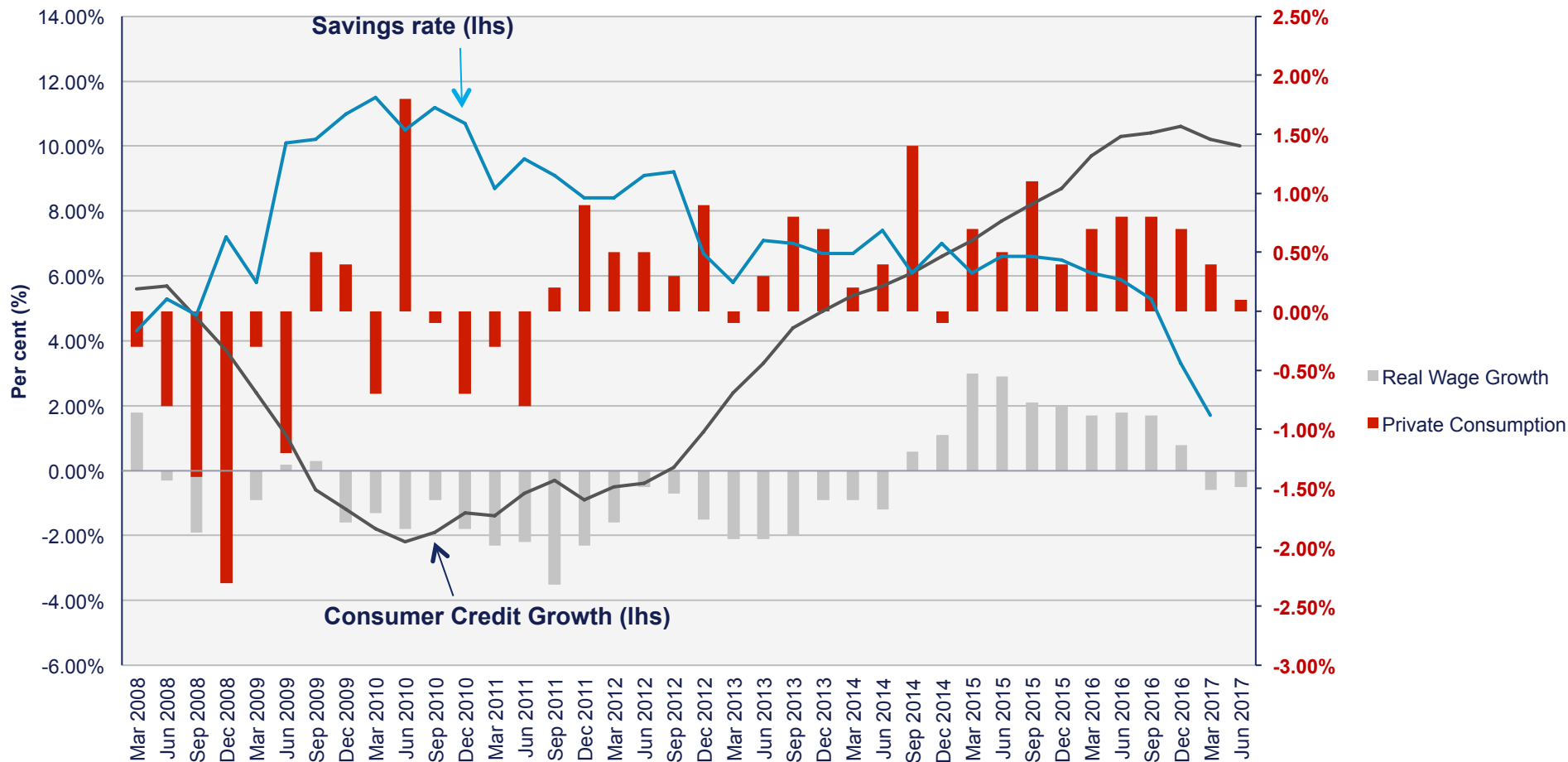


JIC Autumn Conference

Total Return Credit

November 2017

It's still all about wages

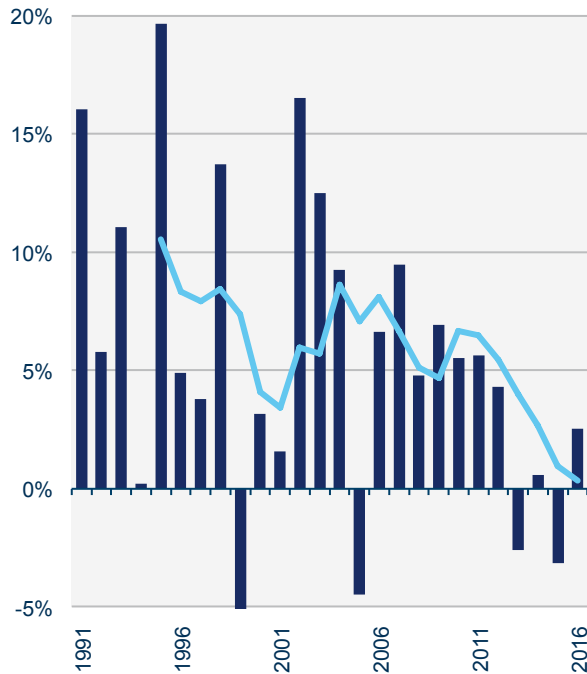


Source: Standard Life Investments, Bloomberg

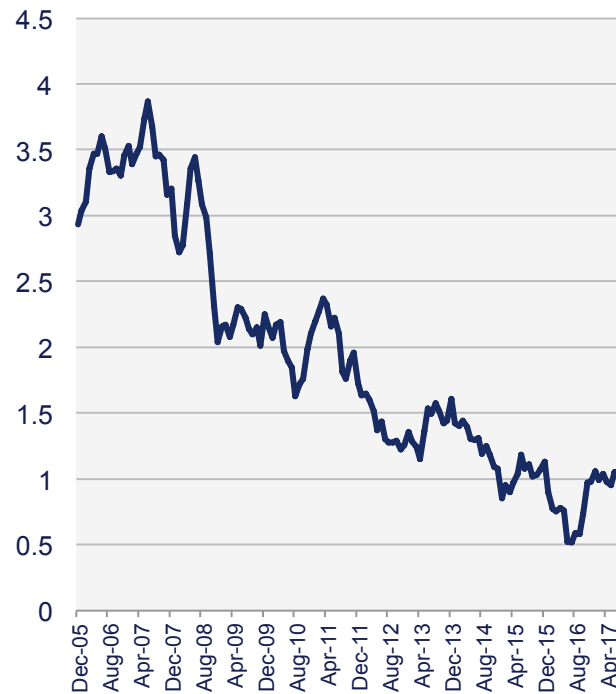
...and it's still lower for longer in rates

Core fixed income market returns done well, but active management key going forward

