

Key facts



James joined Standard Life Investments in 2014, from Old Mutual Wealth where he was Director of Investments. Prior to this he was Chief Investment Officer of Old Mutual Global Investors MultiManager business, after

James Millard

Fund Manager

heading up its Equity Manager Research function. He has also worked for Orbis Investment Advisory and KPMG. James is an Investment Director in the Fund Solutions Team.

Co-Manager: Joe Wiggins

Fund Launch Date	01/03/2012
Shareclass Launch Date	01/03/2012
Fund Size	£52.50m
Initial Charge	-
Fund Management Charge	1.000%
Total Annual Fund Charge*	1.03%
Fund Structure	Pension Fund
Base Currency	GBP
SEDOL	-
ISIN	-
CitiCode	OSVL
Domicile	United Kingdom
Asset Class	Mixed Asset

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

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.

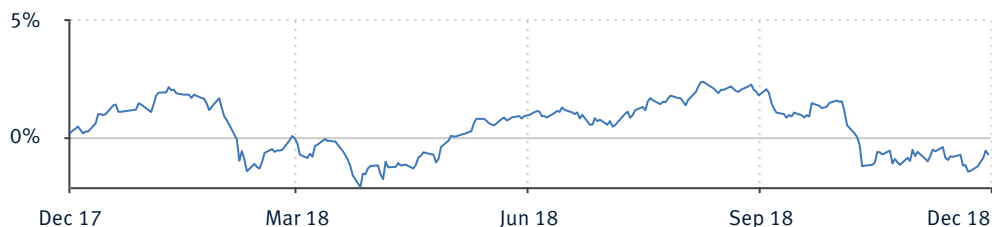
Fund description

The goal of this fund is to provide long term growth while being managed to a level of risk, rather than a level of return. The fund is part of the Passive Plus range, which aims to offer five different combinations of investment risk and return levels. Simply choose the fund which most closely matches your attitude to risk and return and a team of experts will do the rest. This fund is risk level II, which aims to be the second lowest risk fund in this range. This level has a high amount in lower risk investments such as money market instruments and certain types of bonds, but can still invest in higher risk investments such as equities and property. This may suit you if you are relatively cautious with your investments but are willing to accept some risk to try and achieve a reasonable return.

The fund aims to meet this goal by holding different types of investment funds, such as those investing in equities (shares), bonds (loans to a government or company) and non-residential property (such as offices, shopping centres and shares in property development companies). The investments in the fund can be from around the world, including emerging markets, which means that some of them will be in a foreign currency. The fund can also invest in absolute return funds that aim to provide positive investment returns, regardless of whether markets are going up or down, over the medium to long term. They do this by using a wide range of investment strategies including those using derivatives. Derivatives are financial instruments whose value comes from movement in other investments, such as equities and currencies. Most of the investment funds used are 'tracker' funds which means that their return, before charges, will be as close to the broad market they invest in as possible. The fund also invests in actively managed absolute return, property and high yield bond funds which means that a team of experts will pick the investments to be held. These decisions are based on the opportunities they've identified through their analysis.

For the full fund description please refer to the 'Fund Description section' on the last page of this report.

Cumulative performance (as at 30/11/2018)



■ Stan Life Passive Plus II Pn S4

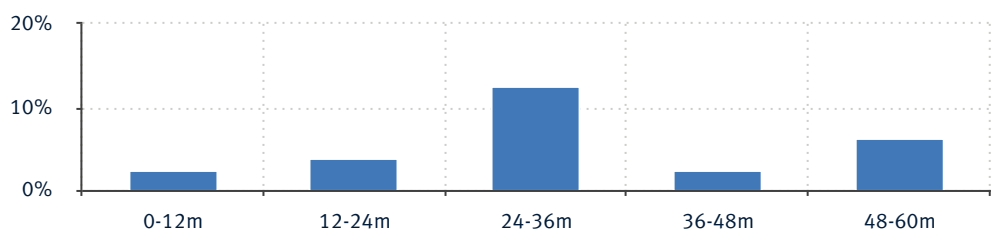
Gross income reinvested, net of fund charges, GBP, sourced from FE © 2018

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

Cumulative performance (as at 30/11/2018)

	3 months	6 months	1 year	3 years	5 years	10 years
Stan Life Passive Plus II Pn S4	-2.49%	-1.66%	-0.75%	14.00%	25.32%	-

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



■ Stan Life Passive Plus II Pn S4

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

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

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

	0-12m	12-24m	24-36m	36-48m	48-60m
Stan Life Passive Plus II Pn S4	2.53%	3.88%	12.61%	2.38%	6.16%

