

Annual Report

Standard Life Investment Company II

Annual Report & Accounts for the year ended 31 October 2018



Standard Life Investment Company II

Annual Report & Financial Statements

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* Collectively, these items comprise the Authorised Corporate Director's Report for the purposes of the rules contained in the Collective Investment Schemes Sourcebook ("the Sourcebook").

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Company Information

Standard Life Investment Company II				
Head Office	Director	Authorised Corporate Director (ACD)*	Board of Directors of the ACD	Secretary of the ACD
1 George Street Edinburgh EH2 2LL 0345 113 6966	The Authorised Corporate Director (ACD) is Standard Life Investments (Mutual Funds) Limited which is the sole director and is authorised and regulated by the Financial Conduct Authority for investment business	Standard Life Investments (Mutual Funds) Limited Registered Office 1 George Street Edinburgh EH2 2LL	A.S. Acheson S. Campbell S.A. Fitzgerald J. Lowe L. Scott D.E. Thomas S.R. Wemyss	H.S. Kidd
Depository	Independent Auditor	Registrar	Investment Advisers	
Citibank Europe plc UK Branch 1 North Wall Quay Dublin 1	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG	Standard Life Investments (Mutual Funds) Limited 1 George Street Edinburgh EH2 2LL	Standard Life Investments Limited 1 George Street Edinburgh EH2 2LL	

* The ACD changed on 10 December 2018, from Standard Life Investments (Mutual Funds) Limited to Aberdeen Standard Fund Managers Limited. Unitholders were given notice of this change in October 2018.

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Company Information

(Continued)

Background to the Company

Standard Life Investment Company II ("the Company"), is an Open-Ended Investment Company with variable capital. The Company is incorporated by the Financial Conduct Authority (FCA), having its head office in Scotland with registered number IC000281 and is currently authorised pursuant to Regulation 14 of the Open-Ended Investment Companies Regulations 2001 ("the OEIC Regulations"). The effective date of the authorisation order made by the FCA was 22 April 2004.

The Company is constituted as a "UCITS scheme" for the purposes of the FCA Rules. It has an umbrella structure and currently consists of ten active sub-funds ("Funds") as follows:

Standard Life Investments Global Index Linked Bond Fund
(launched 19 May 2004)

Standard Life Investments Short Term Money Market Fund
(formerly Standard Life Investments Cash Fund)
(launched 15 September 2004)

Standard Life Investments Corporate Debt Fund
(launched 20 December 2004)

Standard Life Investments UK Equity Unconstrained Fund
(launched 29 September 2005)

Standard Life Investments Ethical Corporate Bond Fund
(launched 2 November 2005)

Standard Life Investments Global REIT Fund
(launched 16 January 2007)

Standard Life Investments UK Equity Income Unconstrained Fund
(launched 22 February 2007)

Standard Life Investments European Ethical Equity Fund
(launched 24 September 2007)

Standard Life Investments
Short Duration Global Index Linked Bond Fund
(launched 16 September 2014)

Standard Life Investments Short Dated Corporate Bond Fund
(launched 27 October 2016)

The following Sub-fund's were terminated as at 30 August 2018, Emerging Market Debt Unconstrained Fund, Overseas Bond Index Tracker Fund, UK Gilt Index Tracker Fund.

The Short Term Money Market Fund redeemed all shares on 27 September 2018 and the net asset value was reduced to nil. The Sub-fund is no longer open to investors.

The following Sub-fund's redeemed all shares during 2012 and the Sub-funds net asset value was reduced to nil. These Sub-funds are no longer open to investors: European Equity Index Tracker, Japanese Equity Index Tracker, Pacific Basin Equity Index Tracker, US Equity Index Tracker.

Each Fund is invested as if it belonged to the "UCITS scheme" type specified in the FCA Rules.

The base currency for the Company is Sterling. The minimum share capital of the Company is £1.00 and the maximum share capital is £50 billion.

The holders of shares in the Company are not liable for the debts of the Company.

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Investment Report

Global Overview

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%.

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.

Standard Life Investment Company II Annual Report & Financial Statements

Authorised Corporate Director's (ACD's) Report

The Authorised Corporate Director (ACD) is Standard Life Investments (Mutual Funds) Limited which is the sole director, authorised and regulated by the Financial Conduct Authority, for investment business.

Standard Life Investment Company II ("the Company") is an Open-Ended Investment Company with variable capital under Regulation 12 (Authorisation) of the Open-Ended Investment Companies Regulations 2001 ("the Regulations") and the shareholders are not liable for the debts of the Company.

Standard Life Investment Company II is structured as an umbrella company. Each Sub-fund has the investment powers equivalent to those of a securities company.

The following items within each Sub-fund report form part of the Authorised Corporate Director's report: Investment Report, Portfolio Statement, Ongoing Charges Figure, Comparative Tables and Treatment by Corporate Shareholders.

Distributions are made from positive net revenue where gross revenue exceeds expenses and tax. The total return consists of investment and currency gains and losses in addition to net revenue. In situations where Sub-funds have a negative total return but a positive net revenue position, there will be a distribution.

Material differences may arise between a Sub-fund's net revenue after tax and its distribution if the ACD's periodic charge and transaction costs are borne by the capital property of the Sub-fund for distribution purposes. The expenses in the Statement of Total Return includes these expenses even if they are met from the capital property of the Sub-fund. In such cases, the amount a Sub-fund has to distribute will exceed its net revenue and this is detailed in the notes to the financial statements where it occurs.

Names and addresses of the ACD, Registrar, Independent Auditors and Investment Advisor are on page 1. The investment objectives of each Sub-fund, how they were achieved and investment activities during the period are disclosed within the individual Sub-funds' reports.

Copies of the most recent Prospectus are available online at standardlifeinvestments.com.

The ACD has elected to dispense with the holding of an Annual General Meeting for the Company for this and all future years. Shareholders have been given sixty days' written notice of this election in accordance with The Open-Ended Investment Companies (Amendment) Regulations 2005.

In the future, the Company may launch other Sub-funds.

I hereby certify the Annual Report and Financial Statements on behalf of the Directors of Standard Life Investments (Mutual Funds) Limited.



Director
Standard Life Investments (Mutual Funds) Limited
01 February 2019

Standard Life Investment Company II Annual Report & Financial Statements

Statement of Authorised Corporate Director's Responsibilities

The Collective Investment Schemes sourcebook published by the FCA, ("the COLL Rules") require the Authorised Corporate Director ("ACD") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Company and of the net income and net gains or losses on the property of the Company for the period.

In preparing the financial statements the ACD is responsible for:

- ▶ selecting suitable accounting policies and then apply them consistently;
- ▶ making judgements and estimates that are reasonable and prudent;
- ▶ following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- ▶ complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014;
- ▶ keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- ▶ assessing the Company and its Sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- ▶ using the going concern basis of accounting unless they either intend to liquidate the Company or its Sub-funds or to cease operations, or have no realistic alternative but to do so. For reasons stated in the ACD Report, the financial statements of some of the Sub-funds have been prepared on a breakup basis as the Sub-funds are not a going concern;
- ▶ such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- ▶ taking reasonable steps for the prevention and detection of fraud and irregularities.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, the Prospectus and the COLL Rules.

Standard Life Investment Company II Annual Report & Financial Statements

Statement of Depositary's Responsibilities in relation to the Financial Statements

The Depositary is responsible for the safekeeping of all the property of the Company (other than tangible moveable property) which is entrusted to it and ensuring proper registration of tangible moveable property, and for the collection of income arising from all such scheme property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed and operated by the Authorised Corporate Director in accordance with the Financial Conduct Authority/ Collective Investment Schemes Sourcebook ("the Sourcebook"), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), the Company's Instrument of Incorporation, and the Prospectus, as appropriate, concerning: the pricing of and dealing in Shares in the Company; the application of income of the Company; and the investment portfolio and borrowing activities of the Company.

Depositary's Report to Shareholders

Having carried out procedures and enquiries considered duly necessary to discharge our responsibilities as Depositary of the Company, based on information and explanations provided to us, we believe that, in all material respects, the Company, acting through the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Sourcebook, and where applicable, the OEIC regulations, the Company's Instrument of Incorporation, and the Prospectus;
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company; and
- (iii) has, otherwise, ensured the proper operation of the Company.



Citibank Europe plc
UK Branch
London
01 February 2019

Standard Life Investment Company II Annual Report & Financial Statements

Independent Auditor's Report to the Shareholders of Standard Life Investment Company II (the "Company")

Opinion

We have audited the financial statements of the Company for the year ended 31 October 2018 which comprise the Statements of Total Return, the Statements of Changes in Net Assets Attributable to Shareholders, the Balance Sheets, the Related Notes and Distribution Tables for each of the Company's sub-funds listed on the contents page and the accounting policies set out on pages 11 to 12.