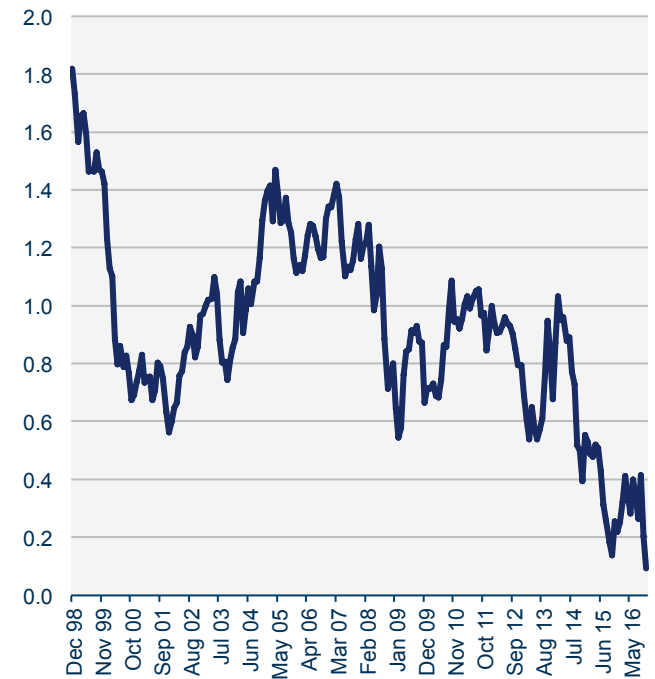
5 year (annualised) moving average Global Aggregate return on the decline...



Developed market government bond yields have fallen helping fixed income returns...



Sharpe ratio on 5 year moving average return and volatility (p.a.) has fallen dramatically, illustrating weak risk adjusted returns...

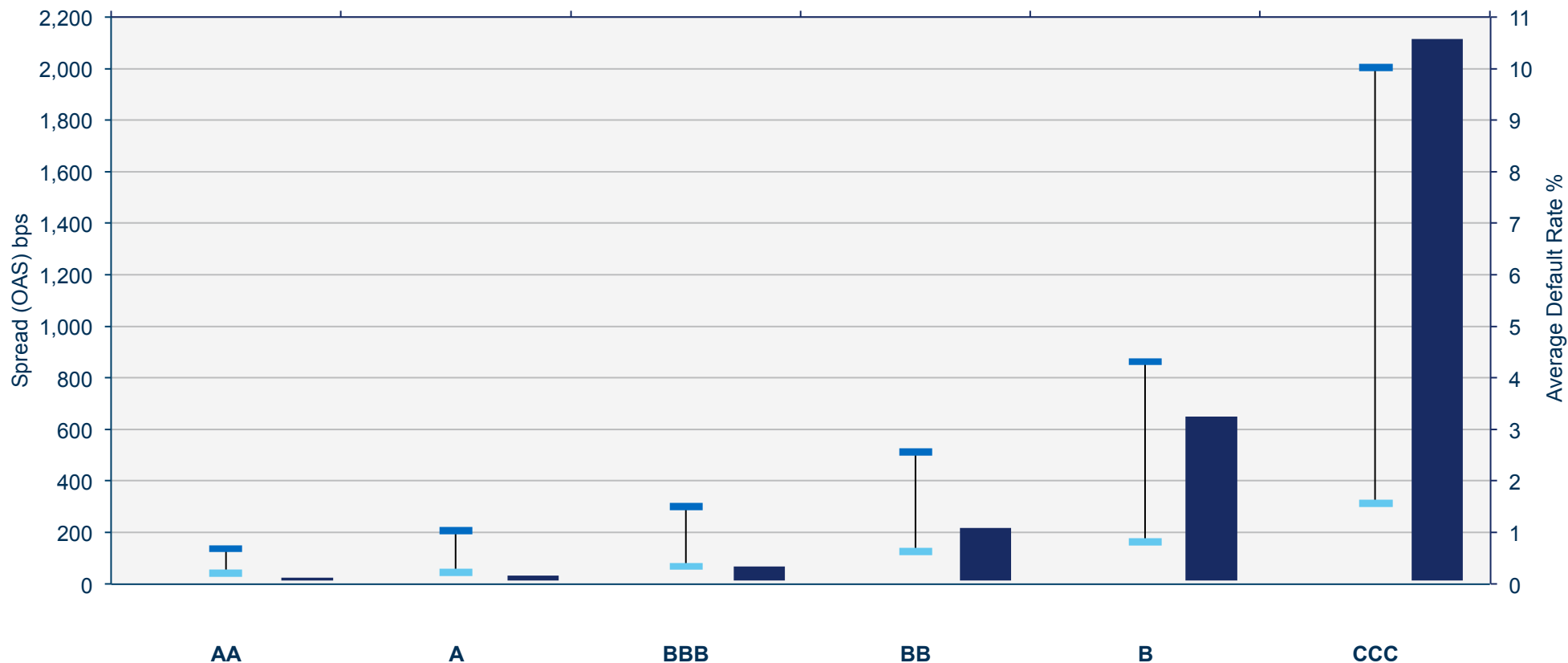


Bloomberg Barclays Global Aggregate total return index hedged in GBP, calendar year returns, and five year moving average of returns
Sources: Standard Life Investments, Bloomberg, September 2016

Active management more important than ever

Opportunity to add value through stock selection

Wide spread offers selective opportunities...



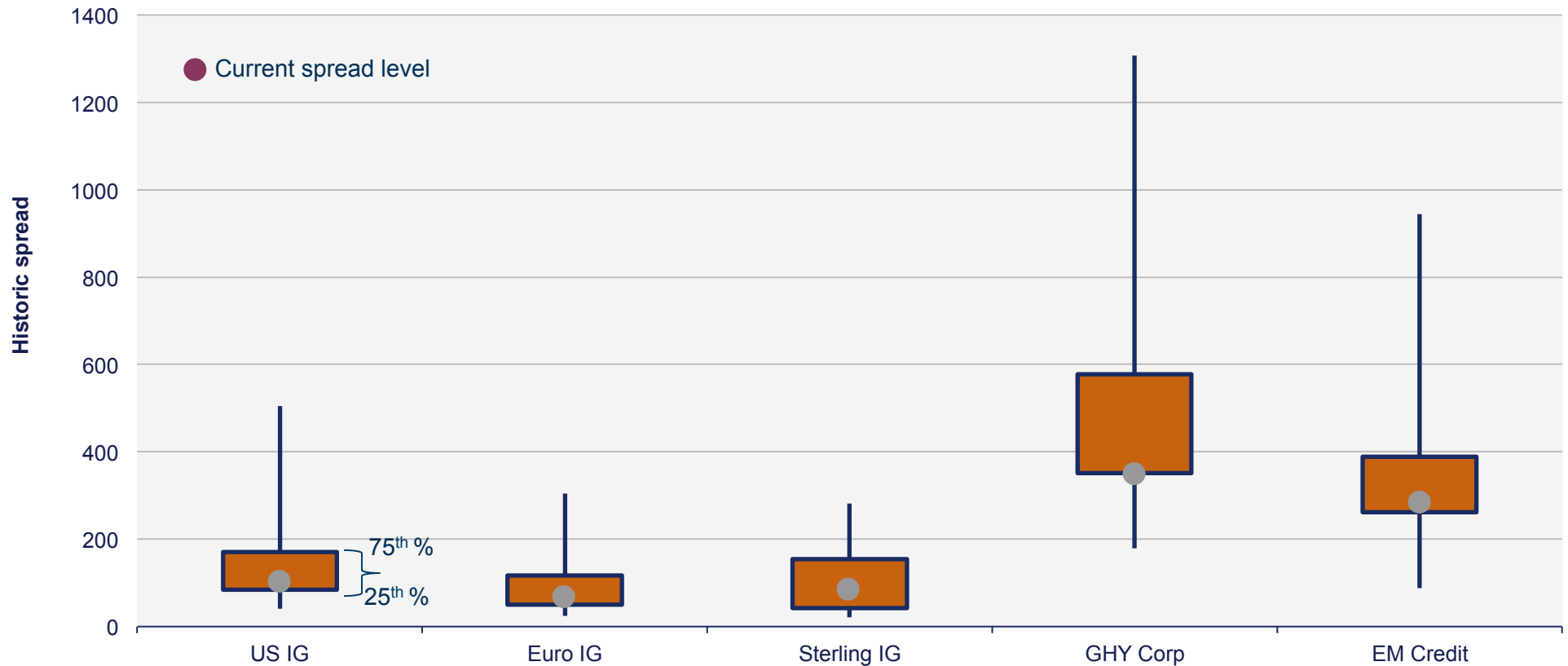
LHS: Credit spread range within each rating bucket between top-50 and bottom-50 issuers (parent tickers) ranked by OAS. Source: Barclays (Global Corporate and Global High Yield indices). RHS: Annual issuer-weighted corporate default rates by letter rating, 1920-2016

