Nov
2018

Absolute Return Global Bond Strategies Fund

30 November 2018

Aberdeen Standard Investments

The fund aims to provide positive investment returns in the form of income and capital growth in all market conditions over the medium to long term. The fund is actively managed, with a wide investment remit to target a level of return over rolling three-year periods equivalent to cash plus three per-cent a year, gross of fees. It exploits market inefficiencies through active allocation to a diverse range of market positions. The fund uses a combination of traditional assets (such as bonds, cash and money market instruments) and investment strategies based on advanced derivative techniques, resulting in a highly diversified portfolio. The fund can take long and short positions in markets, securities and groups of securities through derivative contracts.

Past performance is not a guide to future returns and future returns are not guaranteed. The price of assets and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment. The fund will use derivatives extensively to reduce risk or cost, or to generate additional capital or income at low risk, or to meet its investment objective. Usage of derivatives is monitored to ensure that the fund is not exposed to excessive or unintended risks. The value of assets held within the fund may rise and fall as a result of exchange rate fluctuations.

SICAV Fund

Absolute Return Fund

Monthly

Fund Manager	Multi Asset Investing Team
Launch Date	29 Mar 2011
Current Fund Size	£1950.3m
Base Currency	GBP
Benchmark	3 Month Sterling LIBOR
Duration	2.3 Years

This document is intended for use by individuals who are familiar with investment terminology. To help you understand this fund and for a full explanation of specific risks and the overall risk profile of this fund and the shareclasses within it, please refer to the Key Investor Information Documents and Prospectus which are available on our website – www.standardlifeinvestments.com. Please note that the fund information tables are only updated on a quarterly basis (31 March, 30 June, 30 September and 31 December).
Due to rounding, the underlying sections may not sum to the total.
Aberdeen Standard Investments has not considered the suitability of investment against your individual needs and risk tolerance. If you are in any doubt as to whether this fund is suitable for you, you should seek advice. An adviser is likely to charge for advice. We are unable to provide investment advice.

Fund Information *

Stand-alone risk contribution by strategy type

	Stand-alone Vol %
Credit	1.52
FX	1.27
Duration	0.87
Inflation	0.75
Cross Market	0.49
Curve	0.39
Volatility	0.00
Total stand-alone vol:	**5.31**
Diversification:	**2.48**
Overall Volatility:	**2.83**

Return contribution by strategy type

	Q3 Contribution (%)
Credit	0.11
Cross Market	-0.10
Curve	0.03
Duration	0.05
FX	-0.40
Inflation	-0.22
Volatility	0.00
Cash	0.06
Residual	-0.45
Total:	**-0.93**

Top ten risk contributions by strategy

	Stand-alone Vol %
Long Japanese Yen vs Australian Dollar	1.03
Short UK Inflation	0.75
Brazilian Government Bonds	0.73
Canadian Interest Rates	0.62
Short-Dates Credit	0.54
Swedish Flattener vs Canadian Steepener	0.49
European Short End Flattener	0.39
EU Investment Grade Credit	0.39
US Real Yields	0.39
Long US Dollar vs South Korean Won	0.29

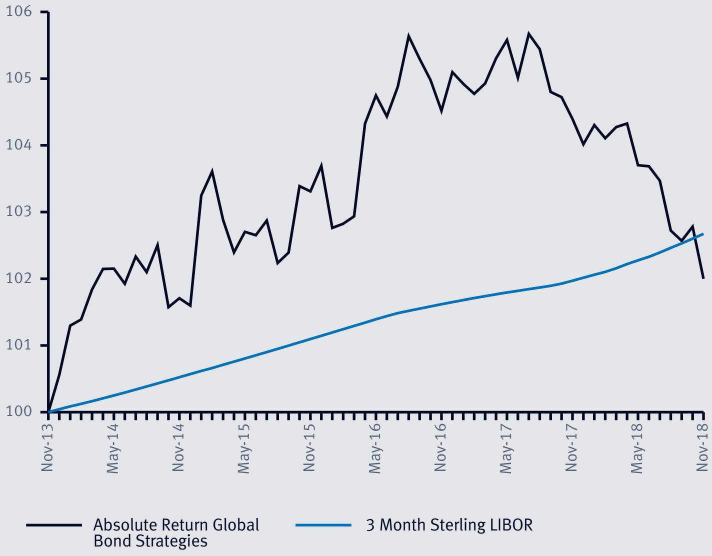
Top 5 Return Contributors by strategy

Top Contributors	Q3 Contribution (%)
Short US Interest Rates	0.21
High Yield Credit	0.14
Contingent Capital Bonds	0.09
Short-Dated Emerging Market Corporate Credit	0.07
European Short End Flattener	0.03