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

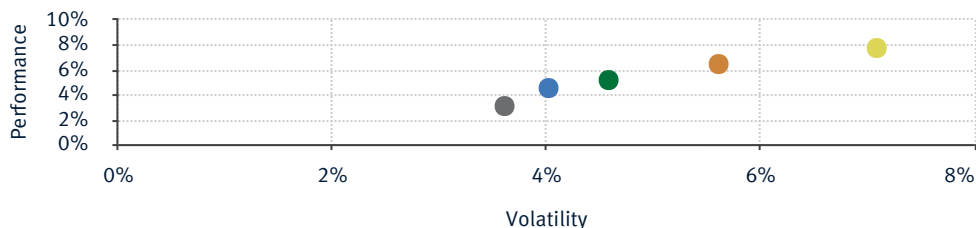
Global equities delivered positive returns over the last 12 months despite renewed market volatility in 2018. At the start of the period, investors took heart from favourable global economic trends and better-than-expected corporate earnings results. This backdrop allowed several central banks to start to raise interest rates and reduce quantitative easing. In the US, President Trump passed his much-vaunted \$1.3 trillion tax-cut plan at the close of 2017, giving a boost to the US equity market. This positive trend continued into early 2018 before equities fell and volatility rose amid concerns that interest rates could rise more rapidly than anticipated. Meanwhile, political concerns came to the fore once more, with fears of a trade war between China and the US also weighing on sentiment.

The widespread sell-off was arrested by a strong corporate reporting season in the US that carried through to the summer. Soothing words from the Federal Reserve about the trajectory of interest rates and a reassessment of the economic environment pushed markets higher. However, volatility once again beset equity markets towards the end of the period. October marked the worst month for US stocks in over seven years; with technology companies driven lower by some badly received corporate news. Meanwhile, the European equity market fell back to mid-2016 levels against a backdrop of disappointing economic data, trade tensions and political uncertainty.

For much of the past year, central bank actions and rhetoric dominated bond markets. As the global economic recovery advanced, the prospect of reduced monetary stimulus grew closer. With inflation muted in most major economies, this supported government bonds. Volatility then reappeared in 2018, with growing inflationary pressures pushing up yields (prices fell) in April. In May, however, political disruption in Italy and Spain fuelled demand for core government bonds from the US, Germany and the UK. Latterly, surprisingly strong US economic data, which led to a September rate hike and the prospect of more to come, sent the yield on the 10-year Treasury bond decisively above 3%.

UK commercial real estate continued to make steady gains over the 12 months. The asset class delivered better-than-expected returns in 2017 and made a positive start to 2018. However, returns moderated towards the end of the period. In typical holiday-season style, there was a lull in transactions during July and August, though this is likely to be short-lived as investors tie up deals in Q4, ahead of full-year results.

Annualised risk and return (as at 30/11/2018)



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.

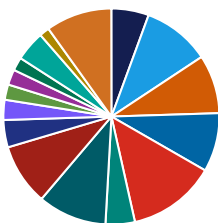
Key	Name	Performance	Volatility
●	Stan Life Passive Plus I Pn S4	3.11%	3.61%
●	Stan Life Passive Plus II Pn S4	4.47%	4.03%
●	Stan Life Passive Plus III Pn S4	5.20%	4.59%
●	Stan Life Passive Plus IV Pn S4	6.48%	5.62%
●	Stan Life Passive Plus V Pn S4	7.78%	7.08%

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

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Current asset allocation (as at 30/11/2018)

Stan Life Passive Plus II Pn S4



Defensive assets		%
■	Money Market including Cash	5.60%
■	UK Government Bonds	10.10%
■	Sterling Corporate Bonds	8.80%
■	Short Dtd Sterling Corp Bonds	8.80%
■	Global Corporate Bonds	13.20%
■	Short Dated Global Corp Bonds	4.40%
Total		50.90%
Growth assets		%
■	UK Equities	10.30%
■	US Equities	9.20%
■	European Equities	4.10%
■	Japanese Equities	3.00%
■	Asia Pacific Equities	2.30%
■	Emerging Market Equities	2.30%
■	Global High Yield Bonds	2.00%
■	UK Real Estate	4.50%
■	Global REITs	1.50%
■	Multi Asset Absolute Returns	9.90%
Total		49.10%

Source: Standard Life Investments 2018

Fund commentary

Allocations to US equities, UK equities and UK real estate were the biggest contributors to the fund return over the past 12 months. Over the period, the main changes to asset allocation were as follows.

