

Aug
2019

ASI (SLI) Corporate Bond Fund



31 August 2019

To generate income and some growth over the long term (5 years or more) by investing in Sterling-denominated investment grade corporate bonds.

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

Bond Fund

Monthly

Fund Manager Adam Walker

Fund Manager Start 1 Dec 2005

Launch Date 9 Jul 1990

Benchmark IA £ Corporate Bond Sector

Current Fund Size £250.2m

Base Currency GBP

No. of Positions 184

Underlying Yield 2.5%

Duration 8.0 Yrs

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 breakdowns below do not take into account the economic exposure created by derivative positions. The credit ratings shown below are the average of those from S&P, Moody's and Fitch.

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	43.7
Corporates	39.3
Collateralised	15.6
Not Classified	1.4

Composition by Credit Rating

Bonds	Fund %
AAA	1.3
AA	1.8
A	23.2
BBB	65.9
BB	5.0
B	0.5
N/R	2.3

Composition by Maturity

	Fund %
0-5	28.1
5-10	34.6
10-15	18.4
15-20	8.4
20-25	4.6
25+	5.9

Top Ten Holdings

Bonds	Fund %
E.ON Finance 6.75% 2039	1.8
Telereal 6.165% 2031	1.7
Innogy Finance 6.125% 2039	1.3
America Movil 4.948% 2033	1.3
Gatwick Funding 5.75% 2037	1.3
AA 2.875% 2022	1.2
Enel 5.625% 2024	1.2
Premiertel 6.175% 2032	1.1
Edf 6.0% 2114	1.1
AT&T 5.2% 2033	1.1
Assets in top ten holdings	13.1

Fund Performance *

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 (%)
ASI (SLI) Corporate Bond	6.6	0.1	7.3	4.2	3.2
Platform One	7.0	0.5	7.7	4.7	4.0
IA £ Corporate Bond Sector	5.6	0.7	6.3	6.0	4.2

Cumulative Performance

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

	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
ASI (SLI) Corporate Bond	8.8	9.7	9.7	24.1
Platform One	8.9	10.0	10.9	27.0
IA £ Corporate Bond Sector	7.7	8.4	9.0	25.7

The fund's name was changed from 25 September 2015 to better reflect the investment objective and policy of the fund.

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

Duration - gives an indication of a bond's sensitivity to a change in interest rates. It is based on a snapshot of the portfolio on specified date. It does not include any impact from charges.

The Underlying Yield takes account of all expected cash flows from a bond over its lifetime. This includes, in addition to coupons, any differences between the purchase cost of a bond and its final redemption amount. It reflects the annualised income net of expenses of the fund (calculated in accordance with relevant accounting standards) as a percentage of the mid-market unit price of the fund as at the 15th of the month. It is based on a snapshot of the portfolio on that day. It does not include any preliminary charge and investors may be subject to tax on distributions. This is also the distribution yield for this fund. The Underlying Yield is based on the institutional shareclass.

Not Classified (N/C) may include bonds which do not fall into the specified categories and 'Cash and Other'.

Not Rated (N/R) may include bonds which do not have a rating under iBoxx classification (such bonds may still be rated by S&P and/or Moodys) and 'Cash and Other'.

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.

Investment Review and Outlook

Market Review

Corporate bond markets suffered in early August as risk-off sentiment returned to all financial markets. Trade wars, heightened economic fears and uncertainty around policy were the main factors driving the more febrile environment. The challenges around Brexit added to investors' fears. Spreads in the UK market were sharply wider across the curve early in the month. However, the prospect of a monetary policy response from the Bank of England helped to calm markets and brought buyers back to the asset class.

Sterling financials were 8 basis points (bps) wider, led by UK banks and insurers. Non-financials were also 8bps weaker. The collateralised sector was more stable however, widening by only 3bps.

Activity

The Fund added to Hammerson and Intu metrocentre bonds as they significantly underperformed following Intu's results which showed a write-down in the value of their properties. Intu's debt is secured and each deal is separate, with some much closer to covenant breaches than others, while Hammerson has a large exposure to non-UK markets. However with the market reacting negatively to "hard

Brexit" headlines and concerns over global growth, the bonds widened by more than they should have done in our opinion

We sold out of Bayer bonds which had performed strongly on the back of better-than-expected news regarding litigation concerns as well as some asset disposals. We also exited our exposure to the shipping firm Maersk whose bonds had performed well thanks to the company's strong balance sheet. Longer term, we think Maersk could become more exposed to negative global trade headlines, particularly after the 60bps of tightening in its bond spreads since we first added exposure.

Performance

The Fund underperformed over the period.

In terms of individual securities, the Fund's lack of exposure to Intu Properties added to returns after the company reported poor results, including an asset write-down. However, this had a negative impact on the broader UK property sector, including the Fund's overweight in Hammerson. The single biggest contributor over the period however was underweight exposure to the US industrial conglomerate General Electric added to relative returns. This

largely reflected a damaging short-seller report compiled by financial investigator Harry Markopolos (the person widely credited with sounding the first alarm over the Madoff Ponzi scheme), which alleged that the company had engaged in a USD38bn fraud in its insurance and oilfield services businesses.

Outlook & Strategy

The sterling market and UK-domiciled issuers across all currencies are now pricing in a more significant Brexit risk premium. That being said, a 'hard' Brexit scenario would probably drive some further underperformance, although current expectations are that this will be pushed back from 31 October 2019 into 2020. We are still expecting both slower economic growth in Europe and some monetary response from the European Central Bank. Further bond-buying programmes are now expected by the market. As a result, risks are skewed to the downside if the central bank disappoints. Investment grade leverage has picked up over recent quarters but extremely low rates and yields mean that the asset class continues to cope. Some idiosyncratic challenges are likely to emerge however if economic activity slows materially. Valuations appear fair given current conditions.

Other Fund Information

	Retail Acc	Retail Inc	Institutional Acc	Institutional Inc
Lipper	n/a	n/a	n/a	n/a
Bloomberg	n/a	n/a	n/a	n/a
ISIN	GB00BYROW60	GB00BYR0X77	GB00BYMMJL57	GB00BYMMK898
SEDOL	BYROW6	BYR0X7	BYMMJL5	BYMMK89

	Platform One Acc	Platform One Inc
Lipper	n/a	n/a
Bloomberg	n/a	n/a
ISIN	GB00BYR0Y84	GB00BYR0Z91
SEDOL	BYR0Y8	BYR0Z9

	Interim	Annual	Valuation Point	12:00 (UK time)
Reporting Dates	31 Aug	28 (29) Feb	Type of Share	Income & Accumulation
XD Dates	31 May, 31 Aug, 30 Nov	28 (29) Feb	ISA Option	No
Payment Dates (Income)	31 Jul, 31 Oct, 31 Jan	30 Apr		

	Retail	Institutional	Platform One
Initial Charge	4.25%	0.00%	0.00%
Annual Management Charge	1.00%	0.50%	0.50%
Ongoing Charges Figure	1.03%	0.61%	0.66%

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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Investor Services
0345 113 69 66.

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