Jan
2018

Enhanced Diversification Global Emerging Markets Equities Fund

31 January 2018

Standard Life Investments

The fund aims to provide a long term total return through capital appreciation and income. It is designed for investors who are looking for exposure to global emerging market equities but with reduced volatility. The fund typically holds a portfolio of emerging market stocks listed on global stock markets and which is actively managed by our investment team. This portfolio is complemented with an active allocation to a highly diverse range of market positions, which utilise a combination of traditional assets (such as equities and bonds) and investment strategies based on advanced derivative techniques with the aim of reducing the fund's overall volatility and generating additional returns. Investors should note that this allocation is likely to result in the fund gaining exposure to non-emerging market opportunities and risks. This means that performance may deviate from emerging market equities over short- and medium-term periods. 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

Equity Fund

Monthly

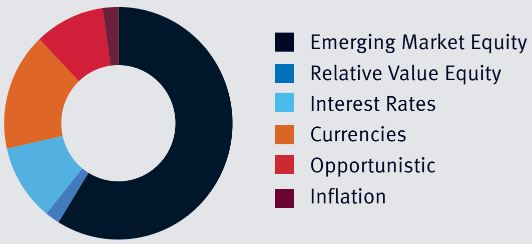
Fund Manager	A Veitch, R Petrie, J Esland & S Smith
Fund Manager Start	3 Dec 2014
Launch Date	3 Dec 2014
Current Fund Size	$21.1m
Base Currency	USD

Expected Fund Risk	10.8
Emerging Market Equity Risk	15.4

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 Breakdowns provided below are only updated on a quarterly basis (31 March, 30 June, 30 September and 31 December). Standard Life 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 *

Share of total stand-alone risk*

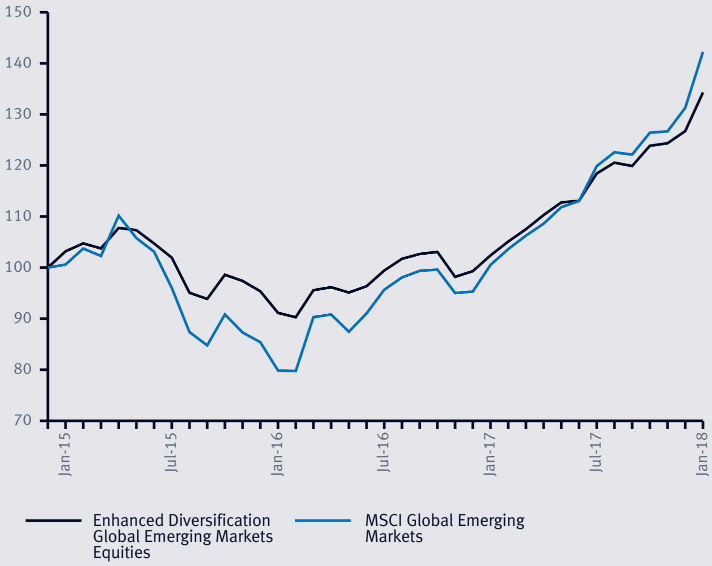


Emerging Market Equity	58.7%
Relative Value Equity	2.1%
Interest Rates	10.7%
Currencies	16.4%
Opportunistic	9.9%
Inflation	2.2%

The fund information data in the tables and pie chart above are updated on a quarterly basis only (31 March, 30 June, 30 September and 31 December) unless specified otherwise.
*** Groups include sum of individual strategy risks.**

Fund Performance *

Price Indexed



The performance of the fund has been calculated over the stated period using bid to bid basis for a UK basic rate tax payer. The performance shown is based on an Annual Management Charge (AMC) of 0.75%. You may be investing in another shareclass with a higher AMC. The charges for different share classes are shown on the next page. For details of your actual charges please contact your financial adviser or refer to the product documentation.

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

Cumulative Performance

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

	YTD (%)	1 month (%)	3 months (%)	6 months (%)	1 year (%)
Institutional Fund Performance	6.0	6.0	8.4	13.4	31.2
MSCI Emerging Markets Index	8.3	8.3	12.5	18.7	41.5

	3 year (%)	Since launch (%)
Institutional Fund Performance	30.1	31.5
MSCI Emerging Markets Index	41.4	38.3

Note: Cumulative Performance to period 31/01/2018.

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.

For a full description of those eligible to invest in each share class please refer to the relevant prospectus.

Market review

Global emerging markets (GEM) got off to an excellent start in 2018, continuing last year's positive trends. Helped by currency strength/dollar weakness, GEM equities were a full 3% ahead of their developed market counterparts. Earnings growth expectations remained the key driver of the asset class; it was also interesting to see good performance against a backdrop of rising US Treasury yields. Financials and energy were the standout sectors. Meanwhile, defensive sectors such as utilities, consumer staples and telecoms continued to lag, while the change in market leadership away from technology companies seen last month continued.