Source: Moody's, Barclays, 30 June 2017

...but must be aware of risk

Market backdrop

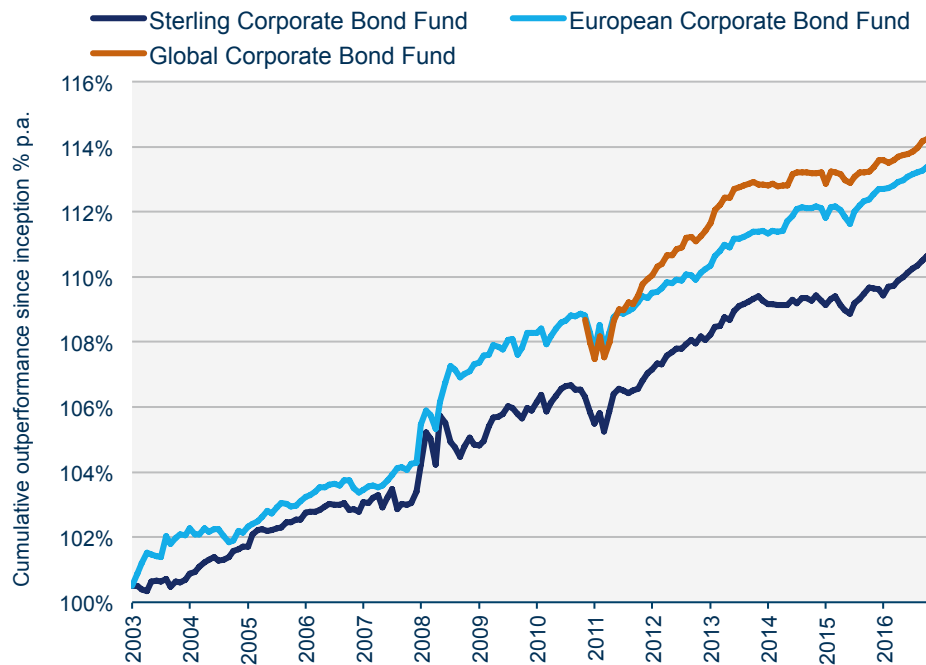
This candlestick graph shows the current spread against the minimum spread, 25th percentile, 75th percentile and the maximum spread since 2001



Source: Standard Life Investments, Bank of America Merrell Lynch, Barclays, JP Morgan, OAS. 07 September 2017

Success in stock selection = consistent outperformance

Cumulative outperformance across our IG Funds*

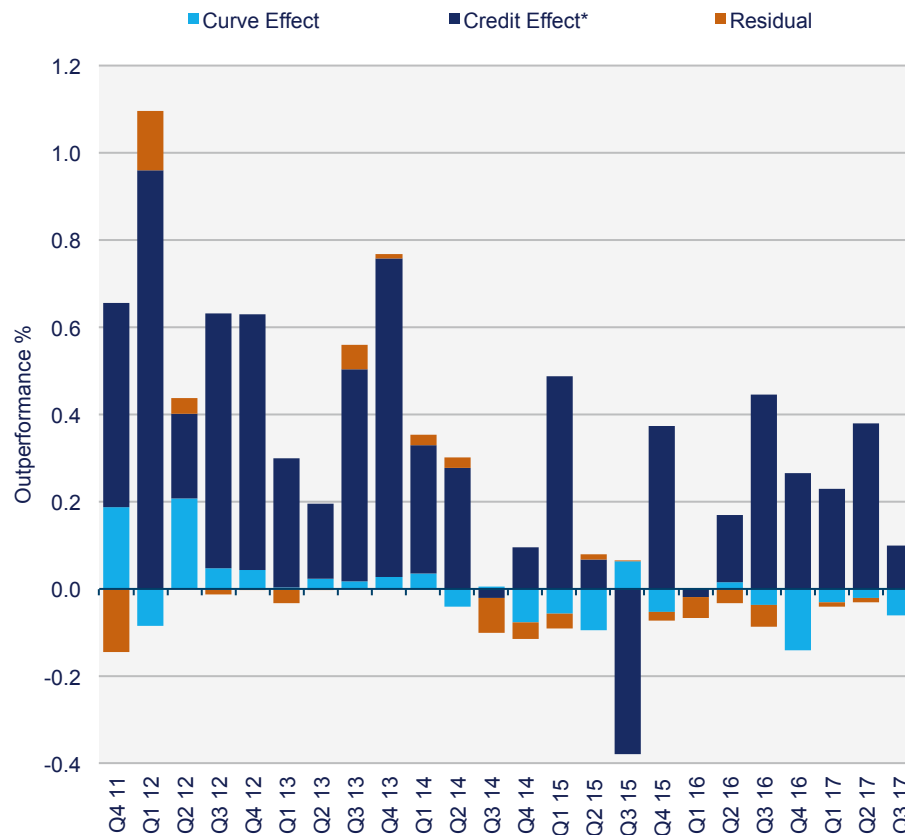


Since inception outperformance (p.a.)

