January 2018

Fund Guide

Investment Professionals

Aberdeen Standard Investments

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Standard Life Investments Enhanced-Diversification Growth Fund (EDGF)

Portfolio in numbers

7	7-15	2/3rds	60
Invests in 7 different asset classes	Enhanced diversification positions	of equity market volatility	Managed by a team of over 60 skilled specialists

Fund Profile

We designed EDGF to seek equity-like returns over a market cycle but with just 2/3rds of global equity volatility. Our award-winning multi-asset investing team (MAIT) actively manages EDGF and constructs the portfolio from a mix of traditional assets and diversifying multi-asset strategies. Since launch in November 2013, performance has been strong and volatility inside the expected range.

EDGF - Performance as at 31 December 2017

	1 year to 31/12/17	1 year to 31/12/16	1 year to 31/12/15	1 year to 31/12/14	1 year to 31/12/13	Since inception per annum
EDGF return %	10.6	-0.2	7.2	8.6	n/a	7.0
Global equities return %*	19.7	8.6	1.6	9.8	n/a	10.2

Source: Fund XEDG GBP S Z shareclass. Fund performance gross of fees which will reduce the performance shown.
Global equities index is MSCI AC World (hedged to sterling).

What makes this fund different?

Traditional balanced portfolios seek to lower risk through reduced allocation to risk assets such as equities, credit and real estate, and by holding bonds that historically offered diversification in times of economic stress. Given today's low yields, the role of bonds is in question and there is potential for rising yields at the same time as a risk asset sell off. Both the diversification and return potential of these portfolios are therefore limited.

We designed EDGF to improve on traditional diversification approaches, reducing portfolio risk without impairing return potential. To achieve this, we combine investments in traditional risk assets with a number of carefully selected enhanced-diversification strategies based on our views about currencies, inflation, interest rates and relative-value equities. These offer more durable diversification and potentially better returns than the bonds in the traditional approach. This means EDGF does more to generate return and reduce risk.

Designed for a broad range of investors

Targeting equity-level returns with reduced volatility, EDGF offers an attractive risk/return profile for a broad range of investors, either as a standalone investment or as part of a wider portfolio of assets.

It may be suitable for investors:

- seeking equity-like returns but without full equity market risk
- wanting to retain a performance link to traditional risk assets with high return potential
- saving for retirement who seek more predictable outcomes
- already in retirement who seek both income and an element of capital appreciation to sustain that income.

Investment philosophy & process

Key Facts

Unlike traditional diversified growth funds (DGFs), EDGF does not rely on growth assets alone to deliver its performance objectives.

01 Our quest for genuine diversification lies at the heart of the established and proven multi-asset approach that we use to construct EDGF.

02 EDGF combines the upside potential of equity investment with the protective qualities that investors like in absolute return.

03 Investors benefit from: our core strength in dynamic management of traditional investments ; our recognised skills in absolute return investing; the full intellectual insight of our views on markets; our market-leading risk management infrastructure.

What do we mean by 'enhanced-diversification'?

Enhanced-diversification refers to the approach we use to increase, strengthen and supplement diversification in a portfolio.

By expanding our investment universe to include positions in, for instance, relative-value equity, currencies, inflation and interest rates, we are able to access enhanced-diversification strategies.

These positions tend to behave very differently from other assets such as traditional equity, corporate bonds or real estate investments. They therefore greatly improve diversification in a portfolio. Moreover, we design each enhanced-diversification position to target positive returns in its own right.

The term 'enhanced-diversification' therefore refers to both the potential to supplement portfolio returns and to make those returns substantially less volatile.

How does EDGF work?

Investment returns can be thought of as the potential reward for taking investment risk. Ordinarily, the greater the risk you are prepared to take, the larger the potential reward you might receive. However, the variability of the outcome is also greater. In EDGF, we ordinarily put more risk at work to generate returns than would be found in a typical portfolio of global equities.

However, as a multi-asset portfolio we carefully select a broad variety of investments for EDGF. We choose these for their return potential and because they behave differently from one another. As a result, EDGF benefits from substantial risk-reducing diversification.

Examples of enhanced-diversification strategies

Interest rates

We currently hold a position that will benefit if longer-term European interest rates rise more quickly than shorter-term rates. There are several reasons why that may happen. While the European recovery is progressing well, the European Central Bank (ECB) is maintaining a broadly supportive stance to ensure the recovery is not derailed. As a result, we expect inflationary pressures to build over the longer term, causing long-term interest rate expectations to rise. Additionally, the ECB's reduction in long-dated bond purchases will allow long-term yields to increase. We may see increased issuance of long-term bonds from opportunistic European governments.

