

# Investment Report Standard Life Wealth Falcon Fund

Quarter 2 2019



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## Fund information



All information is correct as at 30 June 2019 unless otherwise stated.  
Past performance is not a reliable guide to future performance.

### Investment objective

The objective of the fund is to provide long term capital growth through investment principally in UK and international equities. The fund may also invest in warrants, deposits, approved money market instruments, collective investment schemes, derivative instruments and forward transactions. The investment team will maintain a diverse asset mix at country, sector and stock level, with the regional, country and sector weightings within the portfolio being a by-product of the underlying stock exposure. Their primary focus is on stock selection to try to take advantage of opportunities they have identified. Due to the unconstrained nature of the fund investors must be willing to accept a relatively high degree of stock specific risk. It will invest in companies of all sizes (eg small, medium and large companies) and in any industry (eg pharmaceuticals, financials etc) with complete freedom to invest without reference to any benchmark or index. Additionally the fund will typically invest in fewer than 70 company shares and limit investment in other mutual funds to 10%. The value of investments within the fund can fall as well as rise and is not guaranteed - you may get back less than you pay in. The fund may use derivatives for the purposes of efficient portfolio management, reduction of risk or to meet its investment objective if this is permitted and appropriate. The sterling value of overseas assets held in the fund may rise and fall as a result of exchange rate fluctuations.

### Comparative indices

The Comparative Index, ARC £ Equity Risk est., IA Global Growth, FTSE All-Share (£) and FTSE World ex UK. The Comparative Index consists 30% FTSE All-Share (£) and 70% FTSE World ex UK.

### Expected Characteristics

**Return:** Significantly above cash over the long term; variable in the short term.

**Volatility:** High. Investors can expect to experience significant fluctuations in the value of their holding, driven by rises and falls in equity markets.

**Income:** Low, but the dividend is likely to grow over the long term.

### Risk band

Suitable for investors with a high risk profile.

### Performance track record

|                                 | Retail (Acc) | Institutional (Acc)* |
|---------------------------------|--------------|----------------------|
| Retail launch date              | 13 Nov 1998  | 28 Apr 2014          |
| Return since launch             | 358.61%      | 62.58%               |
| Equivalent per annum            | 7.63%        | 9.86%                |
| Relative to comparative index** | 0.58%        | -1.81%               |

\* Institutional refers to Z shareclass.

\*\*based on outperformance or underperformance relative to the comparative index

### Fund facts

|                          | Retail (Acc)     | Institutional (Acc)*                  |
|--------------------------|------------------|---------------------------------------|
| Fund size (millions)     | GBP 157.2m       | GBP 157.2m                            |
| Annual management charge | 1.50%            | 0.00%                                 |
| Ongoing charge           | 1.54%            | 0.04%                                 |
| Base currency            | GBP              | GBP                                   |
| Distribution yield       | 0.77%            | 2.13%                                 |
| Ex distribution dates    | 31 Aug           | 28 Feb, 31 Aug                        |
| Distribution pay dates   | 29 Oct           | 2 business days before 30 Apr, 31 Oct |
| Last distribution paid   | 0.1942p per unit | 0.6304p per unit                      |
| ISIN                     | GB0002904703     | GB00BLBND495                          |
| Sedol                    | 290470           | BLBND49                               |

\* Institutional refers to Z shareclass.

## Focus on the latest quarter



Portfolio holdings can change at any time and without notice. Therefore, you should not take any of the information in this document as a recommendation to invest. Notable transactions are selected at the discretion of the fund manager and may not feature the largest transactions by value.

### Performance over the 3 months for fund, comparative index and other comparators

|   | %    |
|---|------|
| Standard Life Wealth Falcon Fund (Retail Acc)         | 7.06 |
| Standard Life Wealth Falcon Fund (Institutional Acc)* | 7.48 |
| Comparative index                                     | 5.68 |
| <b>Other comparators</b>                              |      |
| ARC £ Equity Risk est.                                | 3.86 |
| IA OE Global  | 6.44 |
| FTSE All Share  | 3.26 |
| FTSE World (ex UK)                                    | 6.72 |

Source: Morningstar (Fund) as at 30 June 2019. Calculation basis: Sterling, total return bid-to-bid, without initial charges, net income reinvested. Thomson Reuters Datastream (Comparative Index) as at 30 June 2019. Calculation basis: Sterling, total return without initial charges, gross income reinvested.

\* Institutional refers to Z shareclass.

### Largest contributors to relative performance

| Positive          | v index | Negative               | v index |
|-------------------|---------|------------------------|---------|
| Allegion          | 0.28    | Countryside Properties | -0.16   |
| RELX              | 0.26    | Alphabet Inc. Class A  | -0.23   |
| ABCAM             | 0.26    | Ubisoft Entertainment  | -0.23   |
| Ørsted            | 0.23    | Eli Lilly and Company  | -0.25   |
| Boston Scientific | 0.22    | Fevertree Drinks       | -0.39   |

Largest contributors to relative performance looks at the effect of the investment choices made by the fund manager. It highlights which investment choices have added or detracted value from the portfolio, relative to the investments in the benchmark.

### Notable transactions

| Acquisitions         | Disposals            |
|----------------------|----------------------|
| Ørsted               | Citigroup            |
| Visa                 | Vodafone             |
| NextEra Energy       | Samsung Electronics  |
| Medtronic (Increase) | Facebook             |
|                      | Anheuser-Busch Inbev |

## Focus on the latest quarter (cont.)



This commentary represents the views of the fund manager and should not be taken as advice.

