Apr 2018

Enhanced Diversification Global Emerging Markets Equities Fund

30 April 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

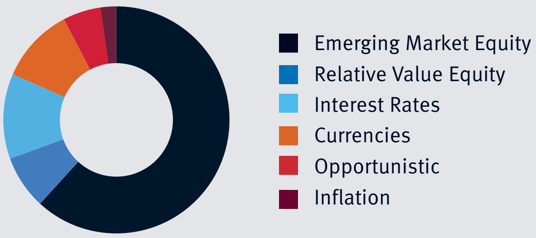
Fund Manager	A Veitch, R Petrie, J Esland & S Smith
Fund Manager Start	3 Dec 2014
Launch Date	3 Dec 2014
Current Fund Size	$19.9m
Base Currency	USD

Expected Fund Risk	10.8
Emerging Market Equity Risk	15.6

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*

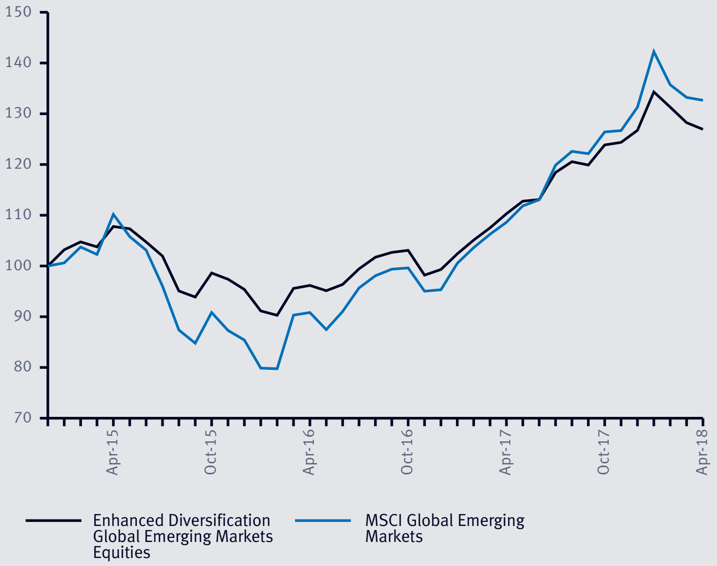


Emerging Market Equity	61.7%
Relative Value Equity	7.7%
Interest Rates	12.1%
Currencies	10.8%
Opportunistic	5.4%
Inflation	2.3%

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	0.2	-1.0	-5.5	2.5	15.1
MSCI Emerging Markets Index	1.0	-0.4	-6.7	4.9	22.1

	3 year (%)	Since launch (%)
Institutional Fund Performance	17.8	24.3
MSCI Emerging Markets Index	20.4	29.0

Note: Cumulative Performance to period 30/04/2018.

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

Emerging market equities fell in US dollar terms in April. Higher US Treasury yields and a strengthening dollar, due to expectations of more aggressive monetary tightening, curbed risk-appetite. Easing Korean tensions culminated in an historic meeting between the North and South, and surging oil prices boosted energy stocks.

Trade jitters hampered China, as the US barred home-grown companies from selling components to smartphone maker ZTE, prompting Beijing to slap tariffs on cereal crop sorghum and rubber imports. Russian stocks sold-off as the US threatened new sanctions. Election uncertainty hurt Mexico's peso, but solid corporate earnings lifted stocks.

In earnings-related updates, chipmaker TSMC's results met expectations, but it lowered revenue forecasts on signs of softer smartphone demand, which weighed on the technology sector. However, robust performance from Samsung Electronics' memory division offset weakness from its display segment, which was hurt by Apple's production cuts.

Activity

There were no major equity buys or sells in the portfolio.

In light of the recent spike in volatility and the fall in equity markets, we exited our US equity large- versus small-cap position. The re-entry levels are now less attractive as a result of the recent market movements. Elsewhere, we closed the European yield curve steepener position during the month, as we expect the European Central Bank to raise interest rates only very gradually. This will have the effect of flattening the yield curve. Rounding off, we added a Brazilian government bonds position. The strategy enables the portfolio to benefit from an attractive yield at a time when we expect the growth and inflation outlook to prevent the Brazilian central bank from raising interest rates as much as is priced into the interest rate curve.

Performance

The Fund finished in negative territory and trailed its benchmark. It was apparent that geopolitical issues rippled through into the Fund's stock holdings. Noteworthy was the weakness in Sberbank, which declined after the US implemented stricter sanctions on a number of Russian companies. While there was no direct impact on Sberbank it was indirectly affected by the announcement that Rusal, a Russian Aluminium smelter, had insufficient cashflow to cover its immediate interest payments. It is estimated that Sberbank's lending exposure to Rusal represented 2.5% of Sberbank's net asset value and in the context of the government's assurances to step in to avoid a liquidity event we feel the issue can be contained. Shares in travel company CVC Brazil fell despite strong Q1 2018 booking numbers. Investors' decisions were instead informed by domestic political issues and the Real's slide against a strong US dollar. Elsewhere, travel firm Ctrip.com continued to struggle as investors tried to estimate when earnings would bottom-out. The company has been forced to unbundle value-added products (car hire, insurance, etc.) from its main services, which is hitting revenues. Management said Q1 was likely to be tepid, resulting in investors staying on the side-lines for now.

On a more positive note, Anta Sports was one of the top performers following news that Q1 2018 sales momentum was favourable. This is supported by the company's formidable investment into R&D, which is now clearly being represented in a stronger product offering. Larsen & Toubro, the Indian engineering business, found its shares in demand after it announced strong new order flows across multiple business lines. Meanwhile, hotel operator China Lodging delivered better-than-expected results, driven by strong growth in revenues per hotel room.

As for our diversifiers, the rising oil price drove returns of various energy sectors and commodity-sensitive currencies; as a result, our long Japanese yen versus Canadian dollar strategy detracted from performance, with the latter's currency climbed with the oil price. However, our long US dollar versus euro currency options strategy delivered positive returns. The dollar strengthened on expectations of tighter monetary policy in the US, while the euro weakened over fears that the slowdown in Eurozone economic growth would eventually arrest the trajectory of long-term interest rates.

Yields on sovereign debt assets ended the month higher, mainly driven by an expectation that central banks could increase interest rates sooner and faster than previously anticipated. This environment was positive for our interest rate strategy involving Sweden and Canada, which benefited from the increase in the spread between long- and short-term interest rates in the Canadian market.

Given the market backdrop, our emerging markets versus UK Equity strategy detracted from performance. The position endured further losses as the UK's FTSE 100 Index ended the month 6.4% higher, boosted by the decline in the value of the British pound.

Outlook & Strategy

Despite recent falls, the profit outlook for GEM remains highly supportive. Indeed, in March, 2018 average earnings growth expectations were again revised up, from 14% to 15%. The main driver of GEM equites will remain the improving economic backdrop (both in developed and developing markets) and robust corporate profits. Monetary policy is also supportive (although many major central banks have gradually started to tighten policy). As a result, we are seeing upgrades to several stocks in our portfolio.

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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