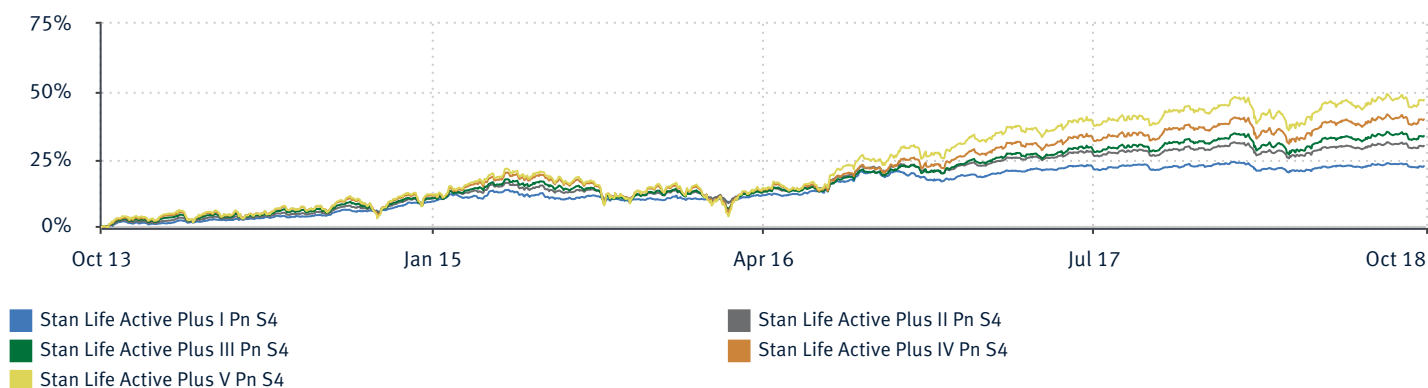


Active Plus

There are five Active Plus Pension Funds, ranging from lower through to higher risk (I to V). Each fund invests in a diverse range of assets and investment strategies, including equities, bonds, property, money market instruments and absolute returns. They do this by investing mainly in actively managed Standard Life Investments funds. The investment team can vary the proportions held in each asset class to try to take advantage of investment opportunities they have identified.

Performance (as at 30/09/2018)



Cumulative performance (as at 30/09/2018)

	I	II	III	IV	V
1 month	-0.52%	-0.48%	-0.46%	-0.31%	-0.29%
3 months	0.15%	0.49%	0.80%	1.14%	1.49%
6 months	1.29%	2.77%	4.06%	5.42%	6.59%
1 year	0.98%	2.48%	3.64%	4.80%	5.53%
3 years	12.08%	18.20%	22.35%	27.70%	34.98%
5 years	22.34%	29.87%	33.48%	39.67%	46.89%
Since launch	32.15%	43.51%	50.20%	59.02%	69.46%

Year on year (as at 30/09/2018)

	I	II	III	IV	V
0-12m	0.98%	2.48%	3.64%	4.80%	5.53%
12-24m	0.53%	3.52%	6.66%	9.03%	10.74%
24-36m	10.40%	11.43%	10.69%	11.77%	15.50%
36-48m	3.29%	2.94%	1.56%	0.97%	0.32%
48-60m	5.68%	6.73%	7.42%	8.32%	8.48%

Gross income reinvested, net of fund charges, GBP, sourced from FE © 2018

The chart shows the performance of the fund over the period shown.

Past performance is not a guide to future returns. The value of this investment and the income from it may go down as well as up and cannot be guaranteed. An investor may receive back less than their original investment.