### Markets

Trade relations and a return to more accommodative monetary policy dominated investor sentiment throughout the second quarter. The rally in financial markets that characterised the first three months of the year continued through April, albeit at a more subdued pace. Markets were carried by the central banks' supportive rhetoric but also the broad consensus that the US and China would resolve their trade spat at the G20 conference at the end of June. However, this view was significantly shaken mid-May, when President Trump unexpectedly tweeted his intention to increase tariffs on Chinese goods. Equity markets duly sold off on the back of his comments. And this time, the trade tensions were even more personal, with a ban on US companies buying Huawei products – a significant hit to the communications supply chain. The US also extended the range of its tariffs-target to Mexican goods. While it soon stood down on the threat to Mexico, its spat with China continued until early June. It was clear that neither side was feeling the political heat to agree a deal any time soon. With long-term disruption to the global supply chain starting to weigh heavily on global growth, many market observers downgraded their economic outlooks.

In June, however, the central banks came to the rescue. Weaker economic data, risks to the trade outlook and stubbornly low inflation provided all that the Federal Reserve (Fed) and the European Central Bank (ECB) needed to signal that the cavalry is coming, in the form of further monetary stimulus. The easy monetary policy that followed the financial crisis was often compared to drinking from a punchbowl. At some point, the punch would run out and we would all feel the effects of a rotten hangover. It would be fair to say the hangover has been relatively light, helped by clear communication of impending rate rises. Over the past three years, central banks have followed a relatively aggressive policy path with varying degrees of action. The US has led the way; increasing interest rates nine times from the 0.25% level reached in 2009. Considering the change in most central banks' rhetoric this quarter, we could say that we are 'back on the sauce'. Certainly, this view has supported investor sentiment towards risk assets. The hiatus in US monetary tightening indicated at the end of 2018 has now turned to full-blown dovish, accommodative policy. Indeed, the probability of a rate cut at the Fed's July meeting moved from 23% to 100% over the quarter.

By the end of June, the US and China were broadcasting their intentions to continue negotiating a trade agreement. This could be nothing more than empty words, until we see real progress on a deal. Nonetheless, this added fuel to the risk-on environment and many equity markets rose to all-time highs.

But while equities were reaching new heights, bond yields were plumbing two-year lows. This is usually an indication of deteriorating growth. In fact, the US yield curve inverted again in May (short-dated yields moved higher than long-term yields). This is commonly seen to portend recession. Yet at the same time, risk-assets like equities continued their ascent. Some commentators have concluded that both markets are telling two sides of the same story. Equities are reflecting global growth and a relatively strong US economy. Bond markets, meanwhile, are purely focused on the intentions of central banks – are they planning to make monetary policy more or less accommodative? They are also fixated on inflation, which has uncoupled from growth expectations. This neatly explains the current scenario. However, it would be fair to say that we are far from confident that this situation is sustainable.

Closer to home, the Conservative Party leadership race and the implications for the various Brexit scenarios dominated UK news. With the probability of a no-deal exit from the EU increasing, sterling depreciated against all G10 currencies over the quarter.

Against this backdrop, most equity markets rallied in April and June offsetting the weakness in May. Europe led the field, while Asia and the UK lagged. Given sterling's weakness, UK investors in overseas assets benefited from the translation of their investment returns back to pounds.

## Focus on the latest quarter (cont.)



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### Performance

The Falcon Fund returned +7.1% over the quarter, net of the retail fee. This was ahead of the benchmark return of +5.7% and also the peer group return of +3.9%, as measured by the Asset Risk Consultants (ARC) Equity Risk estimate. As a result, the Fund has now risen +18.8% year-to-date to the end of June (net of the full retail fee). This compares to the benchmark's return of +15.7% and the ARC Equity Risk estimate of +12.2%.

This quarter's outperformance was driven by good stock selection, principally in the industrials, consumer services, healthcare and utilities sectors. Notably, we bought three out of the top-ten contributing stocks this year. These were Abcam, Ørsted and Mastercard. Abcam (+29.9%) benefited from the broader rebound in healthcare, while Mastercard rose +12.5%, after reporting results that beat expectations. Ørsted, the world's largest offshore wind developer, gained +12.5% over the quarter, boosted by news of a project win in New Jersey. Allegion, the US lock manufacturer, was the biggest contributor to performance. It gained 25% as investors favoured companies seen to offer relatively reliable and visible growth. Within the media sector, RELX was another notable contributor to performance. It rose +18.4%, as concerns eased over journal contract negotiations in its scientific, technical and medical division. Within healthcare, Boston Scientific gained +14.6%. Its management highlighted innovative, new medical technology products that are expected to generate sector-leading organic growth of around 8%.

As risk appetite improved over the quarter, some of the Fund's selected technology stocks made significant gains. These included Microsoft (+16.7%), which produced very strong results in April, ASML (+15.5%), the Dutch lithography company, and Facebook (+11.9%). In other sectors, Nestlé (+14.2%) and FLIR Systems (+16.9%), the manufacturer of thermal-imaging products, performed well, as did life insurers Prudential (+11.6%) and AIA Group (+12.3%). The US Real estate investment trusts, American Tower and Equinix, rallied further as expectations about interest rates turned more dovish. The most notable detractor from performance was Fever-Tree. It retreated -23% on the release of weaker trade data. We trimmed our position in Fever-Tree earlier in the year at a much higher level, cognisant that its valuation made it vulnerable to any setbacks.

