

May 2018

Fund Guide

Investment Professionals

Aberdeen Standard
Investments

This communication is for investment professionals only and should not be distributed or relied on by retail clients. It is only intended for use in jurisdictions where the relevant funds are authorised for distribution or where no such authorisation is required.

Standard Life Investments European Smaller Companies Fund

Portfolio in numbers

40-50

stocks

5.9%

p.a. alpha
since inception*

0.95

Information ratio
since inception*

86%

Downside capture
since inception*

112%

Upside capture
since inception*

*ASI as at 31/03/2018. Data since inception on 01/10/2007. All data in Euro, gross of fees relative to FTSE Small Cap Developed Europe.

Fund Profile

The European Smaller Companies Fund is an active, long-only, concentrated portfolio containing 40-50 of our best investment ideas. We select stocks from a pan-European investment pool made-up of over 1,000 companies with a market capitalisation of less than €4 billion at the time of purchase. We focus on stocks that offer high-quality, growth and momentum.

“Our investment ethos is simple – we look for high-quality companies that are exhibiting sustainable growth characteristics and then take meaningful positions in them. We believe the Fund’s excellent track record is testament to this approach.”

Andrew Paisley
Investment Director, Aberdeen Standard Investments

Fund Focus



A best-ideas portfolio made-up of 40-50 high-quality European small-cap companies that we believe have the potential to deliver over the long-term.



By focusing on high-quality growth companies we seek to offer a lower risk way of investing in the asset class.



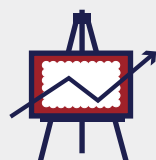
Such a concentrated portfolio means every stock has a material impact on Fund returns – meaning our stock-picking skills drive performance.



The Fund provides a different source of returns from large-cap stocks, and therefore provides excellent diversification for your clients.



Our excellent resources and highly experienced team mean your clients will have access to a dynamic but under-researched and under-owned asset class.



A portfolio with a high active share that is designed to deliver returns from idiosyncratic risk.

Our investment philosophy and process



Portfolio principles

Our approach is based on six principles that inform all our interactions and investment decisions.

01 We invest in high-quality companies, that are usually lower risk and outperform over the long term.

02 We look for companies that we believe can deliver sustainable, predictable and consistent growth.

03 With research, we concentrate our efforts at the company level to gain invaluable bottom-up insights.

04 We place a premium on companies with long-serving management teams, as they truly understand their markets and their businesses.

05 We are valuation aware but are willing to pay for high-quality companies that we believe can deliver sustainable long-term growth.

06 We are long term investors, believing that the best returns are generated by holding high quality companies for extended periods.

Research and stock selection

The investment process for all our smaller companies funds can be summarised in three broad steps.

1. Idea generation
2. Idea validation
3. Portfolio construction



Idea generation

We use a proprietary stock screening tool – the Matrix – to objectively identify investment opportunities, creating a more manageable list of stocks on which to focus our research.

The Matrix electronically tracks 13 different factors we believe can enhance performance. These are a mix of quality, growth, momentum and value metrics.

The main purpose of the Matrix is to provide an objective comparison of companies in the universe, ranking them from most attractive to least attractive by total score.

The efficacy of the Matrix to generate these ideas has been proven, allowing the portfolio manager to focus their efforts on the highest-scoring companies.

Our investment philosophy and process

Idea validation

- Idea validation will typically focus on the stocks that sit within the top quintile of matrix scores. We then conduct rigorous fundamental research on these stocks.
- Key areas of interest include growth potential, market share, sustainability of business franchise and pricing power.
- We generally look for companies with sustainable business franchises that can deliver repeatable growth. Our bias is towards companies that are profitable and cash-generative.
- We conduct valuation analysis to identify those companies where we believe the market is underestimating the growth potential of the business.

The importance of company meetings

The final part of idea validation is meeting with company management. On average, the Smaller Companies Team carries out 400 company meetings a year.

These high level, fact-to-face meetings allow us to:

1. Cross-check our investment rationale (including Matrix analysis) and to scrutinise company forecasts.
2. Assess the strength and sustainability of a company's business model.