As at 30 September 2017

- Sterling IG: 59bps
- Euro IG: 93bps
- Global IG: 88bps

Global Corporate Bond Fund attribution



* Note: Performance of the Global Corporate Bond Fund is rebalanced at the inception point (01 July 2011) to match the return of the Euro Corporate Bond Fund as of that date. Benchmarks: Sterling Corporate Bond Fund: BofA Merrill Lynch Sterling Non-Gilts All Stocks Index, Global Corporate Bond Fund: Barclays Global Aggregate Corp Index (USD hedged), European Corporate Bond Fund: Lehman Pan European Corporate Bond to 01 July 2004, iBoxx Euro Corporates thereafter. *Credit effect consists of stock selection and asset allocation. Source: Standard Life Investments, 30 September 2017

Total Return Credit Fund: Strategic objectives

Understanding your needs

- Receive better returns from credit portfolio
- Reduce portfolio volatility
- Receive income
- Avoid excessive interest rate exposure

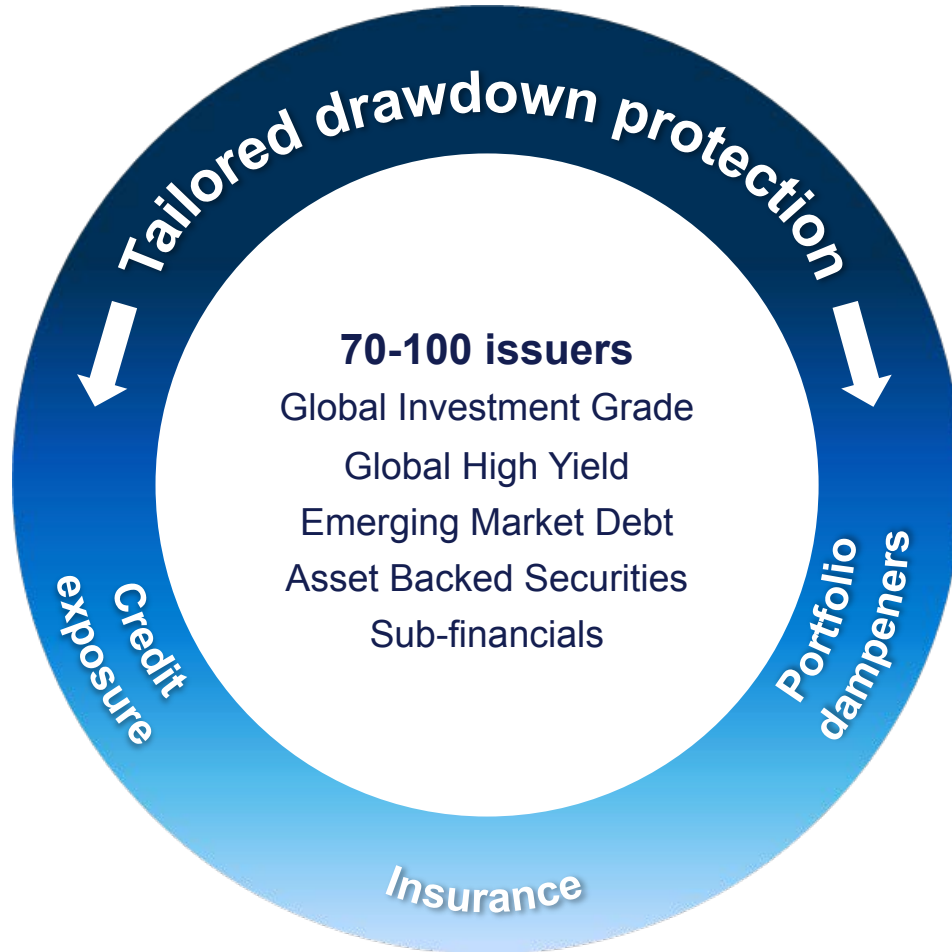
Our proposal

- Delivering 6-8% p.a. total return over the cycle
- Provide drawdown protection through tailored strategies
- Flexibility to construct diversified portfolio with high conviction credit ideas
- Low duration, income distributing

Source: Standard Life Investments

Focus on delivering total returns with drawdown protection

High conviction credit portfolio with drawdown protection

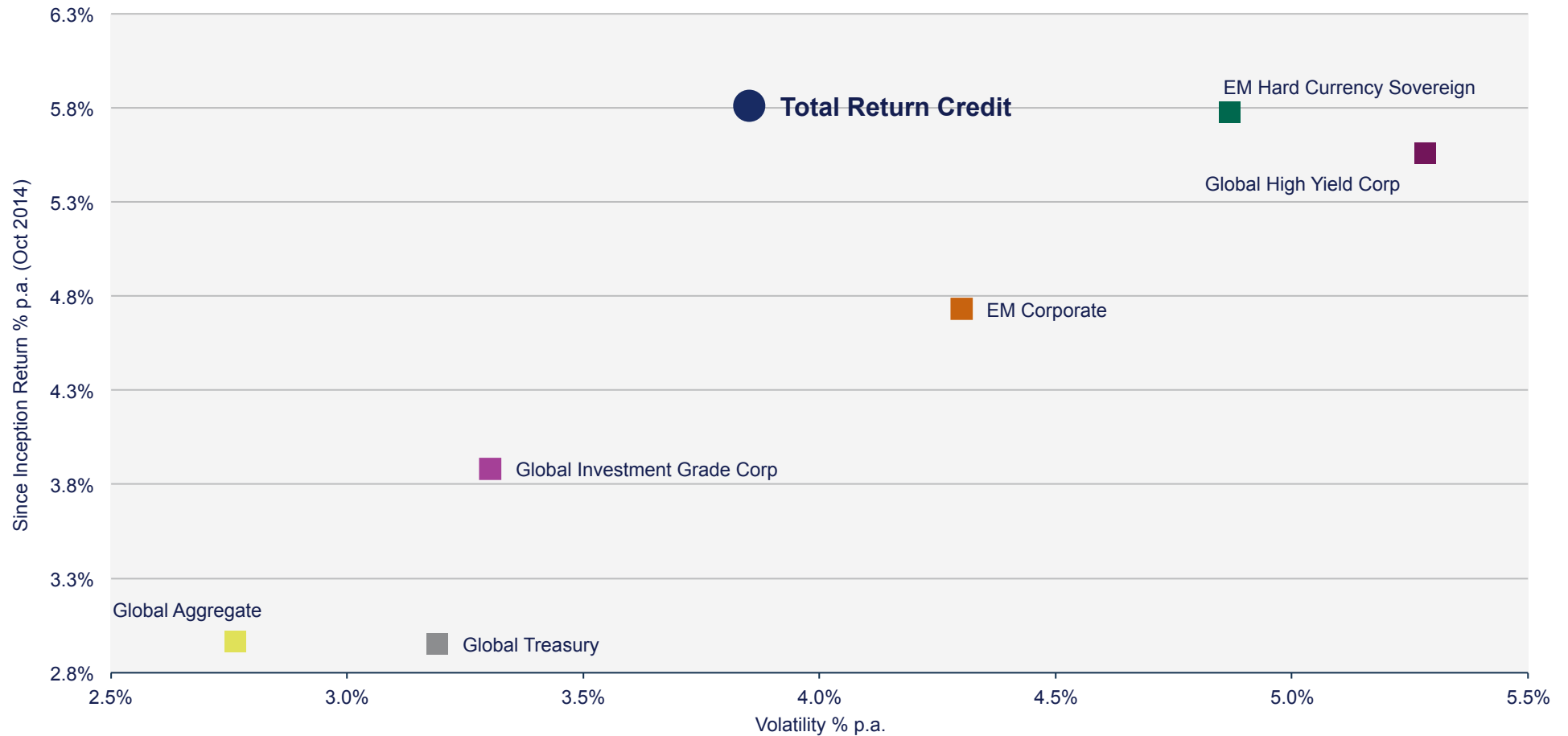


- Credit market returns from 70-100 high conviction issuers (85-90% of NAV)