### Activity

During the quarter, we added three new names to the Fund, namely Ørsted, NextEra Energy and Visa. We sold Vodafone, Citigroup, Anheuser-Busch InBev, Samsung Electronics and Facebook.

While both Ørsted and NextEra Energy are classified as utilities, they are very different from conventional UK utilities. They do not face the same continual consumer backlashes against rising bills or the threat of nationalisation under a Labour government. Ørsted pioneered the world's first wind farm in 1991. Over the years, it has transformed itself from a utility company with significant oil & gas reserves, into the world's largest offshore wind developer, with 30% of global capacity (either in operation or under construction). With the unrelenting growth in both wind and solar power, Ørsted offers visible and defensive growth. Its shares are pricing in much of the near-term capacity growth. However, we believe Ørsted should continue to compound annually as it continues to win future auctions, as the global renewables market develops. In a similar vein, NextEra Energy is another leading player in renewables, through NextEra Resources. It also runs the Florida Power and Lighting (FPL) utility company and the recently acquired Gulf Power. FPL is a well-managed utility as evidenced by its ability to deliver energy bills 30% cheaper than the US average.

Within financials, we have been reviewing our underlying exposure for some time and gradually lowering our exposure to traditional banks. We accelerated this process with the sale of Citigroup, after very strong performance, and by reducing our positions in First Republic Bank and HSBC. We have a less positive view on the US banking sector at this point in the cycle. While the Fund is now underweight banks, we have increased our exposure to the payments networks. We followed up last quarter's well-timed purchase of Mastercard by introducing Visa to the Fund this quarter. We continue to favour the global payments sector, as consumer habits change and electronic transactions grow ever more prolific. For Visa, profitability will likely be driven by the European market, where there is room for pricing and margin improvements.

## Focus on the latest quarter (cont.)



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The success of Facebook's soon-to-be launched cryptocurrency, Libra, will become apparent in time. It represents an interesting opportunity, given the company's huge numbers of monthly average users – estimated at roughly 2.4 billion, and growing. However, the regulatory scrutiny Libra faces should not be underestimated. Indeed, with the US election fast approaching, we expect the debate over greater regulation of the internet giants to increase. News of an investigation by the US Federal Trade Commission into antitrust issues at Facebook knocked its shares this quarter. They soon recovered, however, over the excitement of Libra. We took advantage of this, by selling our remaining holdings in Facebook, in light of its strong share-price performance this year.

Following some strong gains, we trimmed a number of the Fund's core holdings on valuation grounds. These included American Tower, Equinix, Accenture, First Republic Bank, Estée Lauder and Comcast. We also increased our holding in Medtronic, the medical devices producer, following a good set of results. We were also encouraged by bullish comments from its management about an anticipated acceleration in growth, driven by new products.

### Outlook

We have downgraded our global growth forecasts amid subdued activity data and rising political and policy uncertainty. As a result, our projections no longer incorporate a re-acceleration in global growth. Instead, we expect global GDP growth to be flat, and below the post-financial crisis average, out to 2021. Moreover, even that outlook is dependent on several major central banks easing monetary policy this year and the US-China trade war not escalating further.

On the positive side, global financial conditions have remained relatively loose. Chinese conditions, in particular, have eased as a result of policy stimulus. The European industrial cycle appears to be bottoming. Meanwhile, advanced economy labour markets have remained resilient, supporting solid consumer demand.

On the negative side, trade tensions have re-escalated. Political developments in the UK, Italy, Argentina, Turkey and Iran have also taken a less positive direction. There has been little evidence of spill-over from Chinese stimulus to the rest of the world so far. Indeed, global manufacturing sentiment hit a 6.5-year low in May and our forecasts suggest that global growth is still slowing. The fluid trade-policy environment is a particularly important – and difficult to forecast – driver of the outlook.

Fundamentally, the more accommodative monetary policy indicated by central banks is supportive of risk assets like equities. However, should the Fed decide not to follow through with the two rate cuts the market is anticipating this year, this would hurt investor sentiment towards risk assets. In addition, we question whether more stimulatory monetary conditions will be enough to offset any deterioration in global growth triggered by ongoing disruption to global trade. More than 10 years into the current financial cycle, we continue to monitor the signals that it is coming to an end. This signal would typically be an external shock or a policy mistake.

Therefore, rather than focus on short-term market noise, we continue to concentrate on long-term structural growth. Specific areas of focus are the beneficiaries of 5G roll-out, digitalisation of payments, decarbonisation of energy, electrification of transport and healthcare applications that are driving longevity. We seek to identify companies that will benefit from shifting trends, while avoiding those where change will be detrimental. Experience has taught us that companies that have strong balance sheets, generate cashflow in excess of their operational requirements, and invest in their business as well as distribute to shareholders, tend to generate stronger and more sustainable returns. As a result, they merit a long-term position in portfolios, regardless of shorter-term sentiment.



