Standard Life Global Absolute Return Strategies Fund

Standard Life

There's a lot to look forward to

Contents

Why Standard Life?

There's a lot to look forward to

Standard Life is a life savings company. That means we provide pensions, retirement solutions, savings, investments and funds for each stage of your life journey.

We've been working in partnership with financial advisers helping people plan and enjoy their futures for more than 180 years in Ireland.

Operating internationally, our team of 400 people in Ireland delivers products and services to support customers and advisers.

Choice of investments

We work with our strategic partners in Aberdeen Standard Investments, as well as other carefully selected fund managers, to offer you a choice of investment funds to suit your needs. We also give you options that allow you to invest in deposits, exchange-traded funds and self-directed property.

We're here to help

Our customer service team is only a phone call away on 01 639 7000

What is multi-asset investing?

Multi-asset investing is all about investing in a mix of different assets. In the past, company shares and government bonds were the most common kinds of investment held in multi-asset funds. In recent years, however, the range of investments held by these funds has expanded widely. Many funds now hold assets that individual savers would not have considered investing in. Examples include private equity, infrastructure and commercial property, among others.

Why invest in multi-asset funds?

Addressing your objectives

The underlying goals of nearly all investors are to grow and preserve wealth or generate income, with as little risk as possible. Multi-asset investing aims to meet these goals.

Delivering returns, managing risk

By actively allocating to several different asset classes, multi-asset managers can adjust their portfolios to a changing market environment. This diversification also helps to reduce risk by ensuring that investors' nest eggs aren't all in one basket.

Achieving diversification

Perhaps the most significant benefit of multi-asset investing is diversification. By investing in more than one kind of asset, you can spread risk and improve your potential for returns.

Diversification works because different types of investments often don't perform in the same way at the same time. For example, share prices can go up while bond prices are falling and vice versa. This is because factors such as economics, interest rates, politics, conflicts and even the weather affect different asset classes in different ways. What's positive for one may be negative for another.

Diversification can also help to even out returns and lessen the effects of short-term market ups and downs. Share prices can change a lot in a short time. Bond prices tend not to move up and down quite as much or as fast as share prices. So, by investing in both you can achieve less volatile returns from investing in shares alone. Aberdeen Standard Investments can't predict all the factors affecting how different asset classes perform. But in most years, the difference between the best and worst-performing asset classes is substantial.

Broad investment universe

Aberdeen Standard Investments' multi-asset strategies can invest across a broad range of asset classes and countries, allowing them to focus on wherever they see the best opportunities for returns. For example, alongside traditional equity and bond investments, Aberdeen Standard Investments' managers can invest to profit from their views on currencies, interest rates, inflation and volatility. They can also invest in particular industry sectors and themes across the globe, such as renewable infrastructure and social housing.

In this way, these strategies aim to offer clients more potential for returns, more ways to diversify risk and ultimately more opportunity to meet their goals.

Source: Aberdeen Standard Investments, 2019

What's different about Global Absolute Return Strategies?

The Standard Life Global Absolute Return Strategies Fund (GARS) differs from most other funds in several ways. Most importantly, GARS aims to make money irrespective of the outlook for markets. It can make use of a broader range of strategies which mean it may even make money in markets that are predicted to fall in value.

GARS aims to provide a return that when averaged over three years, is equivalent to cash* +5 percentage points a year, before fees, although Aberdeen Standard Investments cannot guarantee this will be achieved. Depending on market movements and fund managers' decisions, there will be years when GARS delivers more or less than this target and it may even lose money.

Smoother investment journey

The fund managers aim to deliver GARS' target with as little risk to your money as possible. The return target for GARS is similar to the return that has historically been achieved from a long-term investment in global equities. However, GARS is expected to exhibit much less volatility (a measure of how much prices rise and fall) than equity investments. The multi-asset team expect GARS to show less than half the volatility of global equities.