- Risk dampening toolkit provides drawdown protection in adverse market conditions (10-15% of NAV)

Source: Standard Life Investments

Enhanced returns with reduced volatility



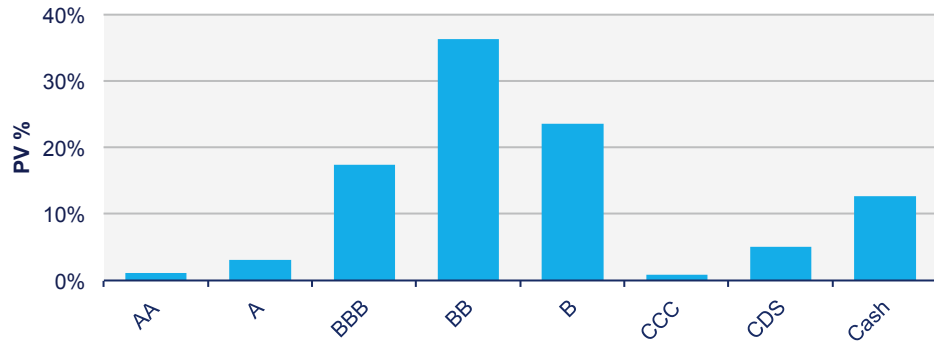
Source: Standard Life Investments, Barclays Indices: Global Aggregate, Global Aggregate Corporate, Global Treasury, Global High Yield Corporate, Emerging Market Hard Currency Aggregate Sovereign, Emerging Market Corporate (10% country capped), monthly returns hedged to GBP, 31 October 2017

Strong risk adjusted performance since inception

Diversified portfolio of high conviction credit ideas

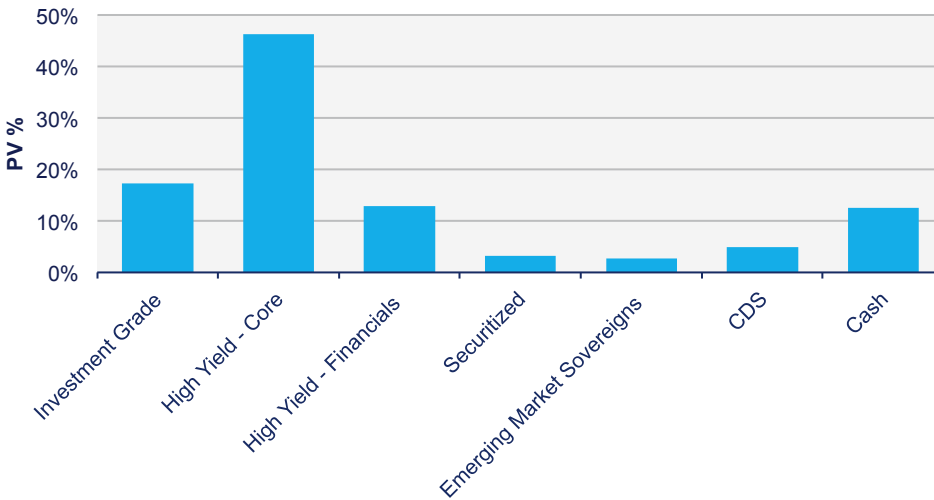
Issuers

95



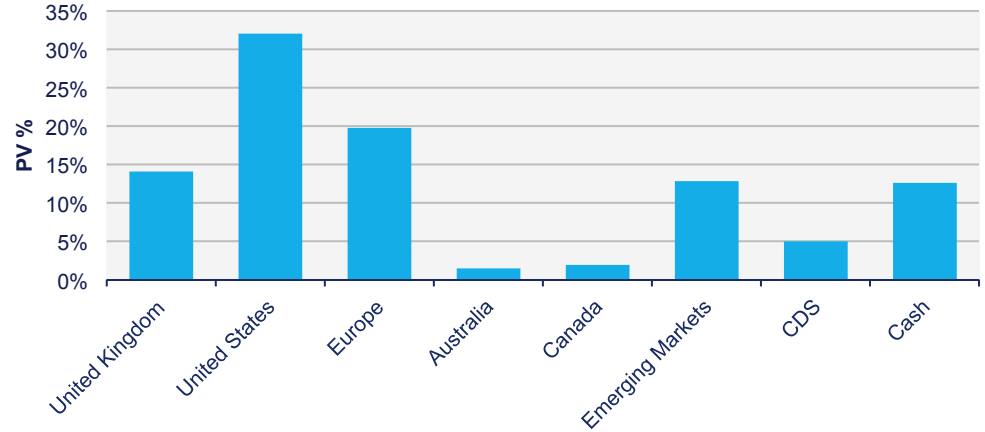
Income Yield

4.54



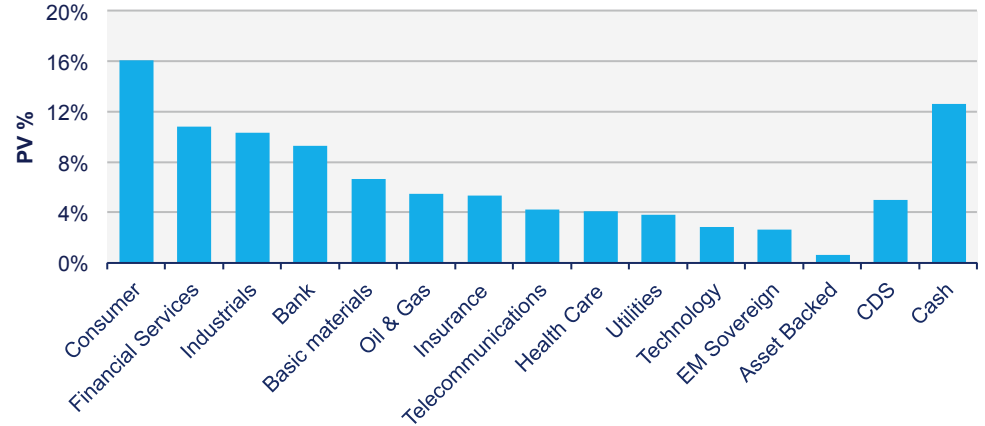
Duration

2.8



Av. Credit Rating

BBB-



Source: Standard Life Investments, UBS Delta, 31 October 2017

Standard Life Investments: Credit selection from across the globe

Valeant Pharmaceuticals (US – Secured Debt)

- Turnaround uncertain due to industry competition and regulatory scrutiny on drug pricing – Some confidence that new management can engineer a turnaround
- Secured debt offering with a limit on leverage at the secured level at 3.0x (debt/EBITDA), well below enterprise multiple of 7x
- Secured debt offering comes at a significant concession to BBs

Symantec (US – ‘Cross-over’)

- Upgrade to IG candidate with the potential to return to investment grade within 6-12 months
- Expect 30-40 bps of spread tightening versus BBB USD Technology peers
- Fundamentals improved through combination of new management, demand for enterprise security software solutions and recent acquisitions

Uruguay (Emerging Markets)