## Performance

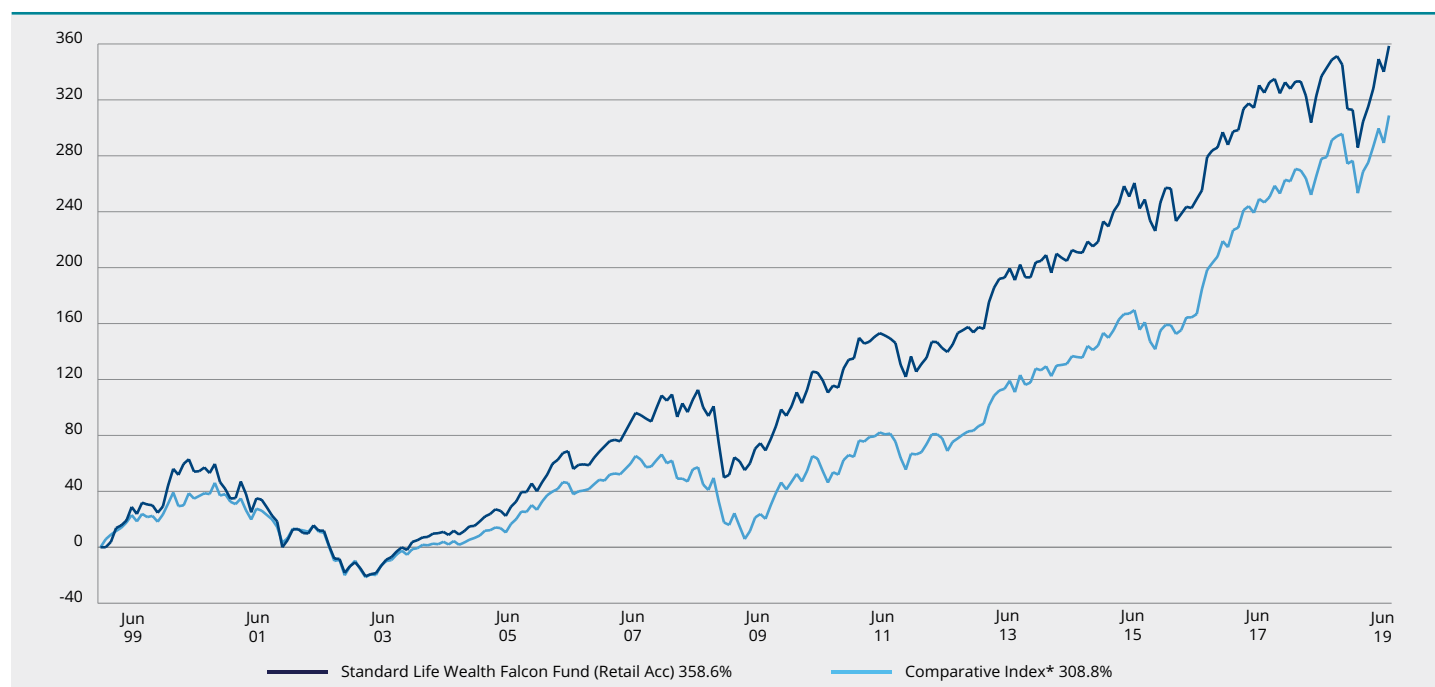


### Risk warning

Past performance is not a reliable guide to future performance.

The value of investments within the fund can fall as well as rise and is not guaranteed - you may get back less than you pay in.

### Performance since launch (%) 13 November 1998



### Cumulative performance (%) to last quarter end

|  | 1 year | 3 years | 5 years | 10 years | YTD  |
|--|--------|---------|---------|----------|------|
| Standard Life Wealth Falcon Fund (Retail Acc)          | 3.6    | 29.1    | 47.5    | 171.0    | 18.8 |
| Standard Life Wealth Falcon Fund (Institutional Acc)** | 5.1    | 35.0    | N/A     | N/A      | 19.7 |
| Comparative Index*                                     | 7.9    | 43.6    | 73.2    | 239.9    | 15.7 |

### Discrete past performance (%) to last quarter end

| From   | 30/06/2014 | 30/06/2015 | 30/06/2016 | 30/06/2017 | 30/06/2018 |
|--|------------|------------|------------|------------|------------|
| To   | 30/06/2015 | 30/06/2016 | 30/06/2017 | 30/06/2018 | 30/06/2019 |
| Standard Life Wealth Falcon Fund (Retail Acc)          | 10.1       | 3.8        | 19.6       | 4.2        | 3.6        |
| Standard Life Wealth Falcon Fund (Institutional Acc)** | 11.7       | 5.4        | 21.4       | 5.8        | 5.1        |

Source: Morningstar (Fund) as at 30 June 2019. Calculation basis: Sterling, total return bid-to-bid, without initial charges, net income reinvested. Thomson Reuters Datastream (Comparative Index) as at 30 June 2019. Calculation basis: Sterling, total return without initial charges, gross income reinvested.

\* The Comparative Index for the Standard Life Wealth Falcon Fund is 30% FTSE All-Share, 70% FTSE World ex UK. The Comparative Index for the fund from inception until 31 December 2009 was 50% FTSE All-Share, 50% MSCI World ex UK then 50% FTSE All-Share, 50% FTSE World ex UK until 31 December 2013.

\*\* Institutional refers to Z shareclass.