Risk Management

Risk management is an integral part of our equity management process. It is impossible to understand the returns on a portfolio without understanding the risks.

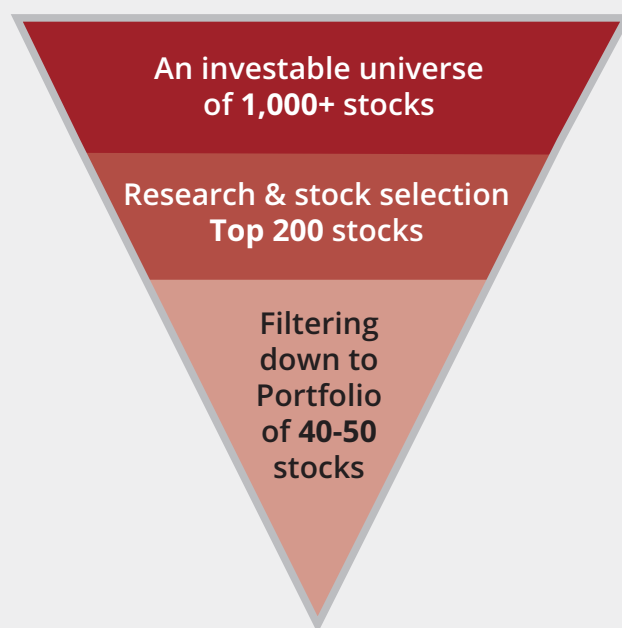
We use non-proprietary and proprietary quantitative tools to help identify and control risk factor exposures, including sector and geographic weights. We monitor and manage these to ensure we are cognisant of the risks we take.

Portfolio construction

The European Smaller Companies Fund is a high-conviction, diversified stock portfolio with 40-50 of our best non-consensus ideas, where every position is meaningful

When constructing the portfolio we prioritise exposure to our non-consensus company-level insights with sector and country weights a residual of the stock selection, and we identify and control any non-stock specific risks in the portfolio.

We also adopt a strict sell-to-buy discipline, exiting holdings when the investment case has played out, earnings have disappointed, or we have a better idea elsewhere in the market.



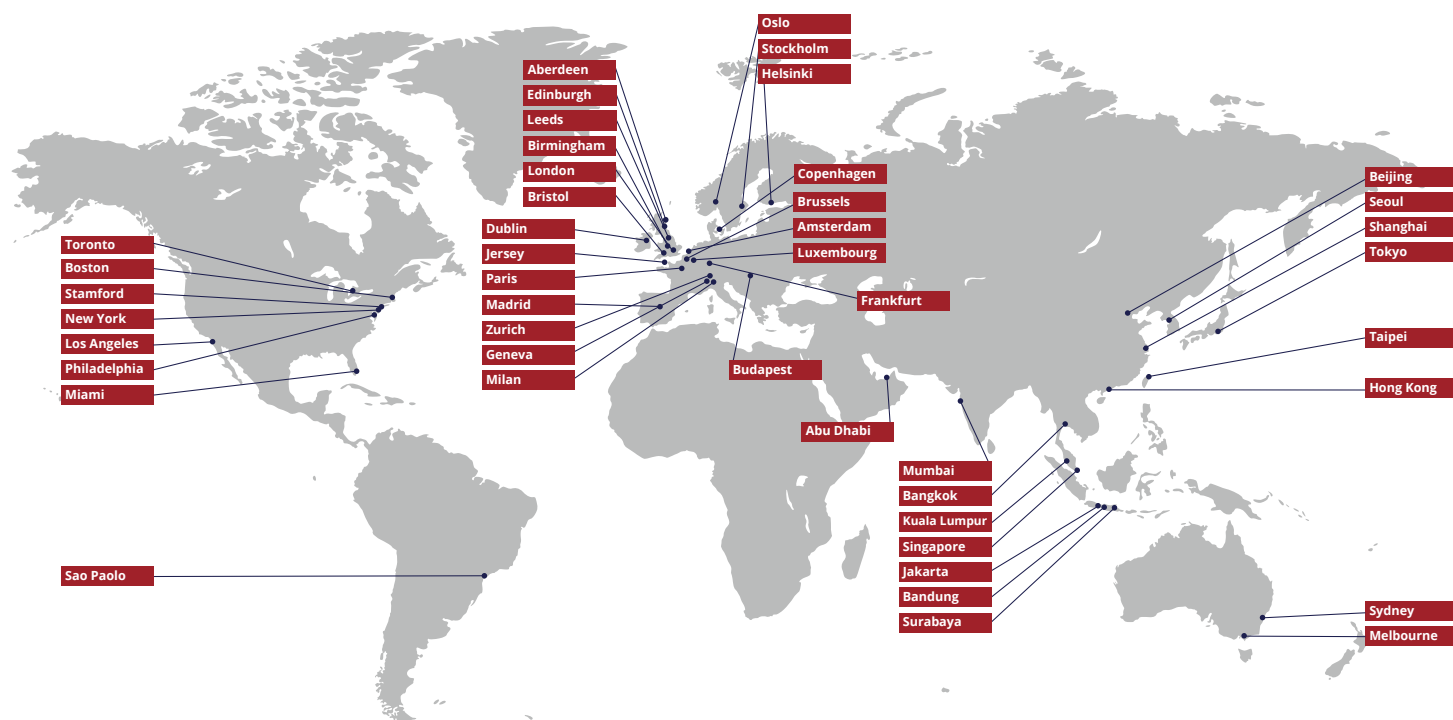
Past performance of the Standard Life Investments European Smaller Companies Fund