From a geographical perspective, China, Brazil and Russia were the best markets in January. Brazil shrugged off a credit rating downgrade by S&P, with investors instead focusing on improving economic data and news that ex-President Lula's conviction had been upheld. China is also seeing strong economic trends, with Q4 GDP and trade balance numbers well received. Market participants responded well to positive trends in real estate, which remains a key bellwether for the health of the financial sector. This included rising new starts, good pricing and the easing of some regulatory purchase restrictions. Optimism about Chinese banks is also more buoyant than it has been for years, with indications of rising net interest margins. The main driver of Russian equities remains the oil price. Lastly, India lagged the other BRIC economies due to concerns about its trade deficit amid rising oil.

Activity

There we no major buys or sells in the equity portion of the portfolio.

As for our diversifiers, we added a new strategy to express the view that Canadian interest rates are now fully priced for the number of hikes likely to be delivered over the next couple of years. We expect the elevated level of household debt will encourage the Bank of Canada to adopt a more cautious approach to normalising monetary policy, particularly with ongoing risks around NAFTA negotiations.

We also added a US equity large versus small-cap position that is designed to benefit from a reduction in the valuation differential between these sectors and also provide some portfolio diversification benefits. Our expectation is that small caps have now factored in the upside of tax cuts, while they will be negatively impacted by rising interest rates and a wage-squeeze on margins. They will also benefit less than large caps from weakness in the US dollar.

In addition, we added an emerging market versus UK equity relative value strategy to position the portfolio for the ongoing broad-based growth of the world economy. While global growth and trade are positive drivers for equities in general, we expect emerging markets to be more sensitive to these factors than UK equities, which are overshadowed by Brexit uncertainty. Later in the month, we also adjusted the balance of the portfolio's equity exposures by closing the global ex US small-cap equity and Japanese equity positions.

Performance

In Brazil, Banco Bradesco and CVC performed well thanks to general investor enthusiasm for Brazil, combined with signs of improving loan quality for the former and positive booking updates for the latter. Meanwhile, Russian bank Sberbank rallied along with the wider domestic market, while its results continued to show positive momentum and an improving outlook.

On the downside, shares in Chinese carmaker Minth fell due to concerns of slowing demand after an excellent 2017. The holding in Samsung SDI also disappointed. This has been a good performer for the Fund but evidence is emerging that our non-consensus angle on small OLED penetration is incorrect – sales for Apple's expensive iPhone X have been disappointing and there is not enough evidence that consumers are prepared to pay a big premium for a better screen to support our thesis that OLED will become mass-market. Staying in Korea, DRAM manufacturer SK Hynix hurt performance as investors locked in profits against a challenging backdrop.

The previously highlighted equity environment, together with the stronger commodity demand and prices, helped drive positive returns from our position in those companies that predominantly provide information technology-related services, software and hardware to emerging markets. The portfolio's short exposure to the Korean won also boosted performance, as the currency weakened on reduced foreign investor demand.

Sovereign bond markets closed the month noticeably weaker, as rising prospects for higher interest rates in the US and the commitment by other major central banks to gradually normalise monetary policy weighed on these assets. This was exacerbated by the renewed speculation that strong inflationary pressures on the back of the ongoing recovery in the global economy and oil prices would negatively impact fixed income assets. The portfolio's US real yields strategy suffered as a result. In Europe, the increase in interest rates was less pronounced at the very long end of the curve, resulting in a decline in the spread between long-term interest rates and the other points along the curve. Consequently, our strategy designed to benefit from a steeper interest rate curve in this market detracted from performance.

Outlook & Strategy

We remain generally positive on GEM equites, given the improving economic backdrop (both in developed and developing markets) and robust corporate profits.

The Fund is a distinctive, blended combination of stock-picking expertise and diversifying multi-asset strategies. Our resulting portfolio targets GEM equity market-like returns with lower volatility, culminating in superior risk-adjusted performance.

Other Fund Information

	Retail Acc	Retail Dist	Institutional Acc	Institutional Dist	Currency
Bloomberg	-	-	SLIEDEM LX	-	USD
ISIN	-	-	LU0987602884	-	USD
WKN	-	-	n/a	-	USD

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	PricewaterhouseCoopers S.à r.l., Reviseur d'entreprises 400, route d'Esch, L-1014 Luxembourg, Grand Duchy of Luxembourg

	Interim	Annual
Reporting Dates	30 Jun	31 Dec

Settlement Time	T+3
Email	luxmb-sli-ta@bnymellon.com
Telephone	+352 24 525 717
Share Price Calculation Time	15:00 (Luxembourg time)
Dealing Cut Off Time	13:00 (Luxembourg time)

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