Bottom Contributors	Q3 Contribution (%)
Short UK Inflation	-0.25
Canadian Interest Rates	-0.19
Long Indian Rupee vs Swiss Franc	-0.16
Emerging Markets Income	-0.14
Long Japanese Yen vs Canadian Dollar	-0.08

Fund Performance *

Price Indexed



Performance has been calculated over the stated period on the share price performance basis, based on the institutional shareclass and net of fees. For your relevant charges please contact your Aberdeen Standard Investments Sales Representative.

Source: Aberdeen Standard Investments (Fund) and Thomson Reuters DataStream (Benchmark)

Cumulative Performance

Source: Aberdeen Standard Investments (Fund) and Thomson Reuters DataStream (Benchmark)

	YTD (%)	1 month (%)	3 months (%)	6 months (%)	1 year (%)
Retail Fund Performance	-2.6	-0.8	-0.9	-2.0	-3.0
Institutional Fund Performance	-1.9	-0.8	-0.7	-1.6	-2.3
3 Month Sterling LIBOR	0.6	0.1	0.2	0.4	0.7

	3 years (%)	5 years (%)	Since launch (%)
Retail Fund Performance	-3.3	-1.5	3.4
Institutional Fund Performance	-1.3	2.0	8.7
3 Month Sterling LIBOR	1.6	2.7	4.8

Note: Past Performance is not a guide to future performance. The price of shares and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment.

For full details of the fund's objective, policy, investment and borrowing powers and details of the risks investors need to be aware of, please refer to the prospectus.

The fund does not have an index-tracking objective.

Definitions
Duration - gives an indication of a bond's sensitivity to a change in interest rates. It is based on a snapshot of the portfolio on specified date. It does not include any impact from charges.

Investment Review and Outlook

Market review

Geopolitical developments remained a key influence on investor sentiment. In particular, the ongoing US-China trade spat continued to fuel worries about global growth. In US mid-term elections, the Democrats took control of the House of Representatives, which will likely make it harder for President Trump to extend his stimulus plans. As widely anticipated, the US Federal Reserve left interest rates unchanged, while a speech from its chairman was interpreted as an indication that the central bank may leave rates closer to the current level. Meanwhile, UK Prime Minister Theresa May and the European Union (EU) finally struck a deal over the terms of the UK's withdrawal from the EU. However, the deal faces overwhelming opposition from the House of Commons which, given the absence of alternative proposals, raises the odds of a 'no-deal' Brexit.

Global government bonds delivered positive returns (yields fell), as concerns about world growth fuelled demand for less risky assets. Yields on UK government bonds ended lower (prices rose) after a volatile month driven by Brexit and fluctuations in the British pound. The yield on US 10-year Treasuries fell to just under 3% and yields on German government bonds also edged down. Corporate bond markets delivered negative returns (yields rose) as investors worried about high levels of corporate debt in an environment of slowing growth and rising US interest rates.

The global economy continued to show sharp regional divergence. US data remained solid and consumer confidence high, despite some softening of the housing market on account of higher interest rates. By contrast, signs of economic weakness persisted in Europe, with disappointing third-quarter growth and signs of slowdown in both services and manufacturing. EU consumer confidence also fell short of expectations.

Oil prices declined, with Brent crude closing below US$60/barrel on fears that global trade wars will curb demand at a time when oil supply, particularly in the US, is growing.

Activity

We repositioned our exposure to the US market by adding a US yield curve steepener strategy and a short US interest rates position. The market is likely to price in short-term interest rate expectations. However, as the US rate-hiking cycle continues to evolve, we are now closer to a point where the market will also start to focus on medium-term interest rates.

We closed our US real yields position. Taking advantage of the recent significant decline in inflation breakeven points, we added outright long US inflation exposure at an attractive price. We also closed our long US dollar versus Korean won currency position after it benefited from the dollar's recent strong performance.