Currencies

Our currency position preferring the Japanese yen over the Korean won shows high negative correlation to global and emerging market equities, helping protect the portfolio against a global downturn or equity market sell-off. Korea's heavily export-dependent economy is more exposed to China-specific risk than Japan's. Moreover, our analysis indicates the yen is cheaply priced compared with the won.

Relative-value equities

The improving macroeconomic picture and pick-up in global trading activity is generally supportive of emerging markets (EM).
While the UK economy shares many positive drivers with EM, it is generally less sensitive to cyclical upturn. Moreover, the UK is likely to face weaker domestic demand if rising inflation continues to squeeze real incomes. We therefore expect EM equities to outperform UK equities.

Introducing the multi-asset investing team

Our award-winning multi-asset investing team manages EDGF.
Comprising over 60 skilled specialists, the team's backgrounds include equities, bonds, quantitative analysis, investment strategy, risk and economics.

Investment philosophy & process

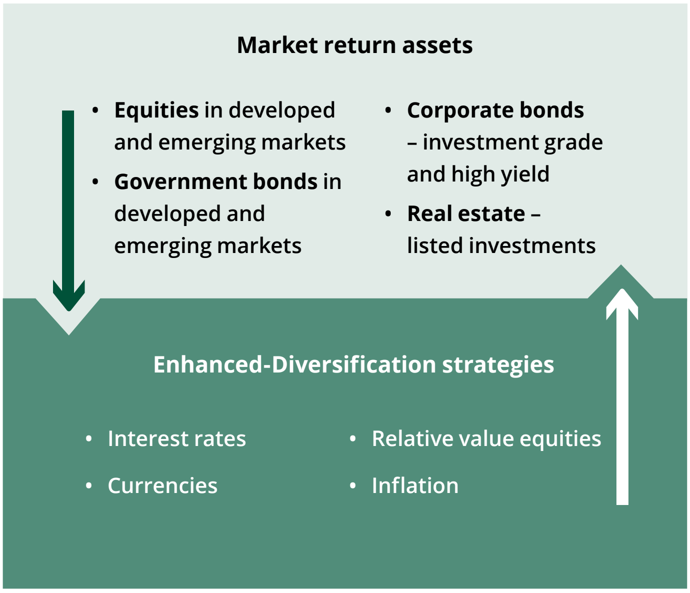
How do we manage EDGF?

We build EDGF from a blend of traditional assets and enhanced-diversification strategies. Our aim is to smooth the investment journey without sacrificing the potential for returns.

For an investment to be chosen for EDGF, we only select strategies that we believe can:

- **deliver positive returns**
- **help smooth out returns**
- **be easily bought and sold.**

We continuously monitor all the existing investments in EDGF and test they still meet our rules for selection.



Risk Management

Effective risk management is crucial to the diversified multi-asset approach we use for EDGF.

An integral part of the MAIT, our dedicated risk specialists provide EDGF's managers with ongoing insight into the risk profile of each strategy, both individually and in terms of its overall portfolio diversification advantages.

EDGF benefits from our established state-of-the-art risk infrastructure. This includes stress-testing for historical events and plausible, extreme future events. Our proprietary orward-looking approach combines expert opinions and judgement with quantitatively determined relationships between market factors. Using this approach, we test EDGF's resilience under such events as a China crisis and extreme currency fluctuations.

Our multi-asset investment process

In constructing EDGF, we draw on company-wide expertise. This collaborative approach allows us to make fully informed investment decisions and exploit our best investment ideas. The portfolio is also not dependent on the ideas of any one individual, helping ensure long-term consistency and stability.

We follow a rigorous three-stage process.

Idea generation

The multi-asset investing team (MAIT) undertakes extensive research and risk analysis. Using our Focus on Change investment philosophy, the multi-asset managers liaise closely with our asset class teams to gain insight into key market drivers and identify the most attractive global investment opportunities.

Strategy selection

Working as part of the MAIT, EDGF's managers are responsible for the blend of market-return assets and enhanced-diversification strategies, as well as individual weightings for each position.

For inclusion in EDGF, each strategy must satisfy the managers' criteria regarding:

- **diversification benefits**
- **potential returns**
- **scalability.**

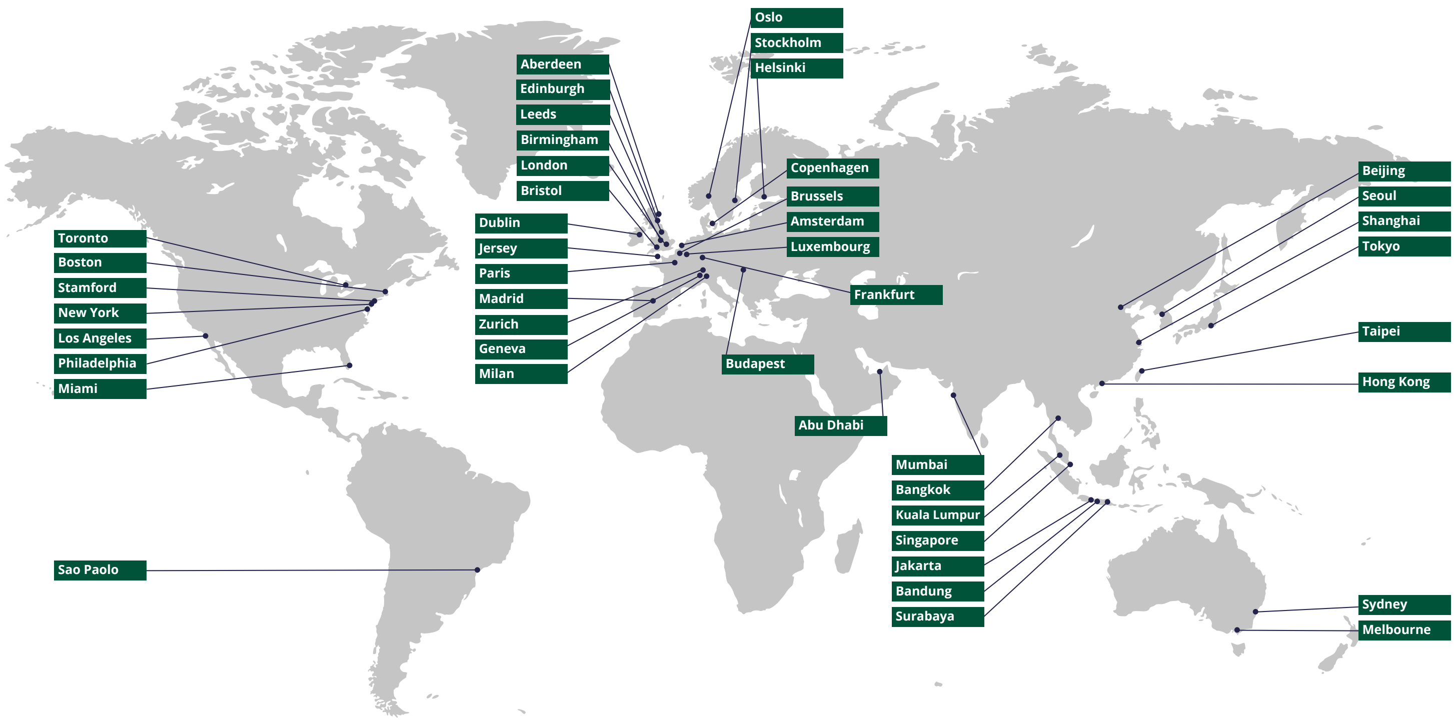
Working with our risk specialists, EDGF's managers regularly review the portfolio.

Implementation

The portfolio management team implements the selected strategies effectively and efficiently, using an array of market tools and instruments. These include direct investment, index futures, currency forwards and swaps. Once we have implemented a strategy, the team continually monitors it and tests our conviction in its return potential.

Aberdeen Standard Investments – Our global reach

A presence in 46 locations keeps us close to our client-base.



Diversification across the asset base

Together we are responsible for approximately £570 billion* of assets managed on behalf of clients globally.

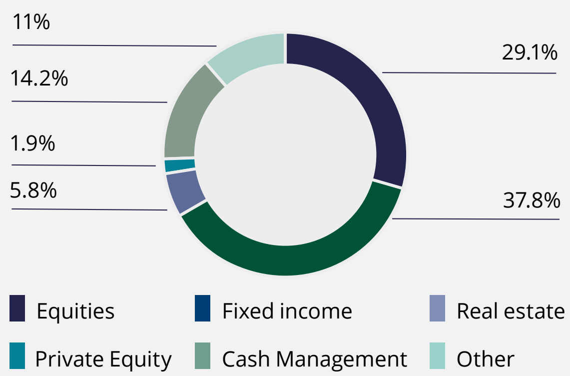
The breadth of our expertise can be seen by the diverse range of investments we are entrusted to manage.

* Data as at 30 September 2017, Source: Standard Life plc, Aberdeen Asset Management plc

Strategic partnerships and joint ventures

UK	Lloyds Bank, Phoenix
North America	John Hancock, Manulife
Asia	Bosera, Heng An Standard Life, Mitsubishi UFJ Trust & Banking, Sumitomo Mitsui Trust Bank
India	HDFC AMC
Australia	Challenger

Assets under Management – by asset class**



** Data as at 30 June 2017, Source: Standard Life plc, Aberdeen Asset Management PLC

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