In our opinion the financial statements:

- ▶ give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the financial position of each of the sub-funds as at 31 October 2018 and of the net revenue/deficit of revenue and the net capital gains/net capital losses on the property of each of the sub-funds for the year then ended; and
- ▶ have been properly prepared in accordance with the Instrument of Incorporation, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Authorised Corporate Director has prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or its sub-funds or to cease their operations, and as they have concluded that the Company and its sub-funds' financial position means that this is realistic. They have also concluded for the following funds, that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements: ("the going concern period").

- ▶ Corporate Debt fund
- ▶ Ethical Corporate Bond Fund
- ▶ European Ethical Equity Fund
- ▶ Global Index Linked Bond Fund
- ▶ Global REIT Fund
- ▶ Short Dated Corporate Bond Fund
- ▶ Short Duration Global Index Linked Bond Fund
- ▶ UK Equity Impact – Employment Opportunities Fund
- ▶ UK Equity Income Unconstrained Fund
- ▶ UK Equity Unconstrained Fund

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Authorised Corporate Director's conclusions, we considered the inherent risks to the company's and its sub-funds' business model, including the impact of Brexit, and analysed how those risks might affect the company's and its sub-funds' financial resources or ability to continue operations over the going concern period. We have nothing to report in respect of the funds noted above.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company or its sub-funds will continue in operation.

Emphasis of matter – non-going concern basis of preparation

In respect of:

- ▶ European Equity Index Tracker Fund
- ▶ Japanese Equity Index Tracker Fund
- ▶ Pacific Basin Tracker Fund

Standard Life Investment Company II Annual Report & Financial Statements

Independent Auditor's Report to the Shareholders of Standard Life Investment Company II (the "Company")

(Continued)

- ▶ Short Term Money Market Fund
- ▶ US Equity Index Tracker Fund

we draw attention to the disclosure made in accounting policy(a) "Basis of accounting" to the financial statements which explains that the financial statements of the sub-funds have not been prepared on going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Other information

The Authorised Corporate Director is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- ▶ we have not identified material misstatements in the other information; and
- ▶ in our opinion the information given in the Authorised Corporate Director's Report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

- ▶ proper accounting records for the Company have not been kept; or
- ▶ the financial statements are not in agreement with the accounting records.

Authorised Corporate Director's Standard Life Investments (Mutual Funds) Limited responsibilities

As explained more fully in their statement set out on page 6 the Authorised Corporate Director is responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company and its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or its sub-funds or to cease operations, or have no realistic alternative but to do so (as explained in accounting policy (a) the Authorised Corporate Director does not believe that it is appropriate to prepare the financial statements of the following sub-funds on a going concern:

- ▶ European Equity Index Tracker Fund
- ▶ Japanese Equity Index Tracker Fund
- ▶ Pacific Basin Tracker Fund
- ▶ Short Term Money Market Fund
- ▶ US Equity Index Tracker Fund

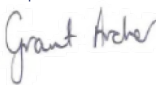
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's shareholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under the Open-Ended Investment Companies Regulations 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Archer
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
01 February 2019

Standard Life Investment Company II Annual Report & Financial Statements

The Registrar of the Company

The Authorised Corporate Director (ACD) is the Registrar of the Standard Life Investment Company II. The ACD has delegated certain aspects of the registrar's operational duties to DST Financial Services International Limited ("DST Limited").

The Registrar is responsible to the Depositary for the maintenance of a register of shareholders in the Company. The register can be inspected free of charge at the offices of DST Limited at DST House, St Nicholas Lane, Basildon, Essex, SS15 5FS.

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Funds Advisory Group Annual Report

Aberdeen Standard Investments is responsible for managing several ethical funds. The Funds are managed according to clearly defined investment mandates and the range of available investments is underpinned by established policies and independent research data on their ethical credentials.

The Standard Life Investments' Ethical Funds Advisory Group

The Standard Life Investments ethical funds are overseen by an Ethical Funds Advisory Group ('the Group'). During 2018, the Group was chaired by the Group Chief Operating Officer of Standard Life Aberdeen PLC, who stepped down as Chair in November. The Head of UK for Standard Life Aberdeen plc will be taking over as Chair of this group. The group comprises of investors in Standard Life Investments' ethical funds and senior Aberdeen Standard Investments' professionals with involvement in managing and marketing the Funds and their associated products. The Group generally meets twice a year time and is responsible for ensuring that the ethical policy for these Funds is applied correctly, that the Policy continues to reflect the concerns of investors in the ethical funds and that the processes supporting the application of the Policy are robust.

This involves:

- ▶ considering current ethical issues and trends and the implications for the Funds
- ▶ reviewing investment and marketing reports
- ▶ ensuring that Aberdeen Standard Investments' process for ethical investment is observed
- ▶ reviewing and addressing customer queries and
- ▶ commissioning market and customer research on ethical issues

Positive bias

The ethical funds are invested according to the negative and positive criteria set out in the ethical policy. The Funds do not invest in companies that fail the negative criteria and favour investment in companies that meet the positive criteria.

Issues arising

The Group discussed a number of issues during the year relating to companies' individual approaches to corporate responsibility. Topics discussed by the Group included the 2018 annual investor survey, climate change and fossil fuels, garment supply chains, plastics, artificial intelligence, corporate governance matters, and a number of specific company reviews. In addition, Aberdeen Standard Investments actively participated and co-sponsored Good Money Week during 2018. The week is dedicated to raising consumer awareness of the ethical and values based investment options available.

Voting

Aberdeen Standard Investments votes on all the holdings held in the Funds. During the period we voted against remuneration-related resolutions at a number of AGMs. This included Accor,

Adidas, Amadeus IT Holding, ASML Holding, Assa Abloy, Banco Santander, Bankinter, Bouygues, CIE Automotive, Credit Suisse Group, CRH, Enel, Essilor International, Husqvarna, Interpump Group, Medicobanca, Plastic Omnium, Relx, Sandvik, Schneider Electric, SEB, Svenska Cellulosa, Teleperformance, Thule Group, Tryg, TUI, Zurich Insurance Group, Axa, Compagnie de Saint Gobain, Suez, and Zalando. These votes against were cast for a range of issues where we did not feel remuneration practices and policies were fully aligned with our guidelines and shareholders' interests. Some of the concerns we had included an increase to discretion to make and retain one off awards, performance targets which we did not consider to be stretching, and insufficient disclosure of these.

At the AGM of Kone Oyj-B we voted against resolutions that related to the directors and the auditors. This was because we did not consider there to be sufficient independent representation on the board and we had concerns regarding the presence of executive directors on the remuneration and audit committees. PwC has been the auditors at Kone-Oyj-B for 60 years. We are of the view that this length of tenure impedes independence. For the same reason, we also voted against auditor appointments at Deutsche Post, Deutsche Telekom, and E.ON.

We also had concerns about board independence and composition at a number of companies so voted against the re-election of directors at CIE Automotive, CRH, Plastic Omnium, Schneider Electric, and ING Groep. At Bouyes and Teleperformance we voted against directors to signal our opposition to the company combining the roles of Chair and CEO. At Amundi we voted against the re-election of two directors for poor attendance at board meetings.

We did not support security issuance resolutions at the AGMs of Accor, Amadeus IT Holding, Banco Santander, Bouygues, Erste Group Bank, ING Groep, Orpea, Randstad, and SEB. This is because the terms of the issuance authorities exceeded our guideline limits. We also did not support the repurchase of issued share capital at Bouygues and Orpea.

At the AGMs of Enel, Mediobanca, Orange, Sandvik, Swedbank we voted against shareholder resolutions as we did not feel that these were in our best interests as shareholders.

Further information

If you would like to find out more about the Aberdeen Standard Investments' Ethical Funds Advisory Group please visit the below link:

https://uk.standardlifeinvestments.com/consumer/ethical_investing/our_ethical_committee/index.html

For any additional information, please write to Amanda Young, Secretary to the Ethical Funds Advisory Group, Aberdeen Standard Investments, 6 St Andrew's Square, Edinburgh, EH2 2AH or e-mail esg_investment@standardlife.com.

Amanda Young
Secretary to the Ethical Funds Advisory Group
November 2018

Standard Life Investment Company II Annual Report & Financial Statements

Accounting Policies for all Sub-funds

a. Basis of preparation

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Financial Reporting Standard 102 ("FRS102"), the Statement of Recommended Practice for 'Financial Statements of UK Authorised Funds' issued by the Investment Management Association ('IMA') in May 2014 (the "SORP"), the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL") and the Company's Instrument of Incorporation.

