

# Standard Life Global Index Funds

## Suitability aid

This document is to aid you with your due diligence and outsourcing requirements by providing some information on the Global Index Funds.

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# 1. About Standard Life Global Index Funds

## 1.1 Why invest in the Global Index Funds

There is a choice of five simple, ready-made, multi-asset portfolios. The underlying investments are managed by Vanguard, one of the worlds' largest fund managers. The five ready-made portfolios offer different combinations of company shares and investment grade bonds (both government and corporate), allowing you to choose a fund that's appropriate to your attitude to risk.

They use simple, index tracking funds as the underlying components and provide significant levels of diversification at a low cost. The funds are regularly rebalanced so that the level of equities and bonds that you choose remains fairly consistent over time.

## 1.2 Diversification

A golden rule of investing money is diversification. Spreading your money across asset classes can help to smooth out your investment returns over time. An 'asset class' is a category of investments, such as equities or bonds. Although assets in the same class have similar characteristics, they can have different returns and risks.

The value of the investments in any asset class can go up or down, and may be worth less than what was paid in – there are no guarantees.

These funds offer different weightings of equities and bonds, intended to offer appropriate blends for different risk tolerances and investment goals.

Each fund invests in Vanguard's index funds, giving you access to thousands of international stocks and bonds, across all major global regions and industries.

## 1.3 Investment mix

Each fund is managed to maintain its specific asset allocation, rebalanced to make sure they don't drift out of line from their target mix of equities and bonds. This means you can rest assured that the mix between equities and bonds remains fairly consistent over time.

## 1.4 Simple and easy to understand

Simple and easy to understand. Each fund only invests in a combination of equities and bonds, so no complex investment instruments to consider.

## 1.5 Low costs

Using Vanguard's low-cost index funds as building blocks means that the funds deliver a diversified all-in-one portfolio at a relatively low cost. Each of the five funds have an annual management charge of 0.95%.

## 1.6 Easy access

These funds are priced daily. If your circumstances change, it's easy to switch between the five Global Index Funds or any of Standard Life's funds that are available under your product.

# 2. The Management Process

The underlying investments are index funds which are managed by Vanguard. These underlying funds aim to replicate or track the performance of a stock market or bond index.

## 2.1 Rebalancing

Each Global Index Fund is managed to maintain its fixed asset allocation between equities and bonds, rebalanced to make sure they don't drift out of line from their target mix of equities and bonds. This means you can rest assured that the mix between equities and bonds will remain fairly constant over time.

Note: The Global Index Fund 100 only invests in equities.

# 3. Your fund choice

## 3.1 Choice of five funds

### Standard Life Global Index Fund 20

- The Global Index 20 Fund invests in a diversified portfolio of equities and bonds from across the world.
- Approximately 20% of the fund invests in a portfolio of shares across different countries, regions and industry sectors in both developed and emerging markets.
- Approximately 80% of the fund invests in a wide range of government and corporate bonds from across the world.
- The mix between equities and bonds will be rebalanced regularly to ensure the 20% equity/80% bond mix remains fairly constant over time.
- This fund is rated 4 out of 7 on the ESMA risk scale, 7 being the highest.

### Standard Life Global Index Fund 40

- The Global Index 40 Fund invests in a diversified portfolio of equities and bonds from across the world
- Approximately 40% of the fund invests in a portfolio of shares across different countries, regions and industry sectors in both developed and emerging markets
- Approximately 60% of the fund invests in a wide range of government and corporate bonds from across the world
- The mix between equities and bonds will be rebalanced regularly to ensure the 40% equity/60% bond mix remains fairly constant over time.
- This fund is rated 4 out of 7 on the ESMA risk scale, 7 being the highest.

### Standard Life Global Index Fund 60

- The Global Index 60 Fund invests in a diversified portfolio of equities and bonds from across the world
- Approximately 60% of the fund invests in a portfolio of shares across different countries, regions and industry sectors in both developed and emerging markets
- Approximately 40% of the fund invests in a wide range of government and corporate bonds from across the world
- The mix between equities and bonds will be rebalanced regularly to ensure the 60% equity/40% bond mix remains fairly constant over time.
- This fund is rated 5 out of 7 on the ESMA risk scale, 7 being the highest.

### Standard Life Global Index Fund 80

- The Global Index 80 Fund invests in a diversified portfolio of equities and bonds from across the world
- Approximately 80% of the fund invests in a portfolio of shares across different countries, regions and industry sectors in both developed and emerging markets
- Approximately 20% of the fund invests in a wide range of government and corporate bonds from across the world
- The mix between equities and bonds will be rebalanced regularly to ensure the 80% equity/20% bond mix remains fairly constant over time.
- This fund is rated 5 out of 7 on the ESMA risk scale, 7 being the highest.

### Standard Life Global Index Fund 100

- The Global Index 100 Fund invests in a diversified portfolio of equities from both developed and emerging markets.
- 100% of the fund invests in a portfolio of shares across different countries, regions and industry sectors in both developed and emerging markets.
- This fund is rated 6 out of 7 on the ESMA risk scale, 7 being the highest.

## 3.2 Suitability

We want to make sure that you only invest in funds that are right for you. So how will you know if the Standard Life Global Index Fund is the right choice for your life savings? Take a look at the statements below. If they relate to you then this could be the right fund for you.