Market review

Global equity markets delivered robust returns over the third quarter, albeit with marked regional variations. The US was the standout market, with the S&P 500 Index hitting an all-time high, driven by a buoyant economy and robust corporate profits. Several emerging and Asian equity markets declined, with investor sentiment dampened by an escalation in the protracted US/China trade war. The strong US dollar also adversely affected many in the region. By contrast, Japan had a strong quarter as a weak yen boosted exports. Rounding off, Brent crude oil hit a four-year high at the close of the review period. Risk aversion was a primary influence on global government bonds during the period, which was largely rooted in an escalation of the trade spat between the US and China. Against that, a slew of encouraging US economic data caused the market to price in two interest rate rises before the end of 2018, pushing the 10-year Treasury yield decisively above the 3% mark. Meanwhile, it was a challenging but positive quarter for corporate bonds, with fears of faster-than-expected US interest rate rises and escalating global trade tensions fuelling volatility.

UK commercial property remained stable, although there were some indications during the quarter that the market is moderating. Total returns have been marginally weaker in recent months, with the return for August (the latest data available) the lowest since September 2016. Although capital growth is weaker, rents have held up fairly well – particularly for industrial and office property. Market trends continue to see industrial and retail property move in opposite directions. Industrials are still outperforming all the other commercial sectors as the relentless demand for all types of storage and distribution facilities drives the sector higher.

Range commentary

We review the Strategic Asset Allocation (SAA) for each of the funds every quarter, with the aim of ensuring that we continue to meet investors' long-term interests. At the most recent review, we made no changes to the SAA model.

Within Tactical Asset Allocation (TAA), we made the following changes (where applicable within each risk level) during the third quarter of 2018.

Added to our holding in UK equities (while remaining underweight versus the SAA)

Reduced our Japanese equities position (while remaining overweight versus the SAA)

Reduced our Asia-Pacific equities position to neutral

Increased our global real estate investment trusts (REITs) position to overweight

Reduced our cash position (while remaining modestly overweight versus the SAA)

Currency movements are currently driving returns for UK equities, particularly those companies that make the majority of their earnings overseas. Over coming months, sterling is likely to become even more volatile in reaction to news headlines about the feasibility of any deal made to leave the EU. We are therefore seeking to minimise exposure to sterling movements by bringing our UK equities position closer towards neutral as we near the Brexit deadline. In Japan, we remain positive on the country's equity market but we are slightly more cautious because of the potential impact of a trade war with the US. Economic indicators are also weakening. As a result, we have reduced our overweight position in Japanese equities but we are still overweight versus the SAA. Similarly, we cut our holding in Asia-Pacific equities, preferring instead to invest in emerging Asian equities that are more geared towards the economic cycle through our emerging market equity position.

Finally, we added to our position in global REITs. In the US, stronger economic growth and an attractive dividend yield should prove supportive for REITs. Meanwhile, rental growth is strong across most European markets, with countries displaying robust economic growth, such as France and Spain, offering the most potential to add value through cash deployment and development.

Market outlook

While there are grounds to remain positive on certain equity markets and sectors, we are unlikely to enjoy the stellar returns seen in prior years. The Federal Reserve has started to raise interest rates, while the US/China trade dispute has intensified. The strength of the US dollar is also posing problems, notably in those emerging markets with high dollar-denominated debt. Meanwhile, the EU and UK are running out of time to strike a deal on Brexit. Nonetheless, the overall economic backdrop is broadly supportive and, while valuations in many areas of the market look stretched, there remain numerous opportunities for stock pickers.

We continue to see value in investment grade credit, given the sizeable market correction in the first half of 2018 and the strong fundamental backdrop for most corporates. However, the combination of trade tensions, continuing political uncertainty around Brexit and the US mid-term elections could increase near-term volatility. Meanwhile, the path and speed of interest rate changes will continue to determine the short-term outlook for government bond markets.