All of the Sub-funds have been prepared on a going concern basis with the exception of the below five Sub-funds. The below noted five Sub-funds are no longer open to investors, having redeemed all shares in 2012 except for Standard Life Investment Emerging Market Debt Unconstrained Fund which redeemed all shares in 2016 and Short Term Money Market Fund which redeemed all shares in 2018. It is the intention to terminate the Sub-funds at a later date once the residual assets and liabilities are settled. As a result the financial statements for these Sub-funds have been prepared on a basis other than going concern. Prior year financial statements for these Sub-funds were also prepared on a basis other than going concern.

Japanese Equity Index Tracker Fund

Pacific Basin Equity Index Tracker Fund

US Equity Index Tracker Fund

European Equity Index Tracker Fund

Short Term Money Market Fund

For all Sub-funds prepared on a basis other than going concern noted above, no adjustments were required to the financial statements to adjust assets or liabilities to their realisable values or to provide for liabilities arising from the decision to terminate the Sub-funds. No liabilities have been recorded for costs of the terminations as the intention is that the Authorised Corporate Director will bear any such costs which may arise.

b. Revenue

- I. Dividend revenue is recognised when the securities are first quoted on an ex-dividend basis.
- II. Interest from fixed interest securities, interest rate swaps and short-term deposits is recognised on a daily accruals basis.
- III. Where stocks are received in lieu of cash dividends the value of that dividend is recognised in the gross revenue of the Sub-funds. Where enhanced scrip dividends are received the value of the enhancement is not recognised as revenue within the Sub-funds but is recognised in capital. Any ordinary element of scrip dividends received is treated as revenue and will form part of the distribution.
- IV. Revenue from debt securities is accounted for on an effective yield basis in accordance with the policy detailed below (see effective yield below).
- V. Special dividends are treated as either revenue or capital depending on the nature of each individual case.
- VI. Bank interest is recognised on a receipts basis.

c. Treatment of management expenses

The ACD's periodic charges are charged to the revenue property of the Sub-funds (with the exception of the UK Equity Income Unconstrained Fund and the Global REIT Fund which make the charge to the capital property for distribution purposes). Handling charges are borne by the capital property of the Sub-funds for distribution purposes.

d. Distribution policy

All of the net revenue available for distribution at the end of both the interim (where applicable) and final distribution periods will be distributed to shareholders or reinvested in the Sub-funds.

e. Basis of valuation of investments

- I. The listed investments of the Sub-funds have been valued at bid price at the close of business on the reporting date. Unquoted investments are valued based on the ACD's opinion of fair value, the intention of which is to estimate market value. Collective Investment Schemes are valued by reference to their net asset value.
 - II. Any open positions in derivative contracts or forward foreign currency transactions at the year end are included in the Balance Sheets at their mark to market value.
- ### f. Exchange rates
- I. Assets and liabilities in foreign currencies are translated into Sterling at the exchange rates ruling on the reporting date.
 - II. Income in foreign currencies is translated into Sterling at the exchange rates ruling when the income is received.

Standard Life Investment Company II

Annual Report & Financial Statements

Accounting Policies for all Sub-funds

(Continued)

g. Taxation

- I. Deferred tax is provided for on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised on permanent differences. Deferred tax assets are only recognised where it is more likely than not that there will be suitable taxable profits against which the future reversal of underlying timing differences can be deducted.
- II. Withholding tax on accrued overseas dividends is netted off against accrued revenue in the debtors note. The tax charge relating to the movement in withholding tax on accrued overseas dividends is disclosed as current tax.

h. Derivatives

The Sub-funds may enter into permitted transactions such as derivative contracts or forward foreign currency transactions. Where the transactions are used to protect or enhance revenue, the revenue and expenses are included within net revenue in the Statements of Total Return. Where the transactions are undertaken to protect or enhance investments, the gains/losses are treated as capital and included within gains/losses on investments in the Statements of Total Return.

i. Effective yield

- I. The Sub-funds apply the concept of effective yield in daily pricing and for the periodic distribution of revenue, in accordance with the IMA SORP May 2014.
- II. Effective yield as defined by the IMA SORP, is an income calculation that takes into account amortisation of any discount or premium on the purchase price over the remaining life of the security.
- III. Applying effective yield to the income calculation may result in either higher or lower revenue than would be recognised on a coupon basis.
- IV. Where the Sub-fund holds more bonds purchased at a discount to their par value, revenue is likely to be higher. Where the Sub-fund holds more bonds purchased at a premium, revenue is likely to be lower. This will affect the distributions of the Sub-funds.

j. Equalisation

In order that each shareholder in the same share class shall receive the same rate of distribution per share the buying price of each share contains an amount called equalisation. This is equivalent to the net of distributable income less expenses accrued in the Sub-fund at the time of purchase. As part of the distribution payment the average amount of this equalisation is returned to Group 2 shareholders. The equalisation element of the distribution to Group 2 shareholders is treated as a repayment of capital and is therefore not liable to income tax. This amount should, however, be deducted from the cost of the shares for capital gains tax purposes.

k. Dilution adjustment

In certain circumstances the ACD may apply a dilution adjustment on subscriptions and redemptions of shares. If applied, the dilution adjustment is paid to the Sub-fund. See Prospectus for further details.

Standard Life Investment Company II Annual Report & Financial Statements

Corporate Debt Fund

Investment Report

Fund Information	
Fund Manager	Mark Munro
Launch Date	20 December 2004
Benchmark	Bank of America Merrill Lynch Sterling Non-Gilts BBB/AA Index

Investment objective

The investment objective of the Sub-fund is to provide a total return from both capital appreciation and income.

Investment policy

The investment policy of the Sub-fund is to invest primarily in interest bearing securities, money-market instruments, derivatives and forward transactions anywhere in the world. Additionally, from time to time, the Sub-fund may invest in other forms of transferable securities, deposits and collective investment schemes in accordance with the FCA Rules.

Risk

Up to 100% of the scheme property of the Sub-fund may be invested in transferable securities which are warrants. If more than 5% of the scheme property of the Sub-fund is invested in warrants the net asset value of the Sub-fund may, at times, be highly volatile. Call options are not deemed to be warrants for the purposes of this 5% restriction.

A substantial portion of the scheme property of the Sub-fund may, in exceptional circumstances, be invested in deposits or money market instruments.

The Sub-fund is intended for investors seeking to invest for a defined benefit person scheme, or to match an anticipated future liability profile, and allows clients with similar objectives to pool assets in a way which still aims to match their liability profile, but through a larger, and actively managed, pool of assets. Investors must be able to accept some fluctuations in the cashflows generated and accept some losses in the capital value of their investment due to the volatile nature of the assets held.

Performance

During the period under review, the Corporate Debt Fund returned 0.83% (net of fees, institutional accumulation share class).

In terms of individual securities, the Fund benefited from its exposure to the UK supermarket retailer Tesco whose sales continued recovering, which in turn helped to spur some speculation about its possible upgrade back up to investment grade. Other contributors included Lloyds Bank and Getlink, the company formerly known as Eurotunnel. On the negative side, the UK department store John Lewis was a leading detractor after it reported unexpectedly poor results in the period. UK funeral services business Dignity detracted after its Class B bonds were downgraded by Standard & Poor's in August, taking them into high yield territory. This followed the company's announcement in January of significant price cuts for some of its funeral packages in the face of rising competition. Other leading detractors in the period included the long dated bonds of British American Tobacco and French government-owned utility EDF.

Investment Activity

In the primary market, we took part in a euro-denominated deal from Bayer maturing in 2026. This deal was used to help finance the acquisition of Monsanto and we viewed the spread on the bonds as an attractive entry point to Bayer. We also took part in new deals for Total, BMW, Assura (a UK healthcare property owner) and Blend, which is a UK housing association. In the secondary market, we added some exposure to Comcast after its bond spreads widened during its battle with Disney for the acquisition of 21st Century Fox.

In terms of sales, towards the latter part of the reporting period, we closed our off-benchmark exposure to US pipeline operator Kinder Morgan, which had been a longstanding holding in the Fund that had rallied strongly on the back of firmer oil prices and strong demand for long-dated US pipeline sector bonds. Furthermore, we reduced exposure to UK utilities including Thames and Severn Trent, in favour of European names such as Orsted, which was formerly known as Dong Energy. We felt the terms for this substitution were favourable, allowing the Fund to reduce its UK political risk exposure ahead of potentially increasing volatility.

Standard Life Investment Company II Annual Report & Financial Statements

Corporate Debt Fund

Investment Report

(Continued)

Outlook

On the economic front, the market consensus appears to be for a global downturn in 2020. However, history suggests that consensus macro views are often inaccurate. If the next US recession proves to be further out than this, then credit spreads look fairly valued and may even offer some value on a 12-month view. However, Brexit, Italian politics and a further increase in trade tensions between the U.S. and China remain key risk factors for investors and are likely to ensure that bond markets remain more fragile than in the previous several years.