These funds may be suitable if you:

- are seeking a fund solution that is tailored to closely match your attitude to risk
- have an investment horizon of at least five years
- can take risk with your capital

These funds may not be suitable if you:

- do not want to take risk with your capital
- are investing for less than five years
- are not prepared to accept periods of losses due to the volatile nature of equity and bond markets

## 4. About Vanguard

### 4.1 Vanguard

All of the underlying assets in the Global Index Funds are managed by Vanguard. Vanguard is the second largest asset manager in the world with just under €5.2 trillion in assets under management and more than 30 million investors around the globe\*. They established the world's first index mutual fund for individual investors in 1976 and have been a leader in low-cost index investing ever since.

\*Source: Vanguard 31 January 2021

## 5. About Standard Life

### 5.1 Standard Life

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

### Financial strength

Standard Life International is a part of the Phoenix Group, the largest life and pensions company in the UK and the second largest insurer in Ireland. Phoenix Group is a member of the FTSE100 and its strong financial position has been recognised by Fitch Ratings who assigned an investment grade ratings of AA-\*. \*At July 2021

# Appendix

## Additional information and risks

Is Environmental, Social or Governance (ESG) integrated into the investment process?

These are passively managed funds and aim to track the performance of a number of specified indexes, by holding a portfolio of all or similar securities held in the indexes themselves. The underlying indexes that these funds track are not ESG aligned indexes and do not incorporate ESG criteria when considering companies/securities for inclusion in the indexes themselves. As such these funds do not incorporate ESG considerations into the investment strategy, nor are there any specific ESG screens applied for investments to be eligible for inclusion in the funds. Furthermore, investments within these funds do not take into account the EU Taxonomy criteria for environmentally sustainable economic activities. Standard Life International and the fund managers of the underlying funds believe that active stewardship helps to create long-term value for investors. We believe that being an engaged shareholder and speaking directly with the companies the funds invest in on ESG matters, is essential to the health of the company, driving the potential for sustainable investment returns

## Important things to consider

All investment involves risk. These funds offer no guarantee against loss or that the Fund's objective will be attained. This is not a guaranteed or capital protected product. There are risks to your capital should you choose to invest in these funds. Investment risk is concentrated in specific sectors, countries, currencies, or companies. This means the funds are more sensitive to any localised economic, market, political, or regulatory events. Investors in these funds may buy and sell units on any normal business day. The value of bonds and fixed income related securities is affected by influential factors such as interest rates, inflation, credit spreads and volatility which, in turn, are driven by other factors including political, economic news, company earnings and significant corporate events. Movements in currency exchange rates can adversely affect the return of your investment. While the bond allocation in these funds invest predominantly in investment grade bonds there is always a risk that the bond issuers may not be able to pay the 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 sellers, it can be hard to sell particular bonds at an anticipated price and/ or in a timely manner. The value of investments within the funds can fall as well as rise and is

not guaranteed – an investor may get back less than they paid in. The euro value of overseas assets held in the funds may rise and fall as a result of exchange rate fluctuations. In extreme market conditions, some securities may become hard to value or sell at a desired price. This could affect these Fund's ability to meet redemptions in a timely manner. The funds could lose money as a result of the failure or delay in operational processes and systems including but not limited to third party providers failing or going into administration.

These funds may invest in China A shares and in other emerging market equities and 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 China A shares involves special considerations and risks, including greater price volatility, a less developed regulatory and legal framework, exchange rate risks/controls, settlement, tax, quota, liquidity and regulatory risks.

**At certain times and when you cash in your policy, there is likely to be tax payable. This will depend on the policy type you're invested in and your personal circumstances.**

## Risk Factors

The funds invest 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.

### Currency risk

Movements in currency exchange rates can adversely impact the return of your investment. Currency hedging may be used but is not guaranteed to completely eliminate currency risk.

### Counterparty risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments may expose the fund to financial loss.

### Inflation Risk

The value of your investments may not be worth as much in the future due to changes in purchasing power resulting from inflation.

### Credit risk

The issuer of a financial asset held within the funds may not pay income or repay capital to the funds when due.

### Liquidity Risk

Liquidity risk occurs when the relevant market is inefficient, and it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

### Index Tracking risk

The funds are not expected to track the performance of the underlying indices at all times with perfect accuracy. The funds are, however, expected to provide investment results that, before expenses, generally correspond to the price and yield performance of the indices.

### Index sampling risk

As these funds use an index sampling technique whereby a representative sample of securities are selected to represent an index, there is the risk that the securities selected for the funds may not, in the aggregate, approximate the full index.

### Use of derivatives

These funds may use investment techniques (including Derivatives) to seek to protect and enhance the value of the funds and to manage the funds risks. Derivatives, such as futures, options and swaps, are linked to the rise and fall of other assets. In other words, they “derive” their price from another asset. They can generate returns when share prices and/or indices fall. 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 may result in the funds being leveraged (where economic exposure and thus the potential for loss by the funds exceed the amount they have invested) and in these market conditions the effect of leverage will be to magnify losses. These funds do not make extensive use of derivatives.

### Securities Lending

The assets in these funds may be used for the purpose of security lending in order to earn an additional level of return and offset the cost of the funds. While securities lending increases the level of risk in the funds it may provide an opportunity to increase the investment return

### Switching your funds, transferring or cashing in

You may be one of many investors in a fund. Sometimes in exceptional circumstances:

- We may also change the pricing basis of a fund to reflect cash flows in and out. If it's a property based fund, due to the high transaction charges associated with the assets, this can result in a significant movement of the fund price
- We may also 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, the delay could 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 transaction takes place – these prices could be very different from the prices on the day you made the request.

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