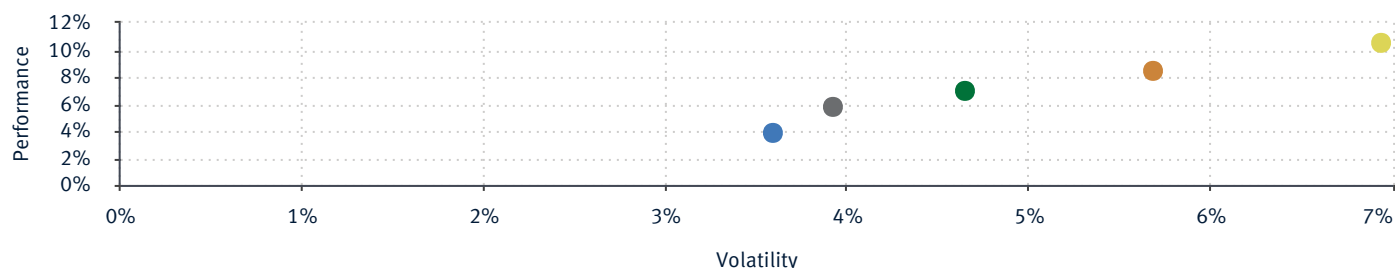
Although some progress has been made in Brexit negotiations, uncertainty around the ultimate economic impact continues to affect sentiment towards UK commercial real estate. We envisage a period of low returns over the next five years, with the forecast annual total return being slightly below the market income return. With income expected to be the main driver of returns over the period, the degree of income risk – from potential tenant default or the ability to maintain income at lease events – will be key to asset performance.

Additional information

	I	II	III	IV	V
Fund Management Charge	1.100%	1.100%	1.100%	1.150%	1.150%
Total Annual Fund Charge*	1.13%	1.13%	1.13%	1.18%	1.18%
Citicode	0N9L	0N9N	0N9P	0N9R	0N9T
Fund size in £m as at 30/09/2018	6.57m	49.98m	2,611.47m	174.73m	30.51m

Source: Standard Life Investments 2018

*The Total Annual Fund Charge is the total of the Fund Management Charge (FMC) and additional expenses.

Annualised risk and return (as at 30/09/2018)

Gross income reinvested, net of fund charges, GBP, Sourced from FE © 2018

The chart shows the annualised volatility (risk) and annualised performance based on fund returns over the past three years to the date shown.

Key	Name	Performance	Volatility
●	Stan Life Active Plus I Pn S4	3.87%	3.59%
●	Stan Life Active Plus II Pn S4	5.73%	3.92%
●	Stan Life Active Plus III Pn S4	6.95%	4.65%
●	Stan Life Active Plus IV Pn S4	8.49%	5.69%
●	Stan Life Active Plus V Pn S4	10.51%	6.94%

The table shows the annualised volatility (risk) and annualised performance based on fund returns over the past three years to the date shown.

Past performance is not a guide to future returns. The value of this investment and the income from it may go down as well as up and cannot be guaranteed. An investor may receive back less than their original investment.

Current asset allocation (as at 30/09/2018)

Defensive assets	I	II	III	IV	V
Money Market including Cash	9.05%	4.85%	2.05%	2.25%	1.00%
UK Government Bonds	14.30%	10.10%	7.30%	2.10%	-
Sterling Corporate Bonds	10.40%	7.30%	3.80%	-	-
Short Dtd Sterling Corp Bonds	11.90%	7.80%	3.30%	-	-
Global Corporate Bonds	16.30%	11.70%	7.10%	1.40%	-
Short Dated Global Corp Bonds	5.90%	4.40%	2.60%	0.90%	-
Total	67.85%	46.15%	26.15%	6.65%	1.00%
Growth assets	I	II	III	IV	V
UK Equities	5.20%	9.80%	14.20%	18.70%	24.15%
US Equities	6.50%	10.70%	14.80%	18.70%	24.50%
European Equities	2.20%	4.10%	5.80%	7.60%	10.20%
Japanese Equities	2.60%	4.00%	5.20%	6.50%	7.90%
Asia Pacific Equities	1.30%	2.30%	3.30%	4.30%	5.80%
Emerging Market Equities	2.30%	3.30%	4.30%	5.30%	6.30%
Global High Yield Bonds	1.10%	2.00%	2.20%	1.80%	-
Emerging Mkt Local Curr Bonds	1.00%	1.00%	1.00%	1.00%	0.75%
UK Real Estate	2.60%	4.50%	6.20%	8.10%	-
Global REITs	1.65%	2.25%	2.85%	3.45%	-
Multi Asset Absolute Returns	5.70%	9.90%	14.00%	17.90%	19.40%
Total	32.15%	53.85%	73.85%	93.35%	99.00%