Potential to make money in falling markets

The fund managers can access a wide range of investment tools and techniques to try and make money even if markets are falling (for example, through relative-value strategies GARS can seek to profit from differences between markets and securities, regardless of market direction). However, when markets behave very differently from the fund managers' expectations, GARS can lose money for investors.

*as measured by the six-month European Interbank Offer Rate (Euribor)

Warning: The value of your investment may go down as well as up.

Warning: The income you get from this investment may go down as well as up.

Warning: If you invest in this fund you may lose some or all of the money you invest.

Warning: This investment may be affected by changes in currency exchange rates.

Source: Aberdeen Standard Investments, 2019

Who looks after your money/investment?

GARS is managed by more than 90 skilled investment professionals with an average of 16 years' industry experience.

The GARS team is split into three groups who work closely together to choose the right investments.

Strategists

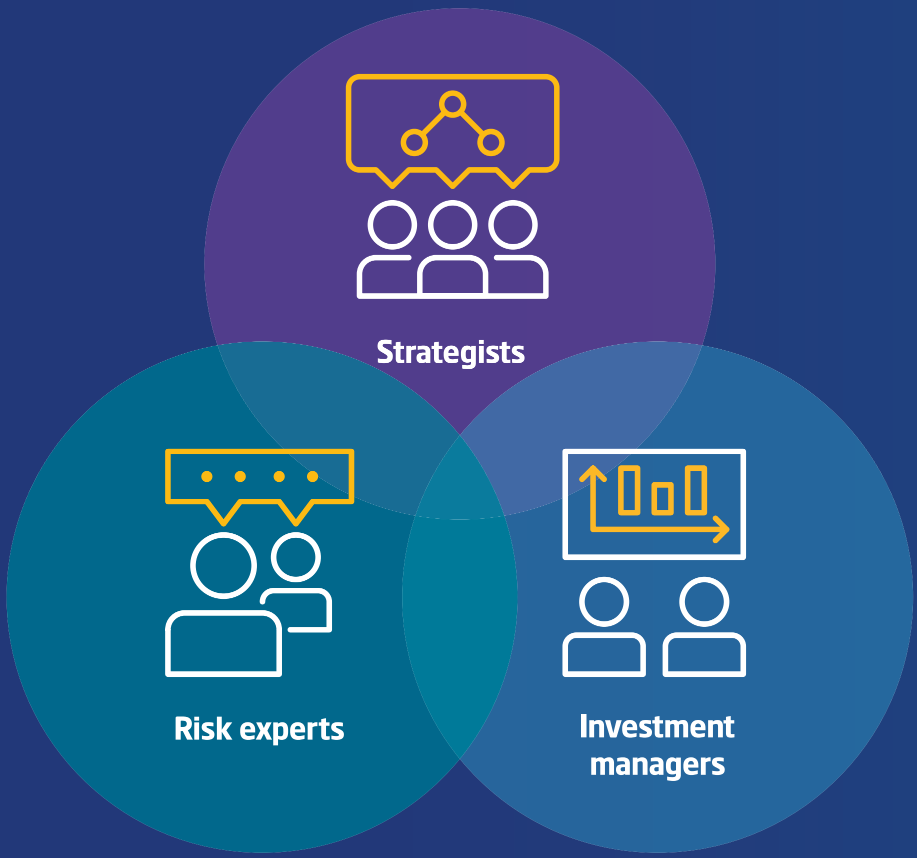
The job of the strategists is to give advice on 'big picture' developments that might affect the team's investment decisions (for instance, how news about US jobs might signal a change in US interest rates).

Investment managers

The investment managers search for investment opportunities that they believe will make money given the big picture. They get their ideas from many different sources: for instance, from the findings of the strategists or from Aberdeen Standard Investments equity, bond and currency experts. The investment managers thoroughly analyse each idea before they consider it for GARS and use their own tried and tested methods to help them find good investments. They continually check the investments they already hold, to make sure each one is still suitable.

Risk experts

The risk experts aim to ensure that the investment managers thoroughly understand the potential risks of each opportunity. This should help to give you as smooth an investment journey as possible.