- One of the most stable growth stories in South America with a favourable outlook
- Inflation has been elevated but coming down dramatically
- Debt dynamics improving as have a lot of inflation linked debt
- Investment grade rating with strong transparent institutions
- Accessing through local currency bonds

CYBG (UK Subordinated Financial)

- Formerly National Australia Bank’s UK assets
- Retrenchment of NAB to home markets meant clean up of business with capital support package
- Good asset quality...average LTV of 54%
- Mispriced in our view with a significant discount to comparable peers

Source: Standard Life Investments

Enhanced downside protection

3 pillars of downside protection	Purpose	Current implementation
Credit exposure	Tactically adjust credit exposure	<ul style="list-style-type: none">• Varying credit exposure in the fund between 85 and 100% of NAV using CDX• Tailor cash levels
Insurance	Systematically reduce portfolio drawdowns in adverse market conditions	<ul style="list-style-type: none">• Option-based volatility strategies using various asset classes
Portfolio Dampeners	Diversify credit beta and reduce correlation within the portfolio	<ul style="list-style-type: none">• Basket of fixed income / currency trades with low / negative correlation to credit, including FX forward, interest rate swaps etc

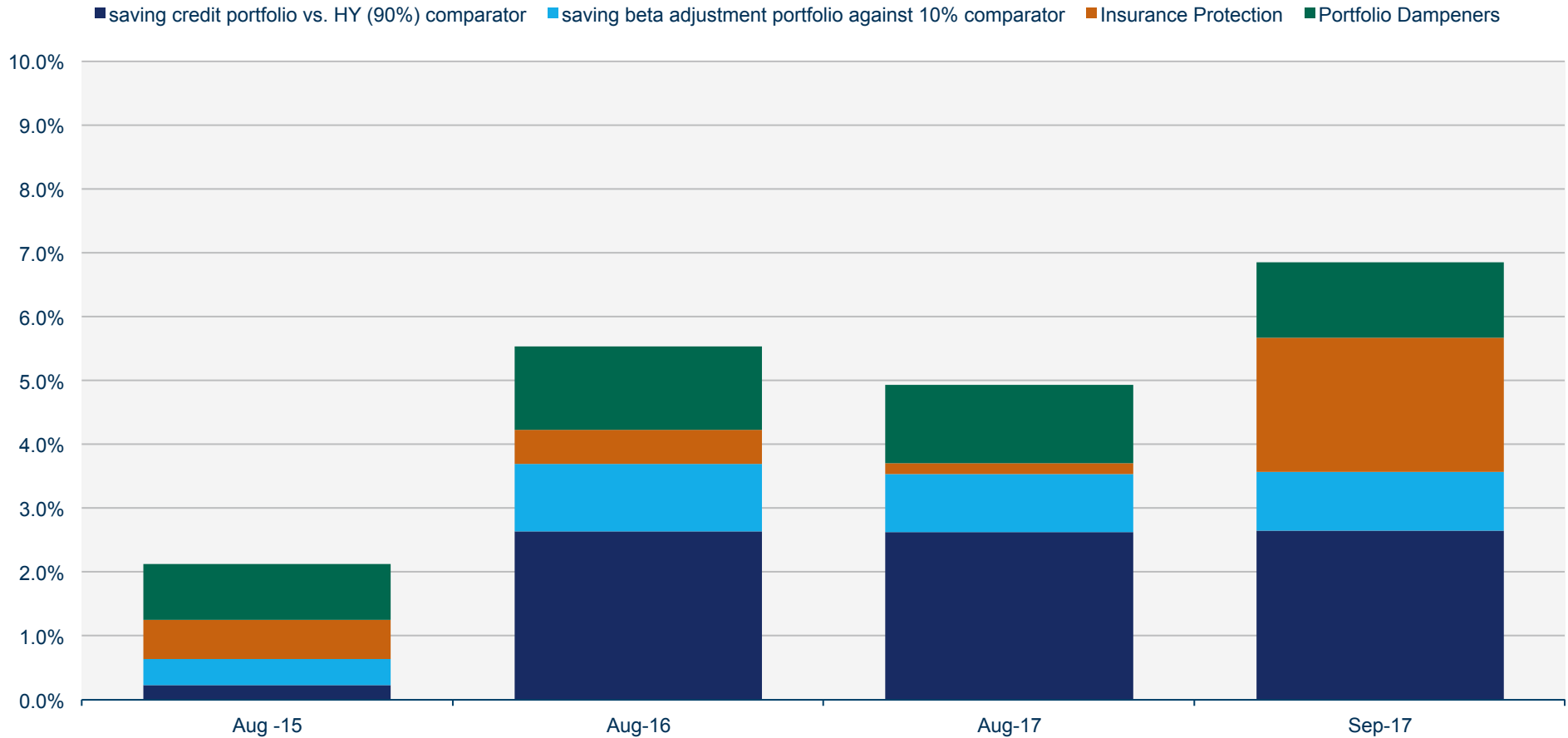
Source: Standard Life Investments

Stress testing versus Global High Yield



Source: Standard Life Investments. Chart shows modelled estimate of how the total portfolio would perform in a pre-defined set of circumstances using APT Risk model

China crisis: Evolution of risk contributors over time



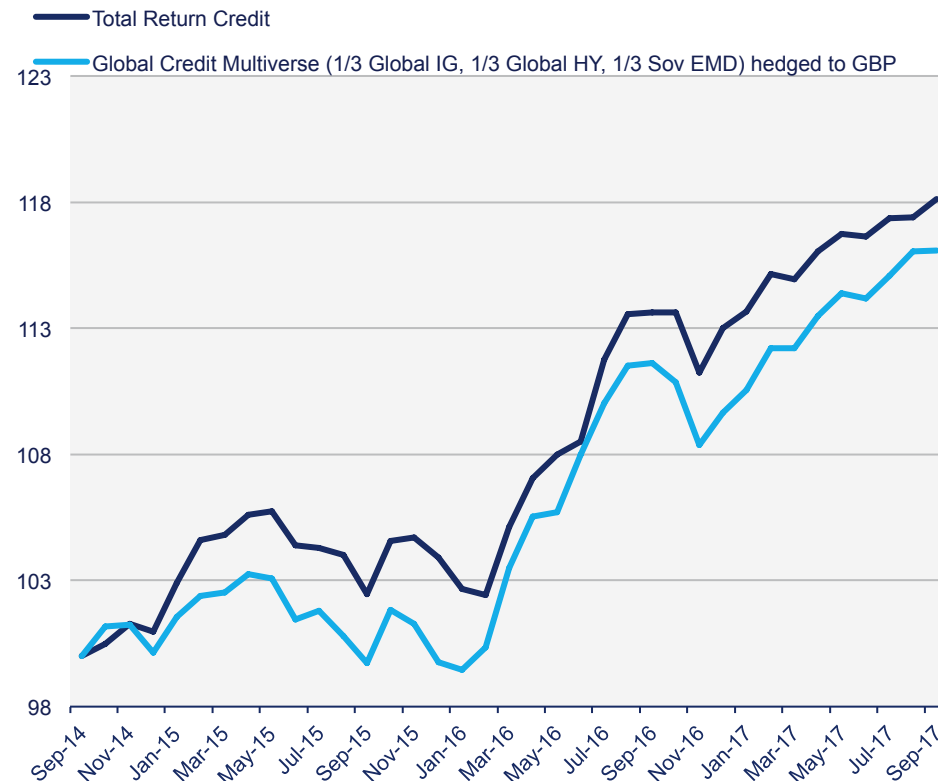
Source: Standard Life Investments. Chart shows modelled estimate of how the total portfolio would perform in a pre-defined set of circumstances within the context of a China Crisis. Risk model used is APT