Reduced exposure

- sterling corporate bonds
- short-dated sterling corporate bonds

Increased exposure

- UK government bonds
- UK equities
- multi-asset absolute returns

We also added an allocation to global corporate bonds and short-dated global corporate bonds, and removed the allocation to UK index-linked bonds.

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.

Holdings (as at 30/11/2018) – assuming £100,000 fund value

Defensive assets		Asset class	£	%
SL Vanguard Global Corporate Bond Idx Pn		Global Corporate Bonds	£13240.00	13.24%
SL Vanguard Global Sht-Tm Corp Bd Idx Pn	Short Dated Global Corporate Bonds		£4440.00	4.44%
SL VANGUARD UK GOVERNMENT BD IDX PENS FD		UK Government Bonds	£10300.00	10.30%
SL VANGUARD UK INVEST GRADE BD IDX PN		Sterling Corporate Bonds	£8850.00	8.85%
SL Vanguard UK Sht-Term Inv Grd Bd Idx P	Short Dated Sterling Corporate Bonds		£8850.00	8.85%
STANDARD LIFE MONEY MARKET PENSION FUND		Money Market including Cash	£5640.00	5.64%
Total			£51320.00	51.32%
Growth assets		Asset class	£	%
PENSIONS PROPERTY		UK Real Estate	£4550.00	4.55%
SL Global Property Securities Asset Fd		Global REITs	£1510.00	1.51%
SL SLI GBL ABSOL RTN STRTGS (PASSV PLUS)		Multi Asset Absolute Returns	£9810.00	9.81%
SL SLI GLOBAL HIGH YIELD BOND ASSET		Global High Yield Bonds	£1980.00	1.98%
SL VANGUARD EMERG MARKETS STOCK INDEX PN		Emerging Market Equities	£2230.00	2.23%
SL VANGUARD FTSE DEV EUR EX UK EQ IDX PN		European Equities	£4030.00	4.03%
SL VANGUARD FTSE UK ALL SHARE INDEX PN		UK Equities	£10260.00	10.26%
SL VANGUARD JAPAN STOCK INDEX PENSION FD		Japanese Equities	£2980.00	2.98%
SL VANGUARD PACIFIC EX JAPAN STK IDX PN		Asia Pacific Equities	£2260.00	2.26%
SL VANGUARD US EQUITY PENSION FUND		US Equities	£9070.00	9.07%
Total			£48680.00	48.68%

Source: Standard Life Investments 2018

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Key risks

The fund can invest in a wide variety of investment strategies and assets. Below we document the specific or heightened risks applicable to this fund rather than an exhaustive list. **Collective Investment Schemes:** The fund can invest in collective investment schemes which can themselves invest in a diverse range of other assets. These underlying assets may vary from time to time but each category of asset (which may include equities, bonds or immovable property) has individual risks associated with them. The fund may not have any control over the activities of any collective investment scheme invested in by the fund. **Equities risk:** This fund can invest in equities which are one of the more volatile asset classes and can therefore suffer sudden sharp falls or rises. Equities can offer good growth potential over the longer term but may have a higher volatility than other asset classes. **Bond risk:** This fund can invest in bonds, the value of a bond may fall if, for example, the company or government issuing the bond is unable to pay the loan amount or interest when they are supposed to. The value may also be affected by movements in interest rates which may result in the value of the bond rising or falling. This may (or will) result in the value of the fund falling. **Property risk:** This fund can invest in direct property. The value of properties held in any property fund is generally a matter of the valuer's opinion and not fact. Property can also be difficult to sell, so you might not be able to sell your investment when you want to. **Absolute return risk:** This fund invests in one or more absolute return funds. It is important not to confuse absolute return funds with guaranteed funds or products which guarantee a positive return over any period. Absolute return funds can lose money when markets rise and vice-versa. They aim to reduce overall volatility by using more sophisticated investment techniques and instruments such as derivatives. Derivatives are financial instruments which derive their value from an underlying asset, such as a share or bond, and are used routinely in global financial markets. Used carefully, derivatives offer an effective and cost-efficient way of investing in markets. However, derivatives can lead to increased volatility of returns in a fund, thus requiring a robust and extensive risk management process. While the fund will not borrow cash for investment purposes, the total value of exposures to markets will routinely exceed the fund's net asset value. Derivatives may be Exchange Traded or Over the Counter (OTC). However, the success of the fund is heavily dependent on the skill of the fund managers and the investment strategies they employ. As such, the performance of an absolute return fund is heavily dependent on the skill of the fund managers and the investment strategies they decide to employ, rather than the direction of the market.

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