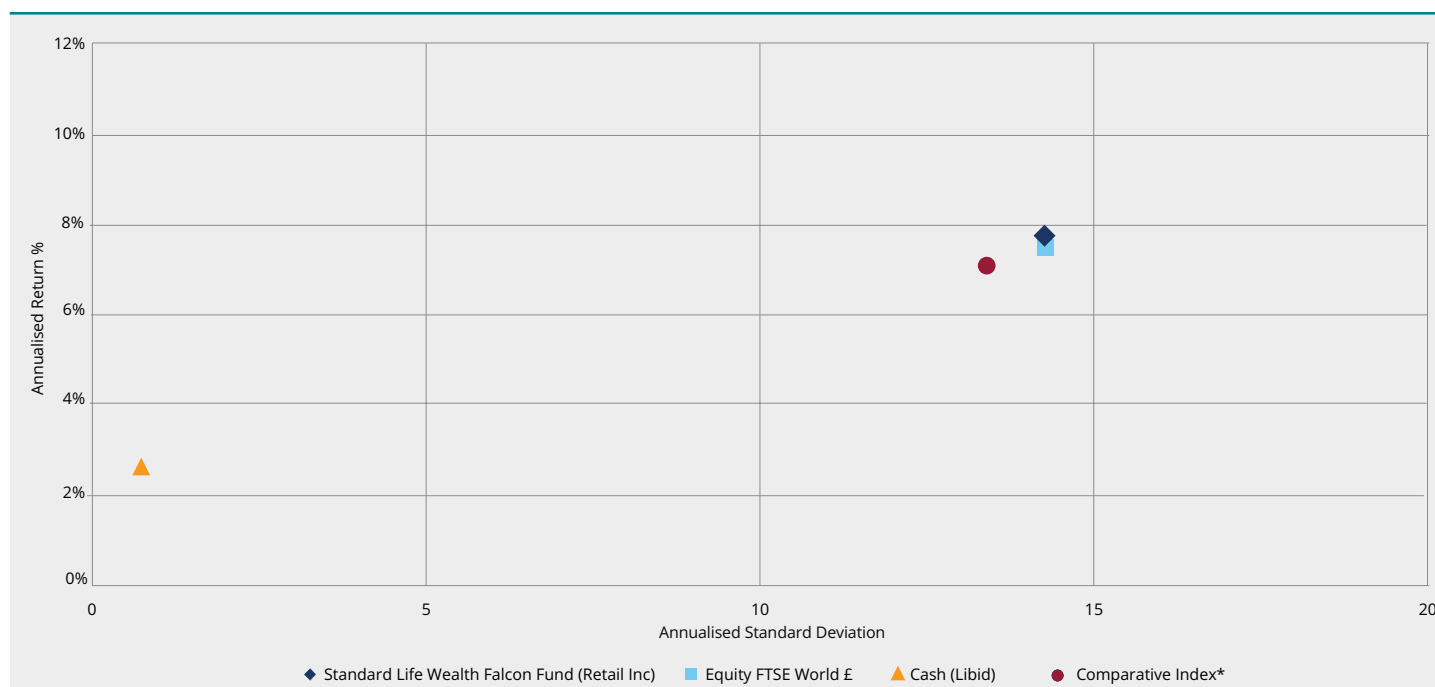
## Performance - risk and reward



For explanations of any of the investment terms used in this report, please see glossary.

The value of investments within the fund can fall as well as rise and is not guaranteed - you may get back less than you pay in.

### Return and risk since launch



Annualisation is calculated on a monthly basis from the fund launch date, 13 November 1998.

The value of investments within the fund can fall as well as rise and is not guaranteed - you may get back less than you paid in.

### Risk and return since launch

|   | Annualised return (%) | Volatility (%) | Sharpe ratio |
|---|-----------------------|----------------|--------------|
| Standard Life Wealth Falcon Fund (Retail Acc) | 7.6                   | 14.3           | 0.3          |
| Comparative Index*                            | 7.1                   | 13.4           | 0.3          |

Source: Morningstar (Fund) as at 30 June 2019. Calculation basis: Sterling, total return bid-to-bid, without initial charges, net income reinvested. Thomson Reuters Datastream (Comparative Index) as at 30 June 2019. Calculation basis: Sterling, total return without initial charges, gross income reinvested.

Money market instruments (LIBID) is the London Interbank Bid Rate and represents the rate at which a bank is willing to borrow from other banks.

\* The Comparative Index for the Standard Life Wealth Falcon Fund is 30% FTSE All-Share, 70% FTSE World ex UK.

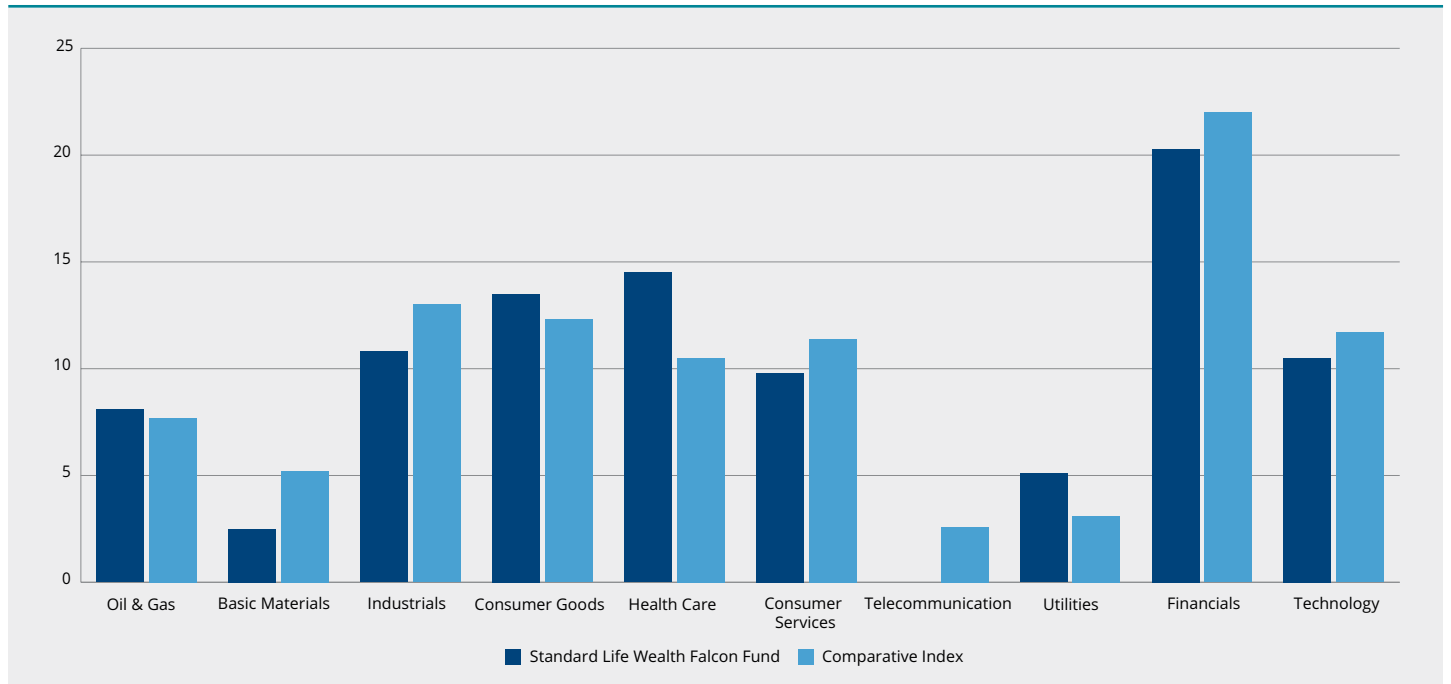
The Comparative Index for the fund from inception until 31 December 2009 was 50% FTSE All-Share, 50% MSCI World ex UK then 50% FTSE All-Share, 50% FTSE World ex UK until 31 December 2013.