	31/03/2017 31/03/2018 (%)	31/03/2016 31/03/2017 (%)	31/03/2015 31/03/2016 (%)	31/03/2014 31/03/2015 (%)	31/03/2013 31/03/2014 (%)
Standard Life Investments European Smaller Companies D Acc EUR in EU	14.23	6.93	10.55	15.41	42.56

Source: FE Analytics

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 £575.7 billion* of assets managed on behalf of clients globally as at 31 December 2017.

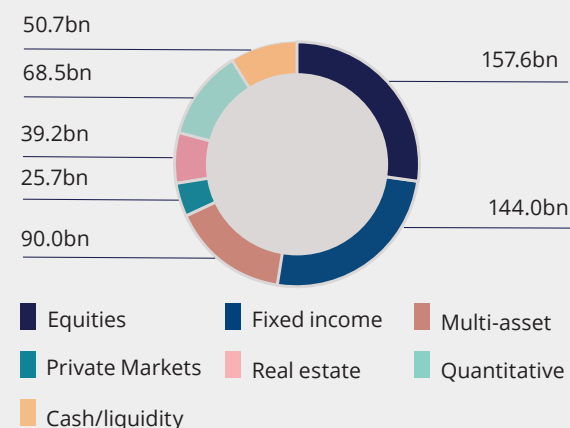
The breadth of our expertise can be seen by the diverse range of investments we are entrusted to manage.

*Data as at 31 December 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 31 December 2017, Source: Standard Life Aberdeen plc

Important Information

Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments.

This material is for informational purposes only. This should not be relied upon as a forecast, research or investment advice. It does not constitute an offer, or solicitation of an offer, to sell or buy any securities or an endorsement with respect to any investment vehicle. The opinions expressed are those of Standard Life Investments and are subject to change at any time due to changes in market or economic conditions. The value of an investment is not guaranteed and can go down as well as up. An investor may get back less than they invested. Please refer to the Key Investor Information Document or the Prospectus for more details of the risks applicable to the fund.

Standard Life Investments Limited is registered in Scotland (SC123321) at 1 George Street, Edinburgh EH2 2LL. Standard Life Investments Limited is authorised and regulated by the Financial Conduct Authority.

Calls may be monitored and/or recorded to protect both you and us and help with our training. www.standardlifeinvestments.com © 2018 Standard Life Aberdeen, images reproduced under licence

Visit us online
aberdeenstandard.com