We closed our European short-end flattener position. At the same time, we opened a European versus Swedish cross-market interest rates strategy, having reassessed longer-term interest rate expectations between these two markets.

Performance

The Absolute Return Global Bond Strategies Fund returned -0.76% (net of fees) during the month, compared to the benchmark three-month GBP LIBOR return of 0.07%.

Our Canadian interest rates strategy benefited from the positive environment for global government bonds. So, too, did our Swedish yield curve flattener versus Canadian yield curve steepener strategy. However, our long interest rate volatility strategy gave back some of its earlier gains. The decline in the British pound, amid mounting concerns about Brexit, hindered our short UK inflation strategy. A number of our credit strategies delivered negative returns as credit markets performed poorly.

Turning to currency strategies, our preference for the Japanese yen over the Australian dollar was penalised. The Australian dollar is used by investors as a proxy for emerging markets. It strengthened on the prospect of a US-China trade deal, and as the market came to expect a slower pace of US interest rate rises next year.

Outlook

We expect modest broad-based global growth, albeit with regional variations. Fiscal policy and the changing monetary policies of central banks will be important drivers of asset returns. The US is moving to a tighter monetary environment, albeit on a gradual incline. Improving data in Europe may reduce the European Central Bank's appetite for monetary easing. However, it is likely to remain cautious in the near term given the heightened uncertainty surrounding the UK's withdrawal from the European Union. Japan, meanwhile, is likely to remain on a loose monetary path. Geopolitical tensions remain elevated and, on many metrics, asset prices look expensive. We will seek to exploit available opportunities by implementing a diversified range of strategies using multiple asset classes.

Other Fund Information

	Retail Acc	Retail Dist	Institutional Acc	Institutional Dist	Currency
Bloomberg	SLABRBA LX	-	SLABRBD LX	-	GBP
ISIN	LU0548156891	-	LU0548158830	-	GBP
WKN	A1H6U1	-	A1H6U2	-	GBP

Domicile	Luxembourg
Custodian Name	The Bank of New York Mellon SA/NV, Luxembourg Branch, 2-4 Rue Eugene Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg
Auditor Name	KPMG Luxembourg, 39, Avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg

	Interim	Annual
Reporting Dates	30 Jun	31 Dec

Settlement Time	T+3
Email	LUXMB-ASI-TA@bnymellon.com
Telephone	+352 24 525 716
Share Price Calculation Time	15:00 (Luxembourg time)
Dealing Cut Off Time	13:00 (Luxembourg time)

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Risk Factors

The fund invests in securities which are subject to the risk that the issuer may default on interest or capital payments.

The fund price can go up or down daily for a variety of reasons including changes in interest rates, inflation expectations or the perceived credit quality of individual countries or securities.

The fund may invest in emerging market equities and / or bonds. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.

Investing in derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives will result in the fund being leveraged (where economic exposure and thus the potential for loss by the fund exceeds the amount it has invested) and in these market conditions the effect of leverage will be to magnify losses. The fund makes extensive use of derivatives.

The fund invests in high yielding bonds which carry a greater risk of default than those with lower yields.

All investment involves risk. This fund offers no guarantee against loss or that the fund's objective will be attained.

Inflation reduces the buying power of your investment and income.

The value of assets held in the fund may rise and fall as a result of exchange rate fluctuations.

The fund could lose money if an entity (counterparty) with which it does business becomes unwilling or unable to honour its obligations to the fund.

In extreme market conditions some securities may become hard to value or sell at a desired price.

The fund could lose money as the result of a failure or delay in operational processes.

Additional Information for Switzerland : The prospectus, the key investor information documents, the articles of incorporation, the annual and semiannual report in German, and further information can be obtained free of charge from the representative in Switzerland: Carnegie Fund Services S.A., 11, rue du Général-Dufour, CH-1204 Geneva, Switzerland, web: www.carnegie-fund-services.ch. The Swiss paying agent is: Banque Cantonale de Genève, 17, quai de l’Ile, CH-1204 Geneva. The last share prices can be found on www.fundinfo.com.

To find out more about our fund range, visit our website or alternatively speak to your usual contact at Standard Life Investments.

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