Bigger savings now coming from credit derisking and upsized insurance protection

Enhanced returns with reduced volatility

Low interest rate sensitivity / Strong diversification benefits

Correlations (October 2014 – October 2017)	
Global Aggregate	0.30
Global Government Bonds	0.13
Global Investment Grade Corporates	0.66
Global High Yield Corp	0.86
Emerging Market Hard Currency Sovereign	0.72
Emerging Market Corporate	0.76
US Investment Grade	0.59
Euro Investment Grade	0.68
Sterling Investment Grade	0.52
MSCI (GBP Priced)	0.54



Upside capture ratio

97%

Drawdown capture ratio

73%

Performance reported since 01 October 2014. Global Credit Multiverse: 33.3% Global Corporate Index, 33.3% Sovereign EMD Index, 33.3% Global High Yield Index. Source: Standard Life Investments, Barclays, JP Morgan, returns in GBP, 31 October 2017

Core values for unconstrained investing

Highest conviction ideas from across the global universe

- 70 – 100 names
- Focus on idiosyncratic risk
- No yield hurdles

A balanced view across regions and sectors

- Avoid aggressive asset allocation
- Focus on underlying correlations and eliminating unintended risks
- Overall portfolio exposure starts with a “bottom up” process and is then tailored to the overall environment

Drawdown protection

- 10 – 15% in cash to fund drawdown protection strategies
- Carefully selected and sized positions with low / negative correlation to higher yielding credit
- Examples include: curve trades and FX pairs

Low duration not “no” duration

- Low to moderate duration of 2-5 years

Source: Standard Life Investments

Key attributes to successful unconstrained credit investing

Appendices

Key portfolio managers



Mark Munro
Investment Director, Fixed Income Credit
Based in Edinburgh

Mark Munro is a portfolio manager for the Total Return Credit Fund

Responsibilities

Mark is responsible for running a number of institutional and retail corporate bond funds

Relevant experience

Prior to joining Standard Life Investments, Mark worked at Scottish Widows Investments Partnership (SWIP) as an Investment Manager on the corporate bond team, with responsibility for sterling and euro credit funds. He started his career with SWIP in 2006 as an Investment Analyst before moving into a fund management role in 2009

Mark has 4 years experience at Standard Life Investments and 11 years experience in the industry

Qualifications

Chartered Financial Analyst (CFA)
Investment Management Certificate (IMC)
Bachelor of Law



Fraser Duff
Investment Director, Fixed Income Credit
Based in Edinburgh

Fraser Duff is a portfolio manager for the Total Return Credit Fund

Responsibilities

Fraser is the lead manager of our European High Yield Fund and Higher Income Fund. He also has analyst responsibility for a range of companies specialising in the Healthcare and Pharmaceutical sectors in both investment grade and high yield bonds

Relevant experience

Prior to joining Standard Life Investments Fraser was with Lehman Brothers where he gained four years experience as an analyst and industry specialist for the Healthcare, Pharma, and Chemicals sectors. Fraser has an outstanding academic background which includes holding a multi prize winning PhD in HIV drug design

Fraser has 6 years experience at Standard Life Investments and 14 years experience in the industry

Qualifications

Chartered Financial Analyst (CFA)
Chartered Accountant (CA)
PhD
BSc

Source: Standard Life Investments, 30 September 2017

Key portfolio managers



Chris Heckscher

Senior Vice President, Fixed Income Credit
Based in Boston

Chris Heckscher is a portfolio manager for the Total Return Credit Fund

Responsibilities

Co-portfolio manager of our Global Corporate Bond Fund and our Total Return Credit Fund. Analyst responsibilities covering both Investment Grade and High Yield

Relevant experience

Prior to joining Standard Life Investments, Chris was Vice President and Associate Partner at Wellington Management Company based in Boston. He worked as a high yield credit analyst from 2002 to 2008, and an investment grade analyst from 1994 to 2002. Prior to his role at Wellington, Chris was a commercial loan officer at First Fidelity Bancorp, Philadelphia

Chris has 8 years experience at Standard Life Investments and 30 years experience in the industry

Qualifications

Chartered Financial Analyst (CFA)
MBA
BA



Roger Sadowsky

Investment Director, Multi-Asset Investing
Based in Edinburgh

Roger Sadowsky is a portfolio manager for the Total Return Credit Fund

Responsibilities

Roger is an Investment Director within multi-asset and is joint manager of the Absolute Return Global Bond Strategies Fund and Global Absolute Return Strategies Fund. Furthermore, he works with the credit team to provide macro overlay strategies using derivatives

Relevant experience

Prior to Standard Life Investments, Roger gained experience at Deutsche Bank and then at JP Morgan where he was responsible for distributing a credit product (cash and derivatives) to UK asset managers. Whilst working within Standard Life Investments' credit team for eight years, Roger was responsible for developing our macro expertise within the team by working very closely with credit, rates and multi-asset teams

Roger has 13 years experience at Standard Life Investments and 33 years experience in the industry

Qualifications

MBA
Investment Management Certificate (IMC)
BA (Hons)

Source: Standard Life Investments, 30 September 2017

Total Return Credit Fund: Product summary

Performance target	6 – 8% over the credit market cycle
Volatility target	4 – 8% p.a. (under normal circumstances)
Inception	September 2014
Income	Income distribution available (on relevant share classes)
Liquidity	Highly liquid with daily dealing (SICAV)
Base Currency	GBP (other share classes available)
Duration	Low to moderate (2 – 5 years)
Eligible investments	<ul style="list-style-type: none">• Can invest across developed and emerging markets with either investment grade or high yield ratings:<ul style="list-style-type: none">▪ Global Investment Grade▪ Global High Yield▪ Emerging Market Debt▪ Asset Backed Securities▪ Sub-financials
Investment restrictions (max limits)	<ul style="list-style-type: none">• ABS: 20%• EMD Sovereign: 30%• Contingent convertibles: 10%• Country exposure: 60% US, 30% UK• Min. credit stand-alone risk: 60%

Source: Standard Life Investments

High conviction credit portfolio, balanced across regions and sectors

Portfolio attribution: Since inception to 30 September 2017

Total portfolio (Cumulative) 18.14%

	Return %
Credit Portfolio	17.00
Top 5 Contributors	
Barclays Bank	0.63
QBE Insurance	0.62
China Overseas Finance	0.49
Peel Holdings	0.48
HCA Healthcare	0.47
Bottom 5 Contributors	
Petroleos de Venezuela	-0.34
Bibby Offshore Services	-0.37
Petrobras	-0.38
CHC Helicopter	-0.67
AK Steel	-0.67