Source: Aberdeen Standard Investments, 2019

Get to know your investment

Together with your financial adviser, we want to help you build your life savings so that you can look forward to the future with confidence. We believe that an important part of that is bringing you closer to your investments, so you can really understand how your savings are working. Here, we take a closer look at how GARS works.

The GARS team aims to grow your money more steadily and smoothly than traditional investment funds. To help them achieve this, they designed GARS so that it can access money-making opportunities in a broad range of market conditions, including when markets are falling.

This wide choice of investments allows GARS to spread risk, making it more resilient when markets are unsteady.

The fund managers also use a much more varied selection of tools and techniques than are available to many other funds. These allow the team to invest so that GARS still has the potential to make money even if the prices of investments fall – although it can also lose money, depending on the managers' investment decisions.

The investments held in GARS fall into four main types.

Market Return

The GARS team spreads your money across shares, bonds and real estate in different countries, choosing what they believe to be the most attractive investment opportunities.

The state of the world and its financial markets changes frequently. Therefore, the team reviews their choices and makes changes where necessary, to ensure that the countries and markets chosen are still suitable for the current conditions.

Security selection

The investment managers thoroughly analyse individual shares and bonds before they consider them for GARS and use their own tried and tested methods to help find good investments. They continually check the investments they already hold to make sure each one is still suitable.

Directional Strategies

Some markets can fluctuate around more or less the same level from one decade to the next. In between times, though, they still go up and down. For instance, in June 2013, £1 was worth around US$1.5, roughly the same as in December 1992.

Between those dates, however, the two currencies moved up and down a lot. For example, at times in 2008, £1 was worth more than US$2. The GARS team can make money from these upward and downward short-term movements of markets that may appear to be quite static over the long term.

Relative-value strategies

The team can take advantage of differences between two markets or two groups of investments. For instance, if the team suspects that large US companies will do better than US technology stocks, they can invest to make money from this view.

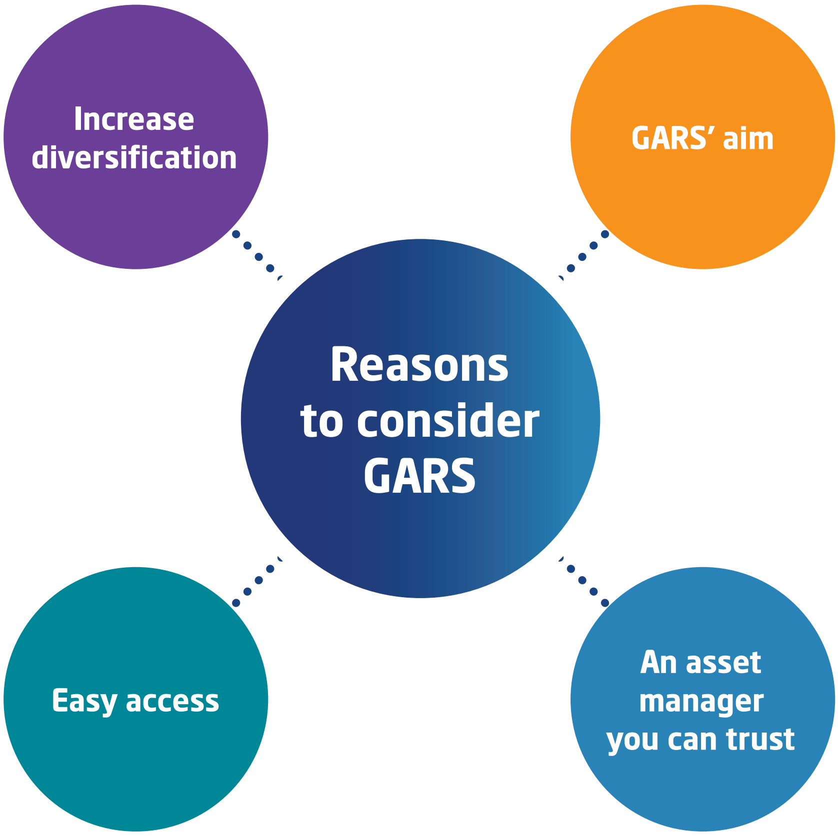
Importantly, the way they invest means that they can still make money if the share prices of both large US companies and US technology companies fall, as long as the shares of large US companies fall less than those of US technology companies.

