies, providing access to multi or single-strategy multi-manager portfolios of bespoke accounts
- Potential for capital appreciation with limited correlation to traditional markets
- Account structures allow for full transparency.

5.

Managed account platform

Customised investment mandates with leading managers

Since 2012, we have established a range of managed accounts, providing full customisation of the investment mandate. We have negotiated highly favourable terms with high-conviction managers. We can operate using our own managed accounts or in client-owned structures.

- Access to managers through managed account platforms
- Customisation and control of terms
- Fully transparent portfolios, with potential for enhanced liquidity.

6.

Alternative risk premia

Delivering additional sources of return

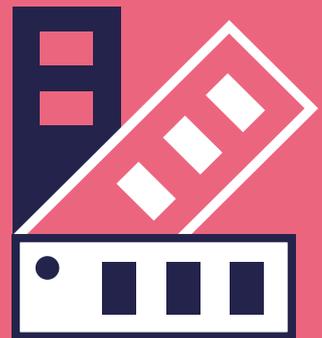
Risk premia are sources of return that represent identifiable, replicable and exploitable reward for taking investment risks. Increasingly, investors are looking to alternative risk premia (e.g. value, carry or trend) as potential additional sources of return. We offer model or bespoke alternative risk premia solutions for investors looking for exposure to transparent, liquid and cost-effective alternative risk factors.

Making use of the broader alternative investment strategies team, we combine bottom-up due diligence on indices/index providers, quantitative portfolio construction and ongoing discretionary portfolio and risk management.

- Model or bespoke solutions
- Designed to deliver low volatility and low correlation to traditional assets
- Can complement broader hedge fund exposures, or stand alone as a diversifying solution.

“Our focus is on finding investment opportunities with an edge – providing distinct and different sources of returns to complement a client’s broader portfolio.”

Russell Barlow,
Global Head of Alternative Investment Strategies





“We believe that alternative strategies can offer investors both diversification and more ways to seek growth and income.”

Darren Wolf,
Head of Alternative Investment Strategies – Americas

Working with clients

Understanding every client to deliver the right solution

We use a four-step knowledge-transfer process to ensure we have a thorough understanding of our clients' investment objectives and requirements.



This knowledge allows us to deliver diversifying strategy solutions by:

- establishing a universe of eligible investments
- performing statistical analysis to identify differentiated characteristics
- building model portfolios – various optimisation techniques can be used to make them specific to client requirements
- undertaking a qualitative review of the output
- carrying out an iterative process to review outcomes relative to objectives and refine as appropriate
- implementing the portfolio.

Our philosophy and process

The pillars of our investment approach

To provide distinct and different sources of return for our clients, we first identify investment opportunities arising from market inefficiencies, carry out detailed research, tailor portfolios appropriately and undertake thorough risk management.



| | Strategy insights | Differentiated research | Portfolio construction | Detailed risk management |
|---------------------------|--|--|--|---|
| Our philosophy | Market inefficiencies often create investment opportunities at a strategy, asset class or regional level. | Detailed proprietary research identifies alternative investment managers that are generating differentiated return streams. Insights are shared within and across research groups to identify best-in-class, high conviction ideas. | Tailored portfolio solutions are aligned to specific client objectives. They are designed to optimally reflect the investment views of the broader investment team. | We have a dedicated team of risk professionals, with on-desk risk team and independent investment risk team. We recognise that risk management of alternative investments is a multi-dimensional activity and no single method or measure can capture all elements of risk. |
| Investment process | We use empirical data to identify strategies or regions that offer improving or deteriorating characteristics. We focus on medium-term opportunities where strategy tailwinds exist, while seeking to avoid those with headwinds. | Our process supplements rigorous qualitative investment research with proprietary quantitative analytics to paint a complete investment due diligence picture. By deconstructing fund returns into component strategies, regions or asset classes we are able to identify where funds add value and are differentiated. | Using quantitative portfolio construction techniques, we determine the optimal blend of strategies and managers given portfolio risk, return and liquidity objectives. | At the portfolio level, we monitor performance and risk relative to stated objectives. We also scrutinise underlying investment theses and ensure rankings are still valid at the manager level. |

“We believe transparency, accountability and good governance are cornerstones to successful investing in hedge funds. The responsible investment policy we have adopted means we enhance the risk management of our investments, deepen the level of engagement we have with our managers, and have more active dialogue with our clients and interested external parties on ESG related-issues.”

Darren Wolf,
Head of Alternative Investment Strategies – Americas

Our ESG approach

Putting good stewardship at the heart of what we do

As responsible investors, we make environmental, social and governance factors central to our investment process and our engagement with alternative investment managers.

As an asset manager, we have a fiduciary duty to our clients to seek to preserve and enhance the long-term value of the investments we make on their behalf. We therefore look to fully assess all risks and opportunities relating to environmental, social and governance issues. This analysis is then used to actively enhance the potential outcomes we can achieve for investors.

Our ESG activities include:

- the identification and analysis of ESG risk across the business, using third-party research where appropriate
- actively engaging with managers to assess and encourage ESG adoption into their decision-making processes
- improving portfolio transparency and exposure analysis to ascertain exposure to ESG related risk
- adopting ESG approaches (such as the implementation of exclusion lists) into portfolio management and new product creation
- engaging externally to ensure up-to-date knowledge of best practice.

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.

Real estate: Investments in property may carry additional risk of loss due to the nature and volatility of the underlying investments. Real estate investments are relatively illiquid and the ability to vary investments in response to changes in economic and other conditions is limited. Property values can be affected by a number of factors including, inter alia, economic climate, property market conditions, interest rates, and regulation.

Quantitative: Quantitative Investments may involve extensive use of derivatives for investment purposes. Due to the leveraged nature of derivatives, gains and losses can be greater than associated with traditional investment instruments.

Alternative investments: Alternative investments may engage in speculative investment practices; involve a high degree of risk; and are generally considered to be illiquid due to restrictions on transferring interests. An investor could lose all or a substantial portion of their investment. Investors must have the financial ability, sophistication / experience and willingness to bear the risks of such an investment.

Derivatives: Some styles of investment may involve use of derivatives either for Efficient Portfolio Management (EPM) or extensively for investment purposes. Due to the leveraged nature of derivatives, gains and losses can be greater than associated with traditional investment instruments.

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 advisors investing.

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