## Fund breakdown

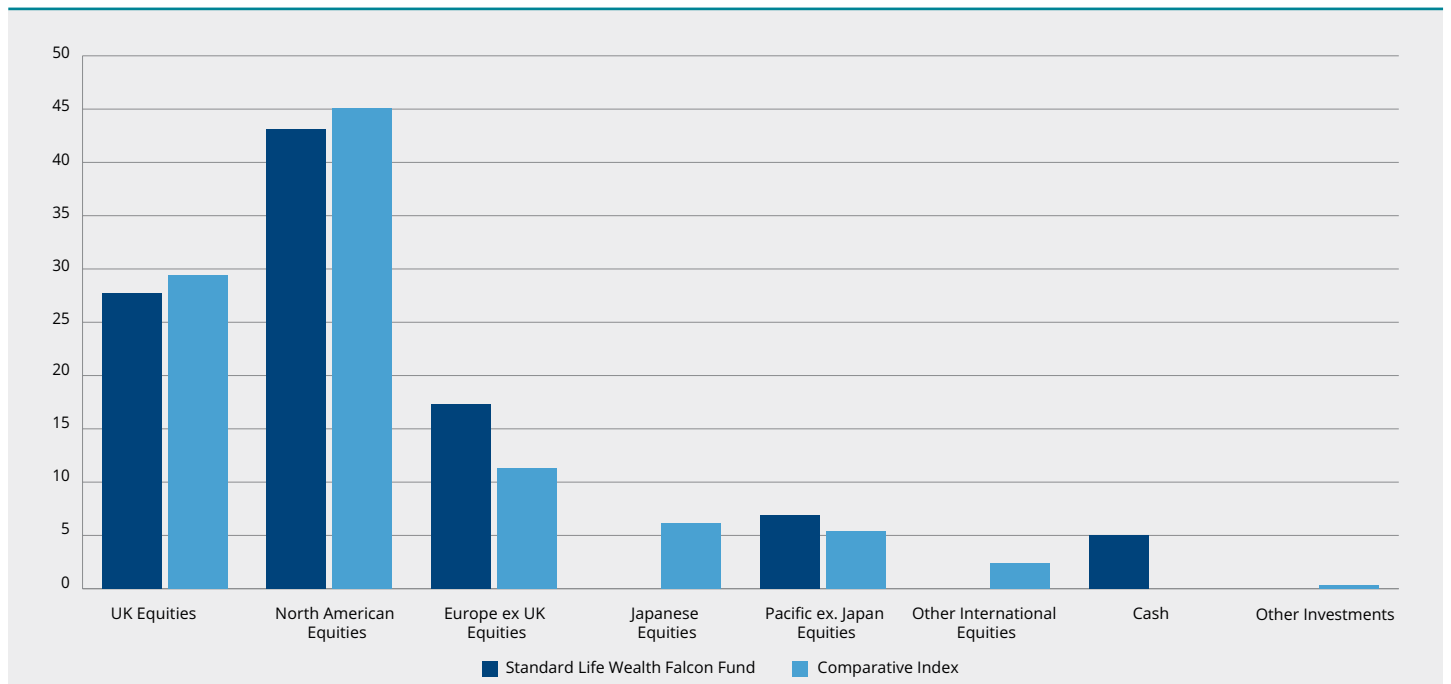


The information below is subject to change and should not be construed as a recommendation to invest in a specific industry or region. The value of investments within the fund can fall as well as rise and is not guaranteed - you may get back less than you pay in.

### Equity split by industry



### Regional and asset class weighting



Factset as at 30 June 2019

## Our investment process

We manage portfolios on an active basis, taking a global investment approach. We aim to identify long-term drivers of change. These long-term trends are the key forces of change, which we believe drive economies and markets.