On balance, while fundamentals are still acceptable, we remain cautious and are maintaining a relatively low risk exposure at the Fund level. In the current environment, we anticipate investors will have to be quick to enter and exit positions to generate outperformance. In the months ahead, we will look to reduce higher-risk positions and selectively move up in credit quality by reducing our underweight to highly rated supra-national bonds while maintaining a healthy exposure to gilts.

Synthetic Risk & Reward Indicator

Lower risk Typically lower rewards				Higher risk Typically Higher rewards		
1	2	3	4	5	6	7

This indicator reflects the volatility of the Sub-fund's share price over the last five years which in turn reflects the volatility of the underlying assets in which the Sub-fund invests. Historical data may not be a reliable indication of the future. Where the share class does not have a history of five years, an alternative share class or a representative benchmark has been used to show how the Sub-fund price may have behaved over the period.

The current rating, which is the same for all share classes, is not guaranteed and may change if the volatility of the assets in which the Sub-fund invests changes. The lowest rating does not mean risk free.

All investment involves risk. This Sub-fund offers no guarantee against loss or that the Sub-fund's objective will be attained.

For further information on the risks that may not be fully captured by the risk and reward indicator, please refer to the current Key Investor Information Document (KIID).

Cautionary note

It should be remembered that past performance is not a guide to future performance. The value of investments may go down as well as up and, therefore, investors may not get back the amount originally invested.

Standard Life Investment Company II Annual Report & Financial Statements

Corporate Debt Fund

Comparative Tables

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life accumulation			
Change in net assets per share			
Opening net asset value per share	147.50	146.22	112.87
Return before operating charges*	(1.47)	1.67	34.21
Operating charges**	(0.20)	(0.20)	(0.15)
Return after operating charges*	(1.67)	1.47	34.06
Distributions	(4.06)	(3.60)	(3.53)
Retained distributions on accumulation share	4.06	3.41	2.82
Closing net asset value per share	145.83	147.50	146.22
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-1.13%	1.01%	30.18%
Other information			
Closing net asset value (£'000)	0	4	3
Closing number of shares	122	2,122	2,122
Operating charges****	0.14%	0.14%	0.12%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	155.5	156.3	159.2
Lowest share price	139.3	138.0	113.4

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

Standard Life Investment Company II Annual Report & Financial Statements

Corporate Debt Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional regulated accumulation			
Change in net assets per share			
Opening net asset value per share	155.56	154.47	118.86
Return before operating charges*	(1.70)	1.69	36.15
Operating charges**	(0.60)	(0.60)	(0.54)
Return after operating charges*	(2.30)	1.09	35.61
Distributions	(3.73)	(3.35)	(3.32)
Retained distributions on accumulation share	3.73	3.35	3.32
Closing net asset value per share	153.26	155.56	154.47
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-1.48%	0.70%	29.96%
Other information			
Closing net asset value (£'000)	187,853	224,094	227,448
Closing number of shares	122,571,021	144,060,758	147,243,189
Operating charges****	0.39%	0.39%	0.39%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	163.9	165.1	168.2
Lowest share price	146.5	145.8	119.5

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

Standard Life Investment Company II

Annual Report & Financial Statements

Corporate Debt Fund

Portfolio Statement

as at 31 October 2018

Holding	Investment	Market value £'000	Percentage of total net assets
Bonds (87.42%)		164,159	87.39
Euro Denominated Bonds (1.09%)		2,395	1.28
Corporate Bonds (1.09%)		2,395	1.28
between 5 and 10 years to maturity			
800,000	Bayer 1.5% 2026	704	0.37
336,000	UBS 4.75% 2026	319	0.17
Perpetual			
500,000	ABN Amro 5.75% Perpetual	464	0.25
530,000	BNP Paribas 4.875% Perpetual	484	0.26
500,000	Telefonica FRN Perpetual	424	0.23
Sterling Denominated Bonds (84.49%)		159,634	84.98
Corporate Bonds (81.30%)		152,192	81.02
less than 5 years to maturity			
688,000	AA Bond 2.875% 2022	662	0.35
166,000	Abbey National 1.875% 2020	167	0.09
225,000	Anglian Water 6.875% 2023	278	0.15
184,000	Atlantia 6.25% 2022	195	0.10
300,000	Bank of America 6.125% 2021	336	0.18
620,000	Bank of Scotland 9.375% 2021	725	0.39
815,000	Barclays 10% 2021	959	0.51
682,000	BMW 1.875% 2023	671	0.36
504,000	British Sky Broadcasting 2.875% 2020	518	0.28
504,000	BUPA 3.375% 2021	527	0.28
300,000	Close Brothers 3.875% 2021	314	0.17
500,000	Commerzbank 6.625% 2019	520	0.28
607,000	Co-Operative Bank 4.75% 2021	648	0.34
698,000	Coventry 5.875% 2022	799	0.42
785,000	CPUK 2.666% 2020	794	0.42
128,000	Credit Agricole 5.5% 2021	143	0.08
950,000	Credit Suisse 3% 2022	977	0.52
740,000	Daimler 1.5% 2022	728	0.39
690,000	Daimler 2.375% 2021	698	0.37
1,300,000	Deutsche Bank 1.875% 2020	1,292	0.69
300,000	E.ON Finance 6% 2019	314	0.17
380,000	Electricity Supply Board 6.5% 2020	405	0.22
300,000	Enel 6.25% 2019	309	0.16
230,000	Experian 3.5% 2021	242	0.13

Standard Life Investment Company II

Annual Report & Financial Statements

Corporate Debt Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
400,000	FCE Bank 3.25% 2020	405	0.22
500,000	FirstGroup 8.75% 2021	570	0.30
500,000	Friends Life 8.25% 2022	593	0.32
538,000	G4S 7.75% fixed to floating 2019	555	0.29
593,000	Global Switch 4.375% 2022	646	0.34
430,000	Heathrow Funding 5.225% 2023	489	0.26
632,000	Heathrow Funding 6% 2020	670	0.36
450,000	HSBC 2.175% 2023	447	0.24
442,000	Imperial Brands 9% fixed to floating 2022	538	0.29
277,000	ING 5.375% 2021	303	0.16
475,000	John Lewis 8.375% 2019	488	0.26
497,000	JPMorgan Chase 1.875% 2020	500	0.27
479,000	Lend Lease Europe 6.125% 2021	531	0.28
268,000	London Power Networks 5.125% 2023	305	0.16
358,000	London Stock Exchange 9.125% 2019	384	0.20
763,000	Merrill Lynch 5.5% 2021	838	0.45
486,000	MetLife Global Funding I 2.625% 2022	504	0.27
361,000	National Express 6.625% 2020	389	0.21
500,000	New York Life Global Funding 1% 2021	492	0.26
300,000	Northern Powergrid 7.25% 2022	366	0.19
235,000	Petróleos Mexicanos 8.25% 2022	276	0.15
222,000	Scania 1.875% 2022	219	0.12
330,000	Severn Trent 1.125% 2021	326	0.17
460,000	Southern Gas Networks 4.875% 2023	523	0.28
50,000	Southern Water 5% 2021	54	0.03
144,000	SPI Australia Assets 5.125% 2021	155	0.08
530,000	Svenska Handelsbanken 3% 2020	547	0.29
400,000	Telefonica Emisiones 5.597% 2020	421	0.22
490,000	Thames Water 7.75% 2019	500	0.27
786,000	Transport for London 2.25% 2022	809	0.43
300,000	Unite (USA) II 3.374% 2023	319	0.17
400,000	Volkswagen Financial Services 1.75% 2020	399	0.21
1,090,000	Volkswagen Financial Services 1.75% 2022	1,069	0.57
300,000	Volkswagen Financial Services 1.875% 2021	298	0.16
268,000	Wessex Water 4% 2021	287	0.15
59,000	Western Power 9.25% 2020	68	0.04
610,000	Westpac Banking 2.625% 2022	630	0.33
863,000	Xstrata 7.375% 2020	935	0.50

