

Aug
2019

ASI UK Income Unconstrained Equity Fund

AberdeenStandard
Investments

31 August 2019

To generate income and some growth over the long term (5 years or more) by investing in UK equities (company shares).

Please note: Our factsheets will be fully updated to reflect the 7 August 2019 changes to the Investment Objective and Policy, including benchmark use, shortly. In the interim, please see the KIID which can be found at <https://www.aberdeenstandard.com/en/uk/investor/fund-centre#literature> for full up to date information.

OEIC Fund

Equity Fund

Monthly

Fund Manager Thomas Moore

Fund Manager Start 1 Jan 2009

Launch Date 22 Feb 2007

IA Sector IA UK Equity Income

Benchmark IA UK Equity Income Sector

Current Fund Size £1151.2m

Base Currency GBP

No. of Holdings 60

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.

Aberdeen Standard 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 *

Composition by Sector

	Fund %
Financials	34.9
Oil & Gas	17.0
Industrials	16.0
Consumer Services	10.9
Consumer Goods	7.5
Basic Materials	4.5
Health Care	3.6
Utilities	2.8
Cash and Other	2.0
Technology	0.8

Composition by Market Capitalisation (Ex Cash)

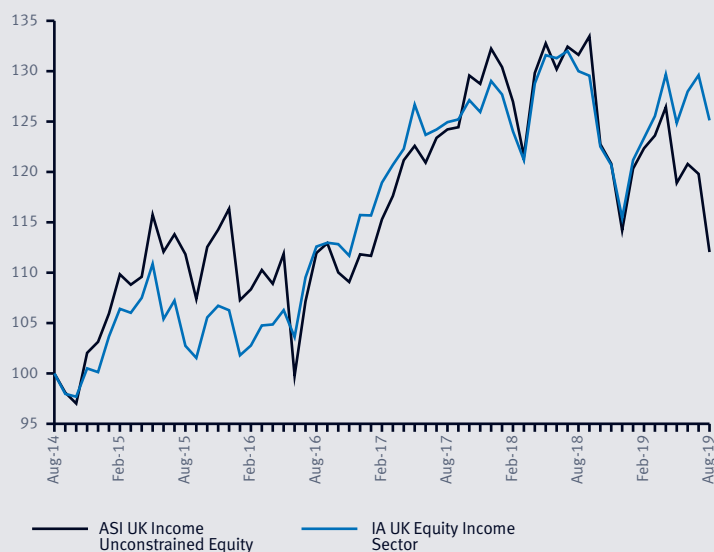
	Fund %
FTSE UK 100	35.7
FTSE UK 250	39.6
FTSE Small Cap	15.3
Not In Index	9.4

Top Ten Holdings

Stocks	Fund %
Royal Dutch Shell	5.3
John Laing	5.0
BP	3.9
GlaxoSmithKline	3.6
National Express	3.4
Close Brothers	3.1
British American Tobacco	2.9
BAE Systems	2.9
Diversified Gas & Oil	2.7
Ashmore Group	2.7
Assets in top ten holdings	35.5

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 0.80%. 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: Aberdeen Standard Investments (Fund) and Morningstar (Sector)

Year on Year Performance

Source: Aberdeen Standard Investments (Fund) and Morningstar (Sector)

	Year to 30/06/2019 (%)	Year to 30/06/2018 (%)	Year to 30/06/2017 (%)	Year to 30/06/2016 (%)	Year to 30/06/2015 (%)
Retail Fund Performance	-7.8	7.0	20.5	-11.8	13.3
Institutional Fund Performance	-7.2	7.7	21.2	-11.0	14.5
Platform One	-7.5	7.4	20.9	-11.2	14.2
IA UK Equity Income Sector	-2.6	6.2	19.4	-1.7	7.0

Cumulative Performance

Source: Aberdeen Standard Investments (Fund) and Morningstar (Sector)

	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Retail Fund Performance	-8.7	-15.4	-1.7	8.0
Institutional Fund Performance	-8.4	-14.9	0.1	12.0
Platform One	-8.5	-15.1	-0.7	10.7
IA UK Equity Income Sector	1.4	-3.8	11.1	25.1

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.

The fund does not have an index-tracking objective.

Definitions

Cash and Other - may include bank and building society deposits, other money market instruments such as Certificates of Deposits (CDs), Floating Rate Notes (FRNs) including Asset Backed Securities (ABSs), Money Market Funds and allowances for tax, dividends and interest due if appropriate.

Composition by Market Capitalisation - Not in index is the sum of holdings outwith the FTSE All Share. This may include new issues, AIM listed and other LSE listed stocks.

Market review

UK equities tumbled along with those of other equity markets during August. It was the second negative month of 2019. The FTSE All Share Index lost 3.57%.

Global recession, trade friction and competitive currency devaluation were the themes that dominated investor sentiment. The increased likelihood of a no-deal Brexit was also prominent. The immediate effect of this was seen most clearly in the currency market as sterling weakened. There was some modest respite at month end when equities bounced on signals that the US was retreating from its latest threats of tariffs on China.

Risk aversion was demonstrated by the strong showing of safe haven assets such as gold, which reached a six-year high. Furthermore, flows of money into bond markets led to an inversion of the 2-10 year gilt yield curve – a leading indicator of economic recession. On the economic front, news was disappointing. The UK economy contracted by a higher-than-expected 0.2% in the second quarter of 2019, it was the first contraction in seven years.