### Research

Our team of analysts conduct fundamental research across markets for each of the world's major economies, industries and sectors. We look beyond the traditional boundaries established by simply considering asset allocation, assessing important characteristics such as capital protection, cash flow and long-term growth. We use the full resources of Aberdeen Standard Investments to generate research that's solely used for the benefit of our clients.

### Fund management/portfolio construction

Our investment managers interpret the output of all strategic and analytical work, identifying and assessing those stocks that may be appropriate for our client portfolios. We aim to invest in an appropriate combination of long-term, return-seeking assets and tactical, risk-offsetting positions. The structure of every portfolio depends on each client's goals, attitude to risk and time horizon, in the context of our investment outlook.

| Long-term trend      | Drivers of change  | Investments  |
|----------------------|--|--|
| Shifting consumption | Shifting consumption patterns will continue to be a major influence on global growth. It is estimated that over the next 15 years, another 1.8 billion people will enter the global consuming class and that worldwide consumption will nearly double to \$64 trillion (McKinsey Global Institute. Manufacturing the future: The next era of global growth and innovation. November 2012).   | Amazon<br>Treasury Wine Estates<br>Dechra Pharmaceuticals<br>Estee Lauder<br>DS Smith          |
| Population dynamics  | Advances in medical science and changes in diet and in our environment are transforming the dynamics of the global population. People are living for longer, more than half the world's population already lives in urban areas with this number predicted to rise to 75% by 2050 (UN December 2013), and a falling work force is placing strains on the provision of public services.   | AIA Group<br>Biotech Growth Trust<br>Prudential<br>Boston Scientific<br>Medtronic              |
| Debt effects         | Since the onset of the credit crisis, governments, corporations and individuals have been taking measures to reduce their levels of debt. The efficiency and effectiveness of this reduction in debt is not yet completely known.  | First Republic Bank  |
| Policy influence     | National and regional policies have always played a role in global economics as policymakers seek to achieve a number of political, economic and social objectives. These include promoting growth, increasing employment, controlling inflation, managing the money supply and interest rates, increasing profits and addressing perceived market failures. Intervention brings about change, and therefore can act as the catalyst for investment opportunities.   | Nextera Energy<br>CRH  |
| Smart generation     | Remember life without the internet and digital technology? There will soon be a generation of adults who don't. Indeed the single biggest source of digital disruption over the past decade has been the users of technology themselves - reshaping the way we live, work and do business. Networks, systems, processes are now more sophisticated than ever before. This is giving organisations opportunities to become more efficient and focused - to create entirely new operating models.  | Alphabet<br>Activision Blizzard<br>Visa<br>ASML Holding<br>Mastercard<br>Ubisoft Entertainment |
| Resource efficiency  | By 2030, energy demand is projected to increase by 40% and water demand is expected to outstrip supply by 40%. A mere 5% of the world's population uses 23% of the entire energy supply, while 40% of the world's population lack access to adequate sanitation services. Another 1.2 billion having no facilities at all (UN System Task Team on the Post-2015 UN Development Agenda). Ageing populations in the West (as elaborated upon in our Populations dynamics theme) and continuing economic advancement in the developing world will result in a shortage of human capital globally. Businesses will be vying for talent against the entrepreneurial opportunities that will be available to a cohort of young, well-educated workers. | Accenture<br>EOG Resources<br>Schlumberger<br>Enel<br>Ørsted                                   |

## Fund holdings

| Standard Life Wealth<br>Falcon Fund | Holdings<br>(%)* | Standard Life Wealth<br>Falcon Fund                        | Holdings<br>(%)* |
|-------------------------------------|------------------|--|------------------|
| <b>Equities</b>                     | <b>95.0</b>      | <b>Consumer Services</b>                                   | <b>9.8</b>       |
| <b>Oil &amp; Gas</b>                | <b>8.1</b>       | Amazon.com, Inc.   | 2.8              |
| BP p.l.c.                           | 1.7              | Kering SA  | 2.0              |
| EOG Resources, Inc.                 | 1.5              | Comcast Corporation Class A                                | 2.4              |
| Royal Dutch Shell Plc Class B       | 2.3              | RELX PLC   | 2.6              |
| Total SA                            | 1.3              | <b>Utilities</b>   | <b>5.1</b>       |
| Schlumberger NV                     | 1.4              | Enel SpA   | 2.0              |
| <b>Basic Materials</b>              | <b>2.5</b>       | NextEra Energy, Inc.                                       | 1.2              |
| Covestro AG                         | 1.1              | Ørsted   | 1.9              |
| Rio Tinto plc                       | 1.4              | <b>Financials</b>  | <b>20.3</b>      |
| <b>Industrials</b>                  | <b>10.8</b>      | First Republic Bank  | 2.0              |
| CRH Plc                             | 1.8              | HSBC Holdings Plc  | 1.2              |
| FLIR Systems, Inc.                  | 1.7              | Beazley Plc  | 1.3              |
| DS Smith Plc                        | 1.5              | AIA Group Limited  | 2.0              |
| Allegion PLC                        | 1.8              | Aviva plc  | 0.9              |
| Voltronic Power Technology Corp.    | 1.5              | Prudential plc   | 2.4              |
| Accenture Plc Class A               | 2.7              | American Tower Corporation                                 | 2.8              |
| <b>Consumer Goods</b>               | <b>13.5</b>      | Equinix, Inc.  | 1.8              |
| Fevertree Drinks PLC                | 1.1              | Mastercard Incorporated Class A                            | 2.2              |
| Treasury Wine Estates Limited       | 1.7              | Visa Inc. Class A  | 1.9              |
| Nestle S.A.                         | 2.8              | Biotech Growth Trust PLC                                   | 1.7              |
| Countryside Properties Plc          | 1.2              | <b>Technology</b>  | <b>10.5</b>      |
| Activision Blizzard, Inc.           | 1.3              | Alphabet Inc. Class A                                      | 2.4              |
| Ubisoft Entertainment SA            | 1.3              | Microsoft Corporation                                      | 3.1              |
| Estee Lauder Companies Inc. Class A | 2.8              | Apple Inc.   | 1.2              |
| British American Tobacco p.l.c.     | 1.3              | ASML Holding NV  | 2.1              |
| <b>Health Care</b>                  | <b>14.5</b>      | Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR | 1.7              |
| Boston Scientific Corporation       | 2.9              | <b>Cash</b>  | <b>5.0</b>       |
| Medtronic Plc                       | 2.0              |  |                  |
| ABCAM PLC                           | 1.3              |  |                  |
| Dechra Pharmaceuticals PLC          | 1.9              |  |                  |
| Eli Lilly and Company               | 1.4              |  |                  |
| GlaxoSmithKline plc                 | 2.1              |  |                  |
| Novartis AG                         | 1.3              |  |                  |
| Roche Holding AG                    | 1.6              |  |                  |