Standard Life Investment Company II

Annual Report & Financial Statements

Corporate Debt Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
between 5 and 10 years to maturity			
250,000	A.P. Moller-Maersk 4% 2025	258	0.14
450,000	ABP 6.25% 2026	546	0.29
360,000	APT Pipelines 4.25% 2024	392	0.21
238,000	Assura Financing 3% 2028	239	0.13
950,000	Bank of America 7% 2028	1,282	0.68
1,269,000	Barclays 3.125% 2024	1,271	0.68
300,000	Barclays 3.25% 2027	291	0.16
603,000	Bazalgette Finance 2.375% 2027	592	0.31
600,000	BP 2.03% 2025	600	0.32
257,000	British American Tobacco 4% 2026	278	0.15
350,000	BUPA 2% 2024	347	0.18
600,000	Credit Agricole 7.375% 2023	740	0.39
390,000	CYBG 3.125% 2025	375	0.20
1,000,000	CYBG 5% 2026	1,020	0.54
325,000	Electric North West 8.875% 2026	464	0.25
400,000	Enel 5.625% 2024	458	0.24
265,000	Eversholt 6.359% 2025	322	0.17
435,000	Experian 2.125% 2024	434	0.23
170,000	Gatwick 6.125% 2026	209	0.11
500,000	Go-Ahead 2.5% 2024	486	0.26
1,401,000	Heathrow Funding 6.75% 2026	1,821	0.97
400,000	Heathrow Funding 7.125% 2024	486	0.26
479,000	HSBC 2.256% 2026	458	0.24
370,000	HSBC 2.625% 2028	356	0.19
400,000	Iberdrola 7.375% 2024	500	0.27
758,000	Intu (SGS) Finance 4.125% 2023	801	0.43
261,000	Lloyds Bank 4.875% 2027	319	0.17
602,000	Lloyds Bank 5.75% fixed to floating 2025	632	0.34
1,108,000	Lloyds Bank 7.625% 2025	1,392	0.74
590,000	Lloyds Banking Group 2.25% 2024	571	0.30
158,000	Marks & Spencer 4.75% 2025	171	0.09
408,000	MetLife Global Funding I 3.5% 2026	446	0.24
950,000	Morgan Stanley 2.625% 2027	936	0.50
400,000	National Grid 2.125% 2028	375	0.20
500,000	Nationwide Building Society 3.25% 2028	521	0.28
333,000	NewRiver REIT 3.5% 2028	323	0.17
286,000	Northern Powergrid Yorkshire 2.5% 2025	293	0.16
270,000	Peel South East 10% 2026	379	0.20

Standard Life Investment Company II

Annual Report & Financial Statements

Corporate Debt Fund

Portfolio Statement

(Continued)

		Market value £'000	Percentage of total net assets
Holding	Investment		
Corporate Bonds (Continued)			
430,000	Porterbrook Rail 7.125% 2026	551	0.29
568,000	Royal Bank of Scotland 2.875% 2026	559	0.30
370,000	Royal Bank of Scotland 5.125% 2024	433	0.23
550,000	Saga 3.375% 2024	513	0.27
900,000	Santander UK Group 3.625% 2026	923	0.49
658,000	Scentre Management 3.875% 2026	713	0.38
263,000	Severn Trent 6.125% 2024	314	0.17
370,000	Shaftesbury Chinatown 2.348% 2027	355	0.19
330,000	SNCF Mobilites 5.375% 2027	416	0.22
400,000	Southern Water 6.64% 2026	514	0.27
103,000	SP Manweb 4.875% 2027	121	0.06
124,000	Spirit Issuer FRN 2027	56	0.03
450,000	Stagecoach Group 4% 2025	466	0.25
300,000	Thames Water 1.875% 2024	292	0.16
1,100,000	Thames Water 3.5% 2028	1,155	0.62
379,000	Thames Water 4% 2025	413	0.22
379,000	THPA Finance 7.127% 2024	208	0.11
500,000	Total Capital 1.75% 2025	497	0.26
500,000	Transport for London 2.125% 2025	508	0.27
250,000	Tritax Big Box REIT 2.625% 2026	246	0.13
249,000	Unique Pub Finance 5.659% 2027	202	0.11
399,000	United Utilities 5.625% 2027	501	0.27
456,000	Virgin Media 5.5% 2025	418	0.22
430,000	Wells Fargo 2% 2025	414	0.22
801,000	Western Power Distribution 3.625% 2023	836	0.44
700,000	Yorkshire Building Society 3.375% 2028	652	0.35
629,000	Yorkshire Building Society 4.125% 2024	641	0.34
322,000	Yorkshire Water 6.454% 2027	419	0.22
between 10 and 15 years to maturity			
804,000	Abbey National 3.875% 2029	875	0.47
420,000	America Movil 5.75% 2030	532	0.28
232,000	Anglian Water 6.625% 2029	314	0.17
2,122,000	Anheuser-Busch InBev 2.25% 2029	1,985	1.06
670,000	Annington Funding 3.184% 2029	660	0.35
661,000	APT Pipelines 3.5% 2030	680	0.36
336,000	Arqiva 4.882% 2032	359	0.19
400,000	Arqiva 5.34% 2030	466	0.25
356,000	AT&T 4.375% 2029	387	0.21

Standard Life Investment Company II

Annual Report & Financial Statements

Corporate Debt Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
974,000	Barclays 3.25% 2033	870	0.46
295,000	BL Superstore 5.27% 2030	74	0.04
400,000	BPCE 5.25% 2029	454	0.24
500,000	Canary Wharf Finance 6.455% 2033	138	0.07
150,000	Centrica 7% 2033	214	0.11
94,000	Comcast 5.5% 2029	119	0.06
368,000	CRH 4.125% 2029	406	0.22
816,000	Digital Stout Holding 3.3% 2029	809	0.43
525,000	DONG Energy 4.875% 2032	632	0.34
329,000	Great Rolling Stock 6.5% 2031	360	0.19
170,000	Greater Gabbard 4.137% 2032	166	0.09
793,000	HSBC 5.375% 2033	946	0.50
1,051,000	HSBC Bank 5.375% 2030	1,197	0.64
200,000	Imperial Brands 4.875% 2032	226	0.12
717,000	Integrated Accommodation Services 6.48% 2029	536	0.28
429,000	Land Securities 2.375% 2029	431	0.23
447,000	Legal & General 5.875% 2033	596	0.32
670,000	London & Quadrant Housing Trust 2.25% 2029	644	0.34
250,000	Meadowhall Finance 4.986% 2032	224	0.12
530,000	Network Rail 4.375% 2030	677	0.36
322,000	Notting Hill Housing Trust 3.75% 2032	345	0.18
600,000	Orange 8.125% 2028	874	0.46
564,000	Quadgas Finance 3.375% 2029	564	0.30
150,000	Quadrant Housing 7.93% 2033	204	0.11
529,000	Rabobank 4.625% 2029	575	0.31
800,000	Reseau Ferre de France 5.25% 2028	1,033	0.55
400,000	RI Finance Bonds No 3 6.125% 2028	426	0.23
300,000	RWE 6.25% 2030	390	0.21
100,000	Severn Trent 6.25% 2029	131	0.07
616,713	Shaftesbury Carnaby 2.487% 2031	577	0.31
270,000	South Eastern Power Networks 6.375% 2031	369	0.20
600,000	Southern Electric 5.5% 2032	761	0.40
361,000	SSE 8.375% 2028	533	0.28
400,000	StatoilHydro 6.875% 2031	588	0.31
250,000	Telefonica Emisiones 5.445% 2029	297	0.16
307,000	Telereal 6.1645% 2031	346	0.18
720,000	Telereal Securitisation 2.62563% 2031	713	0.38
800,000	Time Warner Cable 5.75% 2031	913	0.49
360,000	Welltower 4.8% 2028	405	0.22
1,101,000	Western Power 5.75% 2032	1,413	0.75

Standard Life Investment Company II

Annual Report & Financial Statements

Corporate Debt Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
between 15 and 25 years to maturity			
241,000	Affinity Sutton 4.25% 2042	286	0.15
380,000	Annington Funding 3.685% 2034	379	0.20
368,000	Arqiva 4.04% 2035	379	0.20
1,077,000	Aspire Defence 4.674% 2040	1,188	0.63
700,000	AT&T 4.25% 2043	715	0.38
230,000	AT&T 5.2% 2033	270	0.14
400,000	AT&T 7% 2040	566	0.30
1,300,000	Aviva 6.125% 2036	1,421	0.76
614,000	British American Tobacco 6% 2034	799	0.43
570,000	Broadgate Financing 4.821% 2036	729	0.39
656,000	Citigroup 6.8% 2038	975	0.52
164,000	Citigroup 7.375% 2039	258	0.14
346,000	Connect Plus 2.607% 2039	344	0.18
274,000	Dignity 3.5456% 2034	249	0.13
594,000	Direct Line 9.25% 2042	710	0.38
200,000	DONG Energy 5.75% 2040	277	0.15
395,000	Dwr Cymru Financing 2.5% 2036	383	0.20
800,000	E.ON Finance 5.875% 2037	1,060	0.56
500,000	E.ON Finance 6.75% 2039	730	0.39
500,000	EDF 5.5% 2041	633	0.34
250,000	EDF 6.125% 2034	332	0.18
614,000	Enel 5.75% 2040	755	0.40
710,000	Eversholt 3.529% 2042	675	0.36
580,000	Eversholt 6.697% 2035	732	0.39
500,000	Gatwick 4.625% 2034	586	0.31
297,000	Gatwick 6.5% 2041	439	0.23
300,000	GenFinance II 6.064% 2039	418	0.22
658,000	GlaxoSmithKline 5.25% 2033	867	0.46
200,000	GlaxoSmithKline 5.25% 2042	276	0.15
394,000	GlaxoSmithKline 6.375% 2039	600	0.32
322,000	Gwynt y Môr 2.778% 2034	288	0.15
300,000	Heathrow Funding 5.875% 2041	416	0.22
700,000	Heathrow Funding 6.45% fixed to floating 2033	960	0.51
577,000	HSBC 6% 2040	706	0.38
200,000	HSBC 7% 2038	270	0.14
912,000	John Lewis 4.25% 2034	820	0.44
820,000	Land Securities 2.625% 2037	792	0.42
336,000	Legal & General 10% 2041	400	0.21

