

May 2018

# Fund Guide

Investment Professionals

Aberdeen Standard  
Investments

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## The Standard Life Investments Global Smaller Companies Fund

### Portfolio in numbers\*

\*Based on the OEIC, which the SICAV mirrors. All OEIC data is to 31/03/2018. Benchmark index is MSCI ACWI Small Cap. Alpha figure is a geometric return.

40-80

Number of stocks in  
best ideas portfolio

4.1% p.a

Alpha  
annualised

>99%

Active  
share

43%

Downside  
capture

6.4%

Realised tracking  
error (approx)

### Fund Profile

The Global Smaller Companies Fund is an active, long-only, concentrated portfolio containing 40-80 of our best investment ideas. We select stocks from a worldwide investment pool made-up of over 6,000 stocks that represent the bottom 15% of 23 developed and 23 developing countries. We focus on stocks that we believe have the high-quality, growth and momentum characteristics that we favour. Launched in the UK in January 2012 and now available as a SICAV, performance has been excellent and in the top decile relative to its peers.

**“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.”**

Alan Rowsell, Investment Director

### Fund Focus



We take a lower-risk approach to investing, preferring high-quality businesses with a competitive advantage that we believe can lead to consistent and sustainable earnings growth over time.



We then construct a diversified portfolio of our highest-conviction investment ideas.



To reduce the wide investment universe to a more manageable size, we use a proprietary quantitative screening tool – the Matrix – to identify the companies with the growth, quality and momentum attributes that we believe are necessary for the shares to outperform.



The ability to deliver consistent market-beating returns from deep insights into under-researched stocks and a best-ideas portfolio with a high active share that we designed to deliver returns from idiosyncratic risk.



Our scale ensures that we have first-rate access to the companies we research. We undertake analysis of each company's fundamentals to validate the investment rationale and to assess the strength and repeatability of the company's business model.



A lower-risk strategy due to a focus on quality, growth and a long investment horizon with access to our well-established investment process that has an excellent track record of outperformance.

# Investment philosophy & process



## Key Facts

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



## Idea generation

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

01

We look for companies that can deliver sustainable growth.

02

When it comes to buying and selling, our approach is to run our winners and cut our losers.

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.

The Matrix electronically tracks 13 different factors we believe can predict future share price 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.

## Idea Validation

- We believe that the most consistent source of alpha will come from bottom-up stock selection, so we focus most of our time, energy and efforts at the company level.
- The team carries out rigorous fundamental analysis, and meets with companies, to understand the quality, growth and momentum attributes of a business.
- Our belief is that if you can create a structure to identify and analyse the above principles then you can exploit them and deliver alpha for investors.

## Past performance of the Global Smaller Companies OEIC 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 Global Smaller Companies	15.35	22.16	-2.91	23.85	18.04

Source: FE Analytics, Platform 1 Acc, EUR, March 2018

# Investment philosophy & process

## Research and stock selection

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

### Idea generation

Investment ideas can come from different sources but a key part of the idea generation process is our proprietary in-house stock screening tool, the Matrix.

### Idea validation

We utilise a truly bottom-up, fundamental research approach, meeting companies to cross-check the veracity of our investment thesis, and assess the strength of a company's business model.

### Portfolio construction

We then build a truly diversified portfolio that contains our highest-conviction investment ideas.

## 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.

We also monitor and manage any thematic risks to ensure that no unintended risk dominates and that the portfolio is suitably diversified. Portfolios are formally reviewed on a regular basis with the head of the relevant asset class, the investment process team and members of the investment risk team.

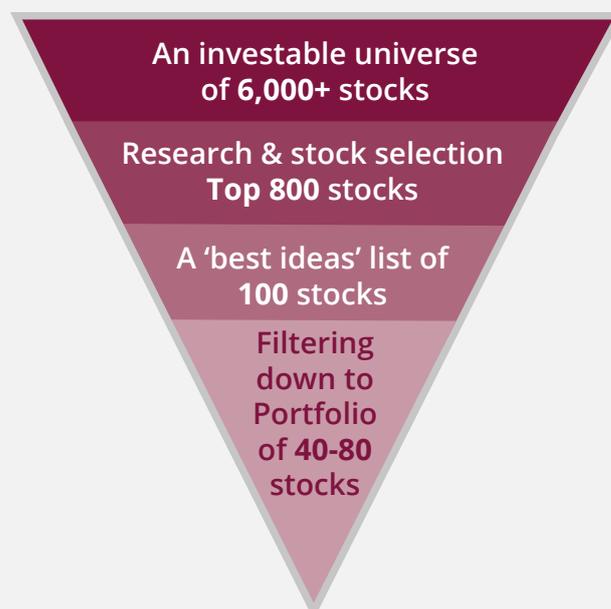
## Portfolio construction

The Global Smaller Companies Fund is a high-conviction, diversified stock portfolio with 40-80 of our best non-consensus ideas, where every position is meaningful.

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 portfolios.