	Return %
Drawdown protection strategies	1.14
Credit Exposure	0.31
Insurance	-0.30
Portfolio Dampeners	1.09
Long US Dollar vs Canadian Dollar	0.93
Long US Dollar vs Euro	0.69
Australian Forward-Start Interest Rates	0.58
UK vs Swedish Interest Rates	0.30
Long US Dollar vs Australian Dollar	0.24
European Forward-Start Duration	0.20
Japanese Steepener	0.16
US Real vs Nominal Steepener	0.14
Korean Government Bonds	0.14
US vs European Real Yields	0.10
European Real Yields	0.10
Swedish Duration	0.09
Long Interest Rate Volatility	0.06
Long US Dollar vs Pound Sterling	0.04
Australian Duration	0.04
Long US Dollar vs Australian Dollar (Options)	0.02
Long US Dollar vs Korean Won	-0.02
Long US Dollar vs Taiwan Dollar	-0.04
Long Japanese Yen vs Korean Won	-0.05
Long US Dollar vs Singapore Dollar	-0.10
Short French Forward-Start Inflation	-0.12
Short Italian Government Bonds	-0.19
US Butterfly	-0.24
US Steepener	-0.30
Short US Duration (swaptions)	-0.48
Short US Duration	-1.22
Cash	0.18
Residual	-0.13

Inception date: 01 October 2014

Note: Returns have been rounded

Source: Standard Life Investments, 30 September 2017

Portfolio attribution: Year to date to 30 September 2017

Total portfolio (Cumulative) 4.54%

	Return %
Credit Portfolio	5.77
Top 5 Contributors	
PT Pertamina (Persero)	0.20
Tesco Property Finance 3	0.20
Conduent Finance	0.19
Barclays Bank	0.16
Punch Taverns Finance	0.14
Bottom 5 Contributors	
Provident Financial	-0.07
Frontier Communications	-0.07
CBOM Finance	-0.05
Arch Merger Sub	-0.02
Cincinnati Bell	-0.02

	Return %
Drawdown protection strategies	-1.23
Credit Exposure	0.04
Insurance	-0.68
Portfolio Dampeners	-0.45
US vs European Real Yields	0.10
Long Interest Rate Volatility	0.06
Long US Dollar vs Pound Sterling	0.04
Swedish Duration	0.00
Japanese Steepener	-0.02
US Steepener	-0.05
European Real Yields	-0.06
Long Japanese Yen vs Korean Won	-0.06
Short Italian Government Bonds	-0.19
Long US Dollar vs Canadian Dollar	-0.27
Cash	0.02
Residual	-0.12

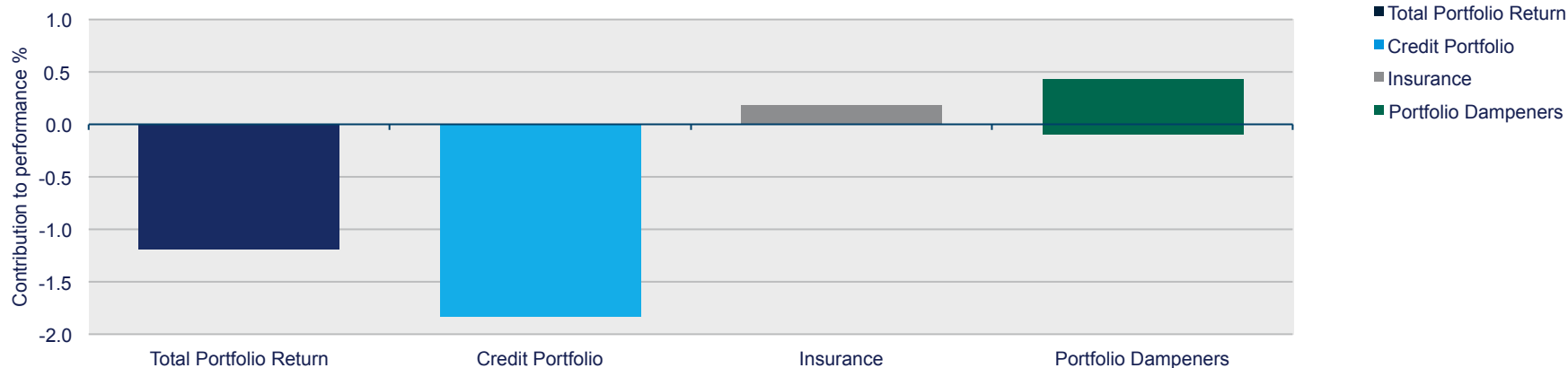
Inception date: 01 October 2014

Note: Returns have been rounded

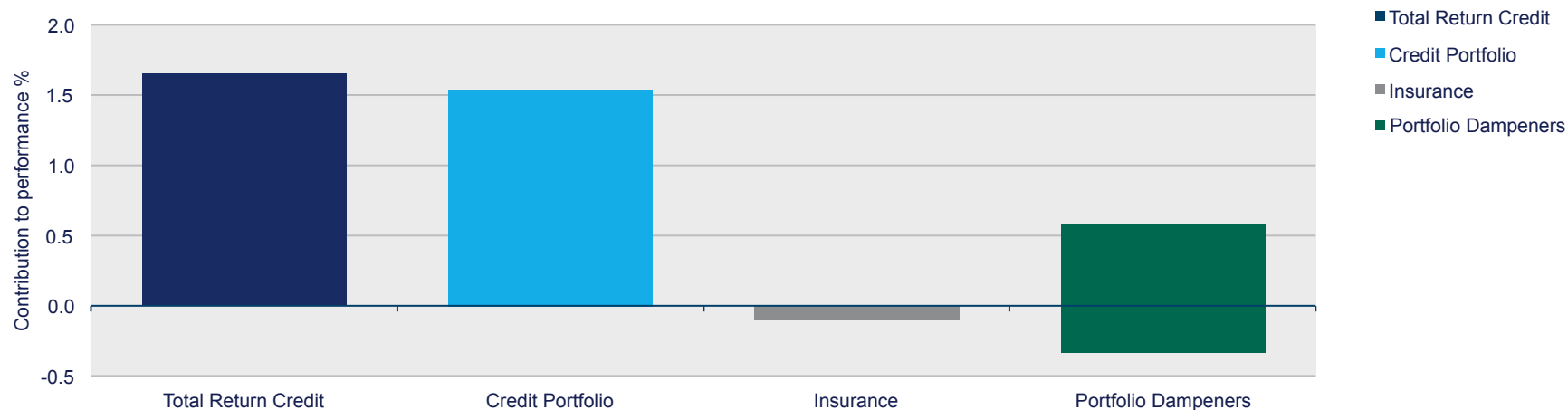
Source: Standard Life Investments, 30 September 2017

Example of asymmetric upside / drawdown capture

Protecting performance when credit faces headwinds (January 2016)...



...but not detracting from it when credit performs well (February 2015)



Source: Standard Life Investments, monthly performance in January 2016 (top chart) and February 2015 (bottom chart)

TRC makes extensive use of derivatives to seek it's investment objective.

The information shown relates to the past. Past performance is not a guide to the future. The value of an investment can go down as well as up.

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 full prospectus which can be found on www.standardlifeinvestments.com

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