Source: Standard Life Investments 2018

Holdings (as at 30/09/2018)

Defensive assets		Asset class	I	II	III	IV	V
SL Corporate Bond		Sterling Corporate Bonds	10.65%	7.37%	3.74%	-	-
SL Global Corporate Bond Asset Fund		Global Corporate Bonds	16.21%	11.70%	6.99%	1.32%	-
SL Global Short Duration Corporate Bond Asset Fund		Short Dated Global Corporate Bonds	5.59%	4.31%	2.62%	0.93%	-
SL Money Market Pension		Money Market including Cash	9.02%	4.58%	1.67%	2.00%	1.12%
SL UK Gilt		UK Government Bonds	14.26%	10.00%	7.26%	2.04%	-
SL Vanguard UK Short-Term Investment Grade Bond		Short Dated Sterling Corporate Bonds	11.76%	7.67%	3.20%	-	-
Total			67.49%	45.63%	25.48%	6.29%	1.12%
Growth assets		Asset class	I	II	III	IV	V
SL Asia Pacific ex Japan Equity		Asia Pacific Equities	2.00%	2.79%	3.79%	4.69%	5.81%
SL Emerging Markets Equity		Emerging Market Equities	2.20%	3.06%	3.87%	5.00%	6.05%
SL European Equity		European Equities	2.66%	4.89%	6.55%	8.02%	10.83%
SL Global Property Securities Asset Fund		Global REITs	1.25%	1.60%	2.19%	2.82%	-
SL Japanese Equity		Japanese Equities	2.84%	4.42%	5.53%	6.87%	8.18%
SL North American Equity		US Equities	6.63%	11.12%	15.13%	18.85%	24.37%
SL Pooled Property		UK Real Estate	2.74%	4.20%	6.06%	8.14%	-
SL SLI Emerging Mkt Local Currency Debt		Emerging Market Local Currency Bonds	1.04%	0.57%	0.74%	0.97%	0.74%
SL SLI Global Absolute Return Strategies		Multi Asset Absolute Returns	5.17%	9.83%	13.78%	17.35%	18.89%
SL SLI Global High Yield Bond		Global High Yield Bonds	1.22%	2.34%	2.86%	2.45%	-
SL UK Equity		UK Equities	4.76%	9.37%	13.76%	18.21%	23.57%
SL UK Smaller Companies		UK Equities	-	0.18%	0.26%	0.34%	0.44%
Total			32.51%	54.37%	74.52%	93.71%	98.88%

Source: Standard Life Investments 2018

Important information

The value of a fund can go down as well as up, and is not guaranteed. You may receive back less than the amount originally invested. Past performance is not a guide to the future.

Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use by Standard Life Aberdeen*. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, Standard Life Aberdeen* or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Past performance is no guarantee of future results. Neither the Owner nor any other third party sponsors, endorses or promotes the fund(s) or product(s) to which Third Party Data relates.

*Standard Life Aberdeen means the relevant member of the Standard Life Aberdeen group, being Standard Life Aberdeen plc (SC286832) together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

This document is provided by Standard Life Investments Limited, registered in Scotland (SC123321) at 1 George Street, Edinburgh EH2 2LL. Authorised and regulated in the UK by the Financial Conduct Authority. ©2018 Standard Life Aberdeen. Images reproduced under licence.