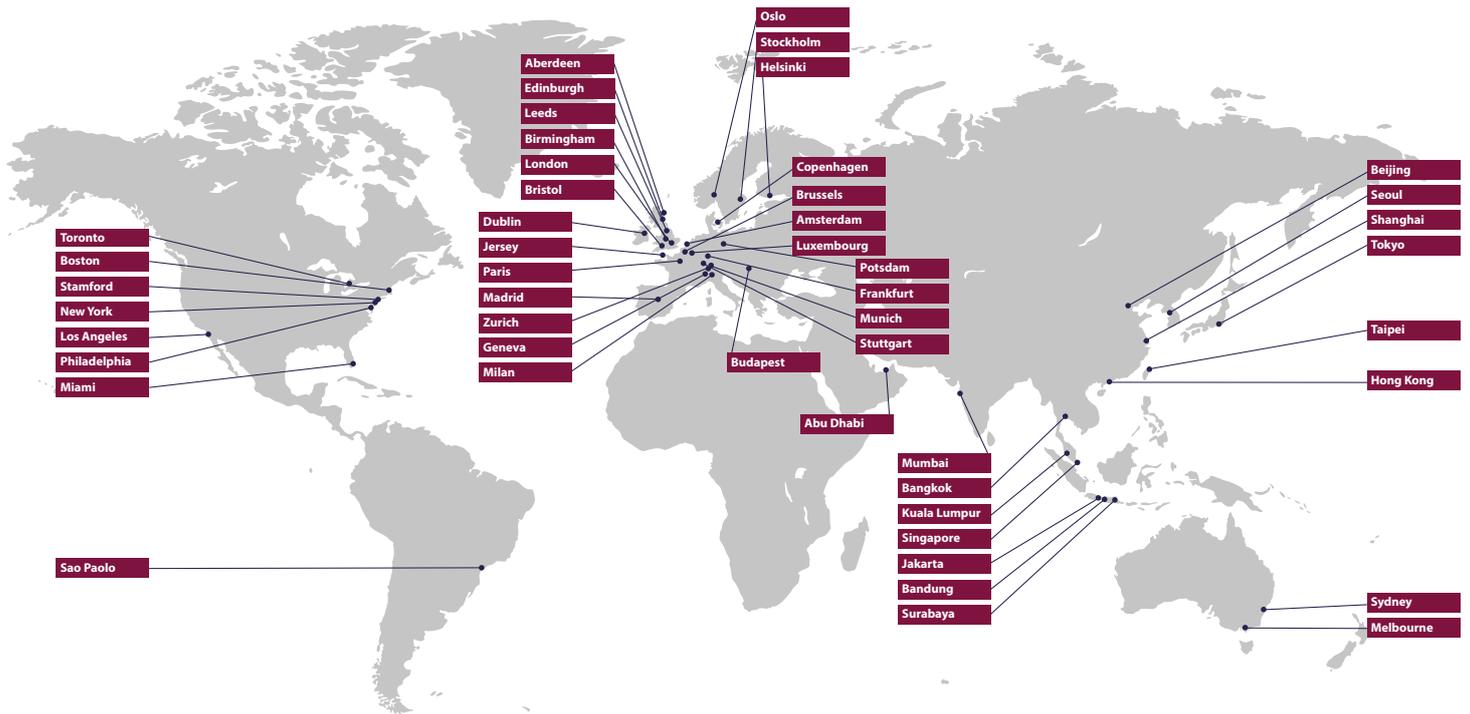
Members of the smaller companies team will each identify their 'best ideas' list of stocks, which highlight to the portfolio manager the strongest conviction names across the team.

From the circa 100 'best ideas' list, the portfolio manager selects a diversified portfolio of preferred stocks and takes meaningful positions in each.



# Aberdeen Standard Investments - our global reach

A presence in 49 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.

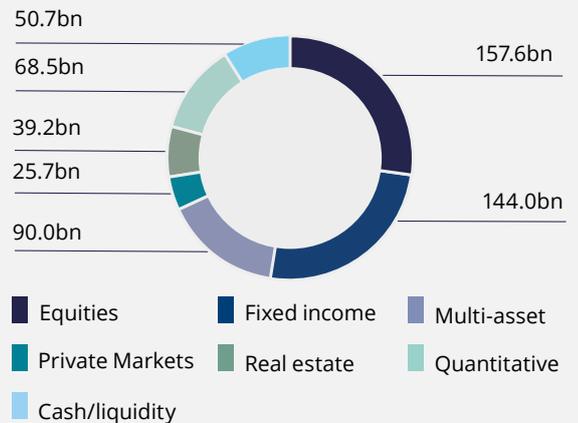
The breadth of our expertise can be seen by the diverse range of investments we are entrusted to manage.

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

## Strategic partnerships and joint ventures

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

## Assets under Management – by asset class\*\*



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

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

The value of an investment can fall as well as rise and is not guaranteed. An investor may get back less than they put in. Past performance is not a guide to future performance. Please refer to the Key Investor Information Document or the Prospectus for more details of the risks applicable to the fund.

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