\*The data is rounded to 2 dp and small variances to totals may occur

## Glossary

**ARC Private client indices** ARC private client indices are based on actual client portfolio returns provided by various investment management companies. These portfolio returns are allocated to one of four categories based on the volatility of their returns relative to world equities, and an average return is calculated for each category. Grouping portfolios by their volatility differs from the traditional approach, which compares portfolios which have similar asset allocations. Instead, investment managers may use whatever asset allocation they consider appropriate to achieve the desired levels of return and volatility.

**Bonds** These are essentially loans to a government or company. These loans are often for a set period and the bond owner usually receives regular interest payments. Bonds issued by the UK government are called gilts and those issued by a company are corporate bonds. Some bonds are riskier than others, for example bonds issued for a longer time period or by companies which are viewed as risky.

**Derivatives** Funds can sometimes use derivatives to improve portfolio management and to help meet investment objectives. A derivative is a financial instrument – its value is derived from the underlying value or movement in other assets, financial commodities or instruments like equities, bonds, interest rates, etc. Depending on how it is used, a derivative can involve little financial outlay but result in large gains or losses.

**Equities** These are part ownership in a company, and are also referred to as stocks and shares. The return on equities comes from growth in the value of the shares in a company, plus any income from dividends. Equities are one of the more volatile asset classes – although they can offer good growth potential.

**IA sector averages** The Investment Management Association (IMA) classifies funds with similar objectives into broad groups, or sectors, which have some similar characteristics. The average performance of all the funds in a sector is calculated over various time periods for investors to use as a performance comparator.

**LIBOR/LIBID** LIBOR is the London Interbank Offered Rate and is the rate at which banks lend to each other. LIBID is the London Interbank Bid Rate and is the rate at which banks borrow from one another. Generally, LIBOR is a little above the Bank of England base rate, and will also be higher than LIBID. Both can be used as a benchmark for money market instruments, which include cash.

**Money market instruments (including cash)** These include deposits with banks and building societies, as well as governments and large corporations. They also include other investments that can have more risk and return than standard bank deposits. Investments in money market instruments are riskier than standard cash deposit accounts – in some circumstances their values will fall. The returns may also be lower than inflation.

**Ongoing charge** This is a measure of the total cost for investing in a fund. It's made up of the Annual Management Charge (AMC) and other additional costs. The AMC is levied by the Manager and is used to pay the investment manager, financial advisor, fund accountant, fund administrator and distributor. Additional costs include the costs for other services paid for by the fund, such as the fees paid to the trustee (or depository), custodian, auditor and regulator.

**Property** Property investing includes direct investment in buildings and land, as well as indirect investments such as shares in property companies. The value of direct property is generally based on a valuer's opinion as is not fact. Like equities, property securities can have sharp changes in value at any time. The values of different types of property do not necessarily move in line with each other. For example commercial property could be losing value even if house prices are going up.

**Risk** All investments carry risk. Some are riskier than others. Higher-risk investments offer the potential for higher returns. There is no guarantee that you will get back all the money you initially invested. Money market instruments (including cash) are generally considered to be the least risky investments.

**Risk band** The risk band given on this document is an internal rating used by Aberdeen Standard Capital to categorise the relative position of funds and portfolios within their overall investment offering. There are six ratings: very low, low, medium low, medium, medium high and high. The Aberdeen Standard Capital risk band differs from the SRRRI risk rating that you might see on a Key Investor Information Document, which uses a standardised industry wide process to rate funds from 1-7.

**Sharpe ratio** The Sharpe ratio gives an idea of how well a fund has performed relative to the amount of risk it has taken. It's calculated by dividing the excess return (in this case, the return above cash) by the standard deviation of the return. A higher sharpe ratio suggests that a fund is taking on less risk to achieve its return.

## Glossary (cont.)

**Standard deviation** A statistical measure of how much the return for an investment is likely to vary. The higher the number, the more variable the return. Given two investments with the same average return, but different standard deviations, we would expect the fund with the larger standard deviation to have a wider range of likely returns.

**Volatility** Volatility measures the risk of loss. It shows how widely the range of returns in a portfolio might deviate from the average return over a particular period.

**Yield** The interest or dividend (income) received from an investment.

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