Source: Aberdeen Standard Investments, 2019

Reasons to consider GARS

By putting your money in a lot of different markets and types of investments, the risk is spread much further. In other words, GARS puts your eggs in many different baskets.

GARS aims to make money irrespective of the market environment. The managers have broad discretion to hold those assets they feel have the best prospect of delivering a positive outcome.



GARS is priced daily so you can buy, sell or switch units on the same basis as for any fund.

Aberdeen Standard Investments is a leading asset manager, managing €562.7 billion* of assets on behalf of clients worldwide. A team of over 90 skilled investment professionals take care of your investment in GARS.

*Source: Aberdeen Standard Investments, 31 December 2018

Is this the fund for me?

We want to make sure that you only invest in funds that are right for you.

So how will you know if GARS is the right fund for a portion of your life savings? Look at the statements below; if they relate to you, then this could be the right fund for you. Your financial adviser can help you make this decision.

- I'm comfortable with a medium level of risk
- I can take the risk with my capital
- I'm looking for long-term capital appreciation
- It's important to me to invest in a professionally managed, globally diversified multi-asset fund
- I wish to invest in a fund which has target return of cash* +5 percentage points per annum (before charges) over rolling three-year periods

This fund may not be suitable if any of the following apply:

- I'm a low-risk investor
- I do not wish to take any risk with my capital
- I have an investment horizon of less than five years
- I do not wish to invest in a fund that uses financial derivatives or advanced investment strategies

*as measured by the six-month European Interbank Offer Rate (Euribor)

Important things to consider

The Standard Life Global Absolute Return Strategies Fund (the Fund) invests in the Aberdeen Standard Investments Global Absolute Return Strategies Fund (the Underlying Fund). The aim of the Aberdeen Standard Investments Fund is summarised below.

- GARS aims to provide positive investment returns in all market conditions over the medium to long term. The Fund is actively managed, with a wide invest remit to target a level of return over rolling three-year periods equivalent to cash plus five percentage points 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 equities and bonds) 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.
- The value of investments with the Standard Life Global Absolute Return Strategies Fund can fall as well as rise and is not guaranteed – an investor may get back less than they paid in. The Fund will use derivatives extensively to reduce risk or cost or to generate additional capital or income at proportionate risk (Efficient Portfolio Management) and/or to meet its investment objective. Derivatives will be used to provide market exposures different to those that could be achieved through investment in assets in which the Fund is primarily invested or conventional assets alone. Usage of derivatives is monitored to ensure that the Fund is not exposed to excessive or unintended risks.
- Any income (for example, dividend income) received by the Fund will be reinvested.
- The euro value of overseas assets held in the Fund may rise and fall as a result of exchange-rate fluctuations.
- Investors in the Fund may buy and sell units on any normal business day.Recommendation: The Fund may not be suitable for investors who plan to surrender their policy within five years.

Warning: This investment may be affected by changes in currency exchange rates.

Risk factors

- The Aberdeen Standard Investments Global Absolute Return Strategies Fund is not a guaranteed or capital-protected product. There are risks to your invested capital should you choose to invest in this fund. You may receive back less than your original investment.
- Extensive use of derivatives – To achieve its objectives, an absolute-return fund utilises a combination of traditional investments (such as equities, bonds and property) and advanced techniques where it can use derivatives extensively. Derivatives are financial instruments that derive their value from an underlying asset, such as a share or a bond, used routinely in global financial markets. Derivatives offer an effective and cost-efficient way of investing in markets when used correctly. However, derivatives can lead to reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure among market participants. The use of derivatives will result in the Fund being leveraged (where market 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 therefore, requires a robust and extensive risk-management process. While the Fund will not borrow cash for investment purposes, the total value of exposures to markets will routinely exceed the Fund's net asset value. Derivatives may be exchange-traded or 'over the counter' (OTC).
- Counterparty risk – The Investment manager may use one or more separate counterparties to undertake derivative transactions on behalf of the Fund. From time to time, the fund may be required to pledge collateral, and when this is required, it will be paid from within the assets of the Fund.
- When a derivatives contract moves in favour of the Fund, there is a risk that the counterparty may wholly or partially fail to honour their contractual obligations under the arrangement. The Investment Manager assesses the creditworthiness of counterparties as part of the risk-management process and will ordinarily hold collateral to mitigate this.