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Corporate Debt Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
400,000	Lloyds Bank 6.5% 2040	586	0.31
275,000	London & Quadrant Housing Trust 5.5% 2040	370	0.20
400,000	Motability Operations 3.625% 2036	446	0.24
600,000	Munich Re 6.625% fixed to floating 2042	679	0.36
712,000	National Grid 2.625% 2038	640	0.34
158,000	Notting Hill Housing Trust 5.25% 2042	204	0.11
300,000	Orange 5.625% 2034	390	0.21
350,774	Peel 8.375% 2040	505	0.27
300,000	QBE Insurance 6.115% 2042	321	0.17
726,000	RMPA Services 5.337% 2038	698	0.37
900,000	RWE 6.125% 2039	1,236	0.66
117,000	Severn Trent 4.875% 2042	146	0.08
543,000	Southern Water 4.5% 2038	579	0.31
500,000	Telereal Secured 4.01% 2033	415	0.22
550,000	Tesco 5.744% 2040	630	0.34
288,000	Tesco 5.8006% 2040	335	0.18
150,000	Thames Water 4.375% 2034	170	0.09
487,000	Thames Water 5.125% 2037	602	0.32
600,000	Veolia Environment 6.125% 2037	842	0.45
550,000	Wal-Mart 5.25% 2035	760	0.40
356,000	Wells Fargo 4.625% 2035	428	0.23
300,000	Yorkshire Water 5.5% 2037	403	0.21
greater than 25 years to maturity			
322,000	Aster Treasury 4.5% 2043	394	0.21
500,000	AT&T 4.875% 2044	557	0.30
915,000	Aviva 5.125% 2050	903	0.48
502,000	Blend Funding 3.459% 2047	506	0.27
393,000	BPHA 4.816% 2044	493	0.26
432,000	British American Tobacco 2.25% 2052	309	0.16
180,000	British American Tobacco 4% 2055	186	0.10
488,000	Bromford Housing 3.125% 2048	479	0.25
400,000	Centrica 4.25% 2044	444	0.24
699,000	Channel Link 3.043% 2050	690	0.37
301,000	Channel Link 6.341% 2046	354	0.19
725,000	Clarion Housing 3.125% 2048	703	0.37
700,000	EDF 5.125% 2050	859	0.46
700,000	EDF 6% 2114	900	0.48
600,000	Engie 5% 2060	861	0.46

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Portfolio Statement

(Continued)

		Market value £'000	Percentage of total net assets
Holding	Investment		
Corporate Bonds (Continued)			
320,000	Heathrow Funding 2.75% 2049	281	0.15
279,000	Legal & General 5.5% 2064	280	0.15
230,000	London & Quadrant Housing Trust 3.75% 2049	250	0.13
400,000	NGG 5.625% fixed to floating 2073	432	0.23
265,000	Notting Hill Housing Trust 4.375% 2054	314	0.17
217,000	Optivo Finance 3.283% 2048	217	0.11
302,000	Peabody Capital 3.25% 2048	295	0.16
517,000	Peabody Capital 4.625% 2053	650	0.35
472,000	Prudential 5.7% fixed to floating 2063	534	0.28
125,000	Reseau Ferre de France 5% 2052	194	0.10
451,000	RL Finance 6.125% fixed to floating 2043	492	0.26
300,000	Sanctuary Capital 5% 2047	398	0.21
275,000	Thames Water 4.625% 2046	331	0.18
400,000	Transport for London 3.625% 2045	466	0.25
299,000	University of Cambridge 2.35% 2078	274	0.15
365,000	University of Southampton 2.25% 2057	321	0.17
480,000	Vodafone 3% 2056	390	0.21
552,000	Vodafone 3.375% 2049	492	0.26
367,000	Vodafone 4.875% FRN 2078	358	0.19
536,000	Wheatley 4.375% 2044	615	0.33
Perpetual			
650,000	Assicurazioni Generali 6.269% fixed to floating Perpetual	632	0.34
800,000	Axa 5.453% fixed to floating Perpetual	824	0.44
177,000	AXA 6.6862% fixed to floating Perpetual	197	0.10
200,000	Bank of Scotland 7.281% Perpetual	231	0.12
500,000	Dignity 4.6956% Perpetual	470	0.25
400,000	EDF 5.875% fixed to floating Perpetual	388	0.21
600,000	EDF 6% Perpetual	599	0.32
400,000	ELM 6.3024% fixed to floating Perpetual	403	0.21
485,000	HBOS 6.461% Perpetual	487	0.26
562,000	HSBC 5.875% Fixed to Floating Perpetual	558	0.30
159,000	Lloyds Bank 13% fixed to floating Perpetual	268	0.14
400,000	National Capital Trust I 5.62% Perpetual	402	0.21
736,000	Orange 5.75% fixed to floating Perpetual	780	0.42
770,000	Pennon 2.875% Perpetual	766	0.41
670,000	Santander UK Group 7.375% Perpetual	695	0.37
782,000	SSE 3.875% fixed to floating Perpetual	785	0.42
177,000	Zurich FRN Perpetual	194	0.10

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Corporate Debt Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Government Bonds (3.19%)		7,442	3.96
between 10 and 15 years to maturity			
392,000	European Investment Bank 5.625% fixed to floating 2032	564	0.30
150,000	UK (Govt of) 4.25% 2032	198	0.11
between 15 and 25 years to maturity			
700,000	European Investment Bank 3.875% 2037	897	0.48
473,000	UK (Govt of) 4.5% 2034	656	0.35
1,331,000	UK (Govt of) 4.75% 2038	1,995	1.06
greater than 25 years to maturity			
700,000	European Investment Bank 4.5% 2044	1,024	0.54
1,000,000	UK (Govt of) 3.25% 2044	1,274	0.68
502,000	UK (Govt of) 4.25% 2055	834	0.44
US Dollar Denominated Bonds (1.84%)		2,130	1.13
Corporate Bonds (1.84%)		2,130	1.13
between 5 and 10 years to maturity			
305,000	Syngenta Finance 4.892% 2025	231	0.12
greater than 25 years to maturity			
805,000	QBE Insurance 6.75% 2044	649	0.35
Perpetual			
550,000	HBOS Capital Funding 6.85% Perpetual	434	0.23
640,000	Societe Generale 7.375% Perpetual	507	0.27
400,000	Swedbank 5.5% Perpetual	309	0.16
Collective Investment Schemes (5.94%)		13,215	7.03
9,709	Aberdeen Liquidity Fund - Euro	8,610	4.58
4,605	Aberdeen Liquidity Fund - Sterling	4,605	2.45
Derivatives (6.33%)		11,181	5.95
Credit Default Swaps (0.80%)		753	0.40
EUR 22,710,000	Sell iTraxx Europe Series 30 20/12/2023 1%	284	0.15
EUR 5,390,000	Sell iTraxx Europe Series 30 20/12/2023 5%	469	0.25

