

# Changes to UK Investment Funds – from 7th August 2019



## Investment objective & policy changes – Standard Life Wealth Merlin Fund (to be renamed Aberdeen Standard Capital Merlin Fund)

Investment objective		Investment policy	
Existing	Proposed	Existing	Proposed
<p><b><u>Investment objective and policy of the Scheme</u></b></p> <p>The investment objective of the Scheme is to provide long term capital growth. The Scheme will invest in a broad portfolio of UK and international securities. It will mainly comprise equities, however, for short periods of time it may have a significant bond element.</p>	<p>To generate growth over the <i>long term</i> (5 years or more) by investing in a diversified portfolio of equities (company shares) and <i>bonds</i> (loans to governments or companies).</p> <p><i>Performance Target:</i> To exceed the ARC Private Client Indices (PCI) Steady Growth Net Return Index per annum after charges over rolling 3 years periods. The <i>performance target</i> is the level of performance the management team hopes to achieve for the fund. There is however no certainty or promise that they will achieve the <i>performance target</i>.</p> <p>The Manager believes this is an appropriate target for the fund since it reflects the risk and return profile that private clients expect and</p>	<p>See existing investment objective.</p>	<p><b>Portfolio Securities</b></p> <p>The fund invests at least 70% in global equities, corporate <i>investment grade bonds</i> and government <i>bonds</i> issued anywhere in the world.</p> <p>The fund may hold other securities and asset classes (e.g. supranational and other types of <i>bonds</i> and listed real estate) issued anywhere in the world.</p> <p>The fund may also invest in other funds (including those managed by Aberdeen Standard Investments), <i>money-market instruments</i>, and <i>cash</i>.</p> <p><b>Management Process</b></p>

aligns with the investment policy of the fund.

The management team use their discretion (*active management*) to identify holdings based on an analysis of global economic and market conditions (for example, *interest rates* and inflation) and analysis of a company's prospects and *creditworthiness* compared to that of the market.

They focus on selecting companies and *bonds*, and ensuring that the allocation of assets meets the fund's objectives.

In seeking to achieve the *Performance Target*, a composite index, details of which are provided below, is used as a reference point for portfolio construction and as a basis for setting risk *constraints*. The expected variation ("tracking error") between the returns of the fund and the composite index, is not ordinarily expected to exceed 4%. Due to the fund's risk *constraints*, the intention is that the fund's performance profile will not deviate significantly from that of the composite index over the *longer term*.

*Composite Index*: 30% FTSE All-Share Index, 45% FTSE World ex UK Index, 10% FTSE Actuaries UK Conventional Gilts All Stocks Index, 10% ICE BofAML Sterling Non-Gilts Index, 5% 1 Month GBP LIBOR Index.

**Derivatives and Techniques**

The fund may use *derivatives* to reduce risk, to reduce cost and/or generate additional income

or growth consistent with the risk profile of the fund (often referred to as “*Efficient Portfolio Management*”).

*Derivative* usage in the fund is expected to be very limited. Where *derivatives* are used, this would mainly be to manage expected changes in *interest rates*, companies share prices, currencies or *creditworthiness* of corporations or governments.

The fund may also invest in other funds which may use *derivatives* extensively although these investments shall be in line with fund’s overall risk profile.

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