- Use of ‘long’ and ‘short’ positions – The Fund, by employing certain derivative techniques, will establish both ‘long’ and ‘short’ positions in individual stocks and markets. Investing on a long basis means that the value of the derivative will rise or fall in the same direction as the underlying market value of the asset from which it is derived. If investments are made on a short basis, the value of the derivative will rise and fall in the opposite direction to the underlying market value of the asset from which it is derived.
- Active Fund Management – The majority of risk within traditional funds are driven by the types of investments held (equities, fixed interest or property, etc.). The risks added by fund-manager decisions are generally of a smaller magnitude than the risks of the asset types themselves. However, the GARS Fund doesn’t have a structure where most of the returns are generated from traditional asset types. Instead, it derives most of its returns from very specific strategies. As a result of this, the risks of the Fund are driven primarily by these fund-management decisions, and less by the characteristics of the underlying traditional asset types.
- Correlation – The Fund will invest in a diverse set of investment strategies, which in the opinion of the investment adviser have attractive risk-reward characteristics. While the breadth of strategies is significant, should they start to exhibit closer correlation, for example, move in the same direction as one another, the fund may be subject to a higher level of risk and volatility than anticipated.
- Exchange rates – The Fund may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, currency exchange rates may have a positive or negative impact on the value of your investments.
- The Fund invests in equities and equity-related securities. These are sensitive to variations in the stock market, which can be volatile and change substantially in short periods of time.
- Bonds are affected by changes in interest rates, inflation and any creditworthiness of the bond issuer. The Fund’s portfolio may have significant exposure to bonds that typically have lower ratings. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may not be able to pay the bond income as promised or could fail to repay the capital amount used to purchase the bond. Where a bond market has a low number of buyers and/or a high number of sellers, it may be harder to sell particular bonds at an anticipated price and/or in a timely manner.
- Inflation reduces the buying power of your investment and income.
- The fund employs a single swinging pricing methodology to protect against the dilution impact of transaction costs. A change in the pricing basis will result in movement in the fund’s published price.
- 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.
- In extreme market conditions, some securities may become hard to value or sell at the desired price. This could affect the fund’s ability to meet redemptions in a timely manner.
- The fund could lose money as the result of a failure or delay in operational processes and systems, including but not limited to third-party providers failing or going into administration.

Fund pricing, switching, transferring or cashing in

You may be one of many investors in a fund. Sometimes in exceptional circumstances, we may do the following:

- Change the pricing basis of a fund to reflect cash flows in and out. If it’s a property-based fund, this can result in a significant movement of the fund price because of the high transaction charges associated with the assets.
- Wait before we carry out your request to switch your funds, transfer or cash in your policy. This delay could be up to a month. But for some funds, this may be longer, for example, if it’s a property based fund, it may be up to 12 months because property and land can take longer to sell.

If we have to delay switching, transferring or cashing in, we’ll use the fund prices on the day the transactions take place – these prices could be very different from the prices on the day you make the request.

These are processes which aim to maintain the fairness between those remaining invested and those leaving the fund.

For more information on our funds, please visit www.standardlife.ie/funds

Find out more

Talk to your financial adviser. They'll give you the information you need. Also, you can call us or visit our website

(01) 639 7000

Mon-Fri, 9am to 5pm. Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

www.standardlife.ie

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