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Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Forward Currency Contracts (0.05%)		(70)	(0.04)
	Buy GBP 2,420,939 Sell EUR 2,745,464 17/01/2019	(21)	(0.01)
	Buy GBP 2,138,653 Sell USD 2,806,625 17/01/2019	(49)	(0.03)
Futures (-0.02%)		30	0.02
44	Long Long Gilt Future 27/12/2018	(1)	0.00
(5)	Short Euro Bond Future 06/12/2018	2	0.00
(7)	Short US 10 Year Note Bond Future 19/12/2018	10	0.01
(4)	Short US Long Bond Future 19/12/2018	19	0.01
Inflation Swaps (-0.09%)		1,450	0.77
GBP 1,342,800	Pay fixed 2.82% receive floating UKRPI 05/12/2024	48	0.02
GBP 11,041,000	Pay fixed 2.97% receive floating UKRPI 03/12/2059	4,296	2.29
GBP 610,000	Pay fixed 2.99% receive floating UKRPI 15/12/2065	323	0.17
GBP 450,000	Pay fixed 3.06% receive floating UKRPI 15/12/2065	199	0.11
GBP 1,700,000	Pay fixed 3.15% receive floating UKRPI 15/12/2045	347	0.18
GBP 1,806,520	Pay fixed 3.17% receive floating UKRPI 05/12/2039	162	0.09
GBP 1,512,000	Pay fixed 3.2% receive floating UKRPI 01/12/2056	326	0.17
GBP 3,095,000	Pay fixed 3.24% receive floating UKRPI 02/12/2043	260	0.14
GBP 2,740,000	Pay fixed 3.27% receive floating UKRPI 05/12/2045	200	0.11
GBP 1,897,600	Pay fixed 3.3% receive floating UKRPI 03/12/2055	77	0.04
GBP 390,000	Pay fixed 3.35% receive floating UKRPI 15/12/2066	48	0.03
GBP 1,450,000	Pay fixed 3.38% receive floating UKRPI 15/12/2057	107	0.06
GBP 2,600,000	Pay fixed 3.43% receive floating UKRPI 03/12/2031	(109)	(0.06)
GBP 1,875,000	Pay fixed 3.44% receive floating UKRPI 05/12/2035	(103)	(0.06)
GBP 1,311,500	Pay fixed 3.49% receive floating UKRPI 15/12/2049	50	0.03
GBP 1,270,000	Pay fixed 3.57% receive floating UKRPI 15/12/2039	20	0.01
GBP 2,650,000	Pay fixed 3.67% receive floating UKRPI 03/12/2037	(380)	(0.20)
GBP 750,000	Pay fixed 3.72% receive floating UKRPI 06/12/2035	(112)	(0.06)
GBP 2,090,000	Pay fixed 3.75% receive floating UKRPI 05/12/2053	(764)	(0.41)
GBP 2,617,000	Pay fixed 3.86% receive floating UKRPI 03/12/2028	(636)	(0.34)
GBP 4,533,000	Pay fixed 3.87% receive floating UKRPI 31/12/2047	(2,438)	(1.30)
GBP 1,380,000	Pay fixed 4.43% receive floating UKRPI 03/12/2023	(471)	(0.25)
Interest Rate Swaps (5.59%)		9,018	4.80
GBP 9,720,000	Pay fixed 1.415% receive floating GBP-LIBOR 05/12/2029	191	0.10
GBP 15,462,000	Pay fixed 2.0575% receive floating GBP-LIBOR 06/11/2023	(599)	(0.32)

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Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Interest Rate Swaps (Continued)			
GBP 32,800,000	Pay fixed 3.68% receive floating GBP-LIBOR 05/06/2022	(3,154)	(1.68)
GBP 3,845,000	Pay fixed 4.0975% receive floating GBP-LIBOR 03/12/2030	(1,105)	(0.59)
GBP 4,254,000	Pay fixed 4.2398% receive floating GBP-LIBOR 05/08/2019	(139)	(0.07)
GBP 10,057,000	Pay fixed 4.6775% receive floating GBP-LIBOR 05/09/2026	(2,438)	(1.30)
GBP 3,500,000	Pay floating GBP-LIBOR receive fixed 1.39% 03/12/2060	(305)	(0.16)
GBP 11,060,000	Pay floating GBP-LIBOR receive fixed 1.4225% 25/10/2056	(854)	(0.46)
GBP 5,108,000	Pay floating GBP-LIBOR receive fixed 1.437% 17/03/2048	(338)	(0.18)
GBP 40,000,000	Pay floating GBP-LIBOR receive fixed 1.505% 09/09/2062	(2,115)	(1.13)
GBP 19,611,000	Pay floating GBP-LIBOR receive fixed 2.035% 06/11/2053	1,955	1.04
GBP 4,893,700	Pay floating GBP-LIBOR receive fixed 2.068% 25/10/2056	551	0.29
GBP 810,000	Pay floating GBP-LIBOR receive fixed 2.69% 04/10/2032	105	0.06
GBP 3,750,000	Pay floating GBP-LIBOR receive fixed 2.825% 01/05/2038	741	0.39
GBP 7,013,100	Pay floating GBP-LIBOR receive fixed 3.03% 05/12/2054	2,717	1.45
GBP 4,970,000	Pay floating GBP-LIBOR receive fixed 3.064% 07/09/2052	1,839	0.98
GBP 4,612,000	Pay floating GBP-LIBOR receive fixed 3.075% 05/06/2047	1,517	0.81
GBP 880,000	Pay floating GBP-LIBOR receive fixed 3.288% 03/10/2051	368	0.20
GBP 1,997,000	Pay floating GBP-LIBOR receive fixed 4.0125% 03/12/2060	1,508	0.80
GBP 1,700,000	Pay floating GBP-LIBOR receive fixed 4.0175% 17/03/2051	1,027	0.55
GBP 2,480,000	Pay floating GBP-LIBOR receive fixed 4.1445% 04/06/2039	1,107	0.59
GBP 6,596,500	Pay floating GBP-LIBOR receive fixed 4.16% 05/11/2049	4,165	2.22
GBP 3,303,000	Pay floating GBP-LIBOR receive fixed 4.56% 17/03/2048	2,274	1.21
Total investment assets and liabilities		188,555	100.37
Net other liabilities		(702)	(0.37)
Total Net Assets		187,853	100.00

All investments are listed on recognised stock exchanges and are approved securities, regulated collective investment schemes or approved derivatives within the meaning of the FCA rules unless otherwise stated.

The percentage figures in brackets show the comparative holding as at 31 October 2017.

	Market value £'000
Reconciliation of assets and liabilities to the balance sheet	
Investment assets as per the Balance Sheet	204,686
Investment liabilities	(16,131)
Net investment assets	188,555
Net other liabilities	(702)
Total Net Assets	187,853

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Statement of Total Return

for the year ended 31 October 2018

		2018	2017
	Notes	£'000	£'000
Income:			
Net capital losses	2	(6,882)	(3,344)
Revenue	4	5,843	7,207
Expenses	5	(734)	(863)
Interest payable and similar charges	6	(448)	(1,467)
Net revenue before taxation		4,661	4,877
Taxation	7	0	0
Net revenue after taxation		4,661	4,877
Total return before distributions		(2,221)	1,533
Distributions	8	(4,661)	(4,877)
Change in net assets attributable to shareholders from investment activities		(6,882)	(3,344)

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2018

	2018	2017
	£'000	£'000
Opening net assets attributable to shareholders	224,098	227,451
Amounts payable on the cancellation of shares	(33,940)	(4,875)
	(33,940)	(4,875)
Change in net assets attributable to shareholders from investment activities (see above)	(6,882)	(3,344)
Retained distribution on accumulation shares	4,577	4,866
Closing net assets attributable to shareholders	187,853	224,098

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Corporate Debt Fund

Financial Statements

(Continued)

Balance Sheet

as at 31 October 2018

	Notes	2018 £'000	2017 £'000
Assets:			
Fixed assets:			
Investment assets		204,686	239,815
Current assets:			
Debtors	9	3,239	3,276
Cash and bank balances	10	(3,320)	(2,493)
		(81)	783
Total assets		204,605	240,598
Liabilities:			
Investment liabilities		(16,131)	(16,411)
Creditors	11	(621)	(89)
		(621)	(89)
Total liabilities		(16,752)	(16,500)
Net assets attributable to shareholders		187,853	224,098

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Corporate Debt Fund

Notes to the Financial Statements

1 Accounting Policies

Please refer to pages 11 and 12 for note on accounting policies.

2 Net Capital Losses

	2018 £'000	2017 £'000
Non-derivative securities	(5,519)	1,440
Derivative contracts	(1,244)	(5,313)
Forward currency contracts	(80)	561
Other losses	(28)	(20)
Handling charges taken from the capital account	(11)	(12)
Net capital losses	(6,882)	(3,344)

3 Purchases, Sales and Transaction Costs

There are no transaction costs associated with the purchases or sales of bonds, collective investment schemes and derivatives during the year, or in the prior year.

Collective investments operate within the terms of the offer document or prospectus. Typically we do not invest into Sub-funds that require an initial charge to be made. The underlying price contains an estimation of cost known as a dilution levy which is applied from time to time.

Bonds are dealt on a spread agreed between buyer and seller with reference to the expected cashflows and current credit profiles.

Derivatives are dealt on a spread agreed between buyer and seller with reference to the underlying investment.

During the year the total purchases and sales across different major asset classes are as per below table.

	2018 £'000	2017 £'000
Purchase		
Bonds	39,302	55,918
Collective investment schemes	59,281	83,740
Sales		
Bonds	64,186	50,089
Collective investment schemes	59,422	103,058

The Sub-fund suffers a number of explicit costs as disclosed in the notes and Sub-fund history. The Sub-fund also suffers implicit costs an example is market spread, the spread represents the costs of providing liquidity in a market. It therefore is subject to change based on volume, active markets have a lower spread the difference between; bid the price you receive and offer the price you pay.

At the balance sheet date the average portfolio dealing spread (i.e. the spread between bid and offer prices expressed as a percentage of the offer price) was 0.70% (2017: 0.67%), this is representative of the average spread on the assets held during the year.

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Corporate Debt Fund

Notes to the Financial Statements

(Continued)

4 Revenue

	2018 £'000	2017 £'000
Interest on debt securities	5,800	7,082
Bank interest	43	125
Total revenue	5,843	7,207

5 Expenses

	2018 £'000	2017 £'000
Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:		
Authorised Corporate Director's periodic charge	674	792
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Depositary's fees	34	41
Safe custody fee	13	15
	47	56
Other:		
Audit fee	13	15
Total expenses	734	863

6 Interest Payable and Similar Charges

	2018 £'000	2017 £'000
Interest payable	10	12
Derivative expense	438	1,455
Total interest payable & similar charges	448	1,467

7 Taxation

	2018 £'000	2017 £'000
(a) Analysis of charge in year		
Total current tax	0	0
(b) Factors affecting current tax charge for the year		
The tax assessed for the year is less than the standard rate of corporation tax in the UK for Funds of authorised Open-Ended Investment Companies (20%). The differences are explained below:		
Net revenue before taxation	4,661	4,877
Corporation tax at 20% (2017: 20%)	932	975
Effects of:		
Distributions treated as tax deductible	(932)	(975)
Total tax charge for year (note 7a)	0	0

Standard Life Investment Company II Annual Report & Financial Statements

Corporate Debt Fund

Notes to the Financial Statements

(Continued)

8 Distributions

The distributions takes account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	2018 £'000	2017 £'000
First interim distribution	1,185	1,316
Second interim distribution	1,109	1,077
Third interim distribution	1,139	1,130
Final distribution	1,144	1,343
	<hr/> 4,577	<hr/> 4,866
Add: Income deducted on cancellation of shares	84	11
Net distribution for the year	<hr/> 4,661	<hr/> 4,877

Details of the distribution per share are set out in this Sub-fund's distribution tables.

9 Debtors

	2018 £'000	2017 £'000
Sales awaiting settlement	369	0
Accrued revenue	2,870	3,276
Total debtors	<hr/> 3,239	<hr/> 3,276

10 Cash and Bank Balances

	2018 £'000	2017 £'000
Amounts held at futures clearing houses and brokers	52	211
Cash and bank balances	7,929	9,635
	<hr/> 7,981	<hr/> 9,846
Collateral cash	(11,301)	(12,339)
Total cash and bank balances	<hr/> (3,320)	<hr/> (2,493)

11 Creditors

	2018 £'000	2017 £'000
Purchases awaiting settlement	543	0
Accrued expenses payable to ACD	55	66
Accrued expenses payable to the Depositary or associates of the Depositary	3	9
Other accrued expenses	20	14
Total creditors	<hr/> 621	<hr/> 89

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Corporate Debt Fund

Notes to the Financial Statements

(Continued)

12 Related Party Transactions

Standard Life Investments (Mutual Funds) Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal in respect of all transactions of shares in the Sub-fund.

The fees received by the ACD are set out in note 5.

The ACD is involved in all transactions in shares of the Sub-fund, the aggregate values of which are set out in the Statement of Change in Net Assets Attributable to Shareholders on page 28. £55,000 was due to the ACD at the year end.

13 Shares in issue reconciliation

	Opening shares 2017	Creations during the year	Cancellations during the year	Closing shares 2018
Standard Life accumulation	2,122	0	(2,000)	122
Institutional regulated accumulation	144,060,758	0	(21,489,738)	122,571,021

14 Fair Value Hierarchy

	2018 £'000 Level 1	2018 £'000 Level 2	2018 £'000 Level 3	2017 £'000 Level 1	2017 £'000 Level 2	2017 £'000 Level 3
Fair value of investment assets						
Bonds	5,465	158,694	0	5,246	190,667	0
Collective Investment Schemes	0	13,215	0	0	13,302	0
Derivatives	31	27,281	0	28	30,572	0
Total investment assets	5,496	199,190	0	5,274	234,541	0
Derivatives	(1)	(16,130)	0	(102)	(16,309)	0
Total investment liabilities	(1)	(16,130)	0	(102)	(16,309)	0

The three levels of the fair value hierarchy under FRS 102 are described below:

Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for the identical unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

15 Risk Management Policies & Numerical Disclosures

In accordance with the investment objectives, the Sub-fund may hold certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policies;
- cash and short-term debtors and creditors arising directly from operations; and
- derivatives.

The main risks arising from the Sub-fund's financial instruments are market price, foreign currency, interest rate, credit and liquidity risk.

The policies for managing these risks are summarised below and have been applied consistently throughout the year, and prior year.

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Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

(a) Market price risk

Each Sub-fund's investment portfolio is exposed to market price fluctuation which are monitored by the Fund Manager in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers mitigate the risk of excessive exposure to any particular type of security or issuer.

In the current market conditions certain securities have become difficult to price. For these securities, reliance has therefore been placed on single broker prices. This has not resulted in any adjustment to the financial statements.

Value at Risk (VaR) is a measure of the maximum potential loss to the Sub-fund due to market risk. More particularly, VaR measures the maximum potential loss at a given confidence level (probability) over a specific time period under normal market conditions.

2018	Minimum	Maximum	Average
VaR 99% 1 Month	7.75%	9.55%	8.52%

2017	Minimum	Maximum	Average
VaR 99% 1 Month	8.49%	9.75%	9.08%

At the year end date, there was a 1% chance of the portfolio value falling (or rising) more than 7.75%, £14,557,000 (2017: 8.61%, £19,295,000) in one month period.

This calculation is generally determined by the use of an industry recognised medium term risk model, typically based on 3-5 year history. The method assumes normal market conditions and that the portfolio remains unchanged.

(b) Foreign currency risk

A proportion of the net assets of the Sub-fund are denominated in currencies other than Sterling, therefore the balance sheet and total returns can be affected by currency movements. In certain circumstances, the Fund Manager may seek to manage exposure to currency movements by using forward currency contracts.

The Sub-fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

Income received in foreign currencies is converted into Sterling at the exchange rates ruling when the income is received.

Currency exposure

An increase or decrease in a particular foreign currency exchange rate will have a proportionate effect on the value of the Sub-fund.

The net foreign currency monetary exposure comprises:

	Net foreign currency monetary assets	
	2018	2017
	£'000	£'000
Euro	755	1,758
US Dollar	768	765

(c) Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuations in interest rates. The Fund Manager continuously reviews interest rates and inflation expectations. The assessment of this may result in a change in investment strategy.

Bond yields are affected by market and economic conditions, including inflation rates and government policy. An analysis of the interest rates and maturity of bond listings is detailed below.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In general, if interest rates rise, the income potential of the Sub-fund also rises but the value of fixed rate securities will decline (along with certain expenses calculated by reference to the assets of the Sub-fund). A decline in interest rates will, in general, have the opposite effect.

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Corporate Debt Fund

Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

The interest rate risk profile of the Sub-fund's financial assets and liabilities is:

	Floating rate financial assets	Fixed rate financial assets	Financial assets/ (liabilities) not carrying interest	Total
	£'000	£'000	£'000	£'000
2018				
Currency				
UK Sterling	49,370	129,835	7,125	186,330
Euro	1,229	1,188	(1,662)	755
US Dollar	2,234	664	(2,130)	768
2017				
Currency				
UK Sterling	38,155	161,252	22,168	221,575
Euro	1,457	1,020	(719)	1,758
US Dollar	2,346	2,492	(4,073)	765

(d) Credit risk

All cash exposures are carefully managed to ensure that money is placed on deposit with counterparties that meet the minimum credit rating deemed appropriate for this Sub-fund. In certain circumstances, the Fund Manager may deliberately invest in securities (e.g. corporate bonds) with a well defined and published credit rating. In this case the Sub-fund would be deliberately taking credit risk in order to seek additional rewards.

	Bid market value 2018	Bid market value 2017
	£'000	£'000
Credit Rating Analysis		
Investment Grade Bonds	149,899	181,084
Below Investment Grade Bonds	9,808	10,524
Unrated Bonds	4,452	4,305
Total Value of Bonds	164,159	195,913

(e) Financial Derivatives Instrument Risk

At the year end the Sub-fund held derivatives for the purposes of efficient portfolio management or to meet the Sub-fund's investment objectives. These types of transaction can introduce market exposure greater than the market value of the instrument. These transactions exchange benefits with a third party at a future date creating both counterparty and concentration risk. The Investment Adviser's policies for managing these risks are outlined in the Sub-fund's prospectus.

Standard Life Investment Company II