

For financial advisers only

**Standard Life**  
Part of Phoenix Group

# Standard Life Global Index Funds

Suitability aid

**Vanguard**<sup>®</sup>



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

# 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 world's 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 continuously 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, continuously 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 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.

## 1.7 Performance

Each fund consists of a number of index-tracking funds managed by Vanguard, a leader in index fund management since 1976. They have a strong reputation for generating investment returns in line with each index that they track. This provides you with the peace of mind that you'll typically receive investment returns in line with the market, gross of fees, eliminating any concerns about underperformance.

# 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.

The three underlying index funds are the Vanguard Global Stock Index Fund (tracking MSCI World Index), the Vanguard Emerging Market Stock Index Fund (tracking MSCI Emerging Market Index), and the Vanguard Global Bond Index Fund (tracking Bloomberg Global Aggregate Float Adjusted and Scaled Index).

## Rebalancing

Each Global Index Fund is managed to maintain its fixed asset allocation between equities and bonds, continuously 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 constant over time.

Equities within the funds are not hedged. However, all non-euro fixed income is hedged back to euros.

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 continuously 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 continuously 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 continuously 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 continuously 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



Vanguard was founded in the United States in 1975 on a simple but revolutionary idea: that an investment company should manage its funds solely in the interests of its clients. Vanguard is now the second largest fund manager in the world, helping over 30 million clients in 170 countries.

They pioneered index tracking fund management in 1976 and have a strong reputation for minimising tracking errors in managing large global index funds. They manage over €7.3 trillion assets.

Vanguard's core purpose is simple – to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

\* Source: Vanguard 30 June 2023

## 5. About Standard Life



Part of Phoenix Group

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**

Financial strength is arguably one of the most important considerations when choosing a financial provider. Standard Life International dac is a subsidiary of Phoenix Group Holdings plc. Phoenix is listed on the London Stock Exchange, a constituent of the FTSE 100 Index. Independent credit rating agency Fitch recognised its strong financial position with an A+ credit rating.

\* At 30 June 2023

# 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 Funds are classified as Article 6 under the EU's Sustainable Finance Disclosure Regulation ("SFDR"). Article 6 funds don't promote ESG characteristics or have a specific sustainable investment objective. 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.

Equities within the funds are not hedged. However, all non-euro fixed income is hedged back to euros. 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.

The funds may invest in China A shares (companies listed on Shanghai Stock Exchange (SSE) and the Shenzhen Stock Exchange (SZSE)) and in other emerging market equities and bonds. Investing in emerging markets involve 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. The funds may also invest in Frontier Markets which involve similar risks, but to a greater extent since they tend to be smaller, less developed, and less accessible than other Emerging Markets.

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.

The funds may invest in companies with Variable Interest Entity (VIE) structures in order to gain exposure to industries with foreign ownership restrictions. There is a risk that investments in these structures may be adversely affected by changes in the legal and regulatory framework.

**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

### Equity Risk

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.

### Bond Risk

These funds can invest in bonds, the value of a bond may fall if, for example, the company or government issuing the bond is unable to pay the loan amount or interest when they are supposed to. The value may also be affected by movements in inflation and interest rates which may result in the value of the bond rising or falling. This may (or will) result in the value of the funds falling.

### **Interest Rate Risk**

When interest rates rise, bond and loan values generally fall. This risk is generally greater the longer the duration of a bond investment is.

### **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.

Standard Life International dac is regulated by the Central Bank of Ireland. Standard Life International dac is a designated activity company limited by shares and registered in Dublin, Ireland (408507) at 90 St Stephen's Green, Dublin, D02 F653.

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