Given the backdrop of rising volatility, it was companies with dependable profits and strong balance sheets that outperformed. Healthcare and consumer staples were the most in favour.

Activity

The Fund added to its holding in BHP Group. The mining business has a well-diversified, low-cost asset base with potential to grow volumes. The strength of BHP's cashflows and improved capital discipline underpin confidence in its balance sheet and dividend. We also topped up the holding in SSE. After selling its domestic energy supply business, the company now has an attractive mix of gas and telecoms networks and renewable assets, with appealing growth opportunities in these three areas. Following its recent rebasing, SSE's dividend looks more sustainable. Similar businesses trade at higher valuations; therefore, we see

a re-rating potential once political uncertainty eases.

On sales, we trimmed Standard Chartered. The bank is facing headwinds from slower trade volumes, lower bond yields and rising capital requirements. These will constrain management's ability to improve capital returns. We also took profits in mining business Rio Tinto, whose revenues are highly dependent on the iron ore price. Its share price benefited from a recent price spike. However, there is a risk this is unsustainable as industry supply responds to this.

Performance

The Fund underperformed the FTSE All-Share Index in August.

The rotation from value stocks to growth stocks intensified in August due to fears of economic stagnation and geopolitical tensions. Given our disciplined approach to valuation, this had an impact on many of our small- and mid-cap holdings during the month.

Wood Group detracted the most from the Fund's relative return. After a strong July it suffered renewed concerns about the pace of its debt reduction. In addition, weaker crude prices also weighed on its shares. Elsewhere, Micro Focus was another underperformer. The IT software firm downgraded its revenue growth for the year. The company has been affected by global economic uncertainty resulting in customers delaying investment decisions such as software upgrades. Fund manager Ashmore underperformed due to heightened concerns that appeared in August surrounding emerging market debt in light of events in Argentina. However, the business announced a good set of results post month-end.

On the upside, a positive for the Fund was online gambling business GVC. The share price rallied after management upgraded earnings guidance after strong performance in its online business helped it overcome losses resulting from stricter regulation in the UK. National Express Group also added value. The international transport business published reassuring results that delivered

double-digit earnings growth. This provided further evidence the firm is a cashflow compounder; it reinvests the strong cashflows into earnings-enhancing acquisitions while paying an attractive dividend.

Outlook & Strategy

We see a sharp divergence in valuations across the UK equity market. Turbulent macroeconomic newsflow is leading to many opportunities in stocks whose valuations do not reflect their strong cashflows and dividends prospects.

Valuations are at such an extreme level that a big macroeconomic catalyst is probably not required to cause a reversal. News flow need not become outright positive – just less negative. The outlook doesn't need to become certain – just less uncertain. Government bond markets suggest that investors are positioned for "Japanification" of Western economies. It would not take much for sentiment to become less bleak. This would result in a rotation away from expensive growth stocks towards attractively valued income stocks, which would be favourable for the Fund.

Against this backdrop, and driven by bottom-up stock insights, the Fund is exposed to three themes.

1. Global yield
2. Domestic opportunities
3. Uncorrelated value

The economic and political outlook is uncertain, but it is out of this uncertainty that stock-level opportunities emerge. While share prices are volatile, we are encouraged by the strength of the Fund's income generation. It is one of the key benefits of our index-agnostic approach to UK equity income. The Fund's yield is at its highest level since 2009, reflecting gloomy macroeconomic sentiment rather than stock-level fundamentals. Looking ahead, we expect solid cashflow generation to support continued delivery of dividend growth. This should result in capital growth as share prices respond to positive company announcements.

Other Fund Information

	Retail Acc	Retail Inc	Institutional Acc	Institutional Inc
Lipper	65066669	65066670	65066671	65066672
Bloomberg	SLEIURA LN	SLEIURI LN	SLEIUIA LN	SLEIUII LN
ISIN	GB00B1LBSR16	GB00B1LBSS23	GB00B1LBST30	GB00B1LBSV51
SEDOL	B1LBSR1	B1LBSS2	B1LBST3	B1LBSV5

	Platform One Acc	Platform One Inc
Lipper	68165436	68165437
Bloomberg	SLUEP1A LN	SLUEP1I LN
ISIN	GB00B79X9673	GB00B7G8Q193
SEDOL	B79X967	B7G8Q19

	Interim	Annual	Valuation Point	12:00 (UK time)
Reporting Dates	30 Apr	31 Oct	Type of Share	Income & Accumulation
XD Dates	30 Apr	31 Oct	ISA Option	Yes
Payment Dates (Income)	30 Jun	28 (29) Feb		

	Retail	Institutional	Platform One
Initial Charge	4.00%	0.00%	0.00%
Annual Management Charge	1.50%	0.80%	1.00%
Ongoing Charges Figure	1.52%	0.90%	1.15%

The Ongoing Charge Figure (OCF) is the overall cost shown as a percentage of the value of the assets of the Fund. It is made up of the Annual Management Charge (AMC) shown above and the other expenses taken from the Fund over the last annual reporting period. It does not include any initial charges or the cost of buying and selling stocks for the Fund. The OCF can help you compare the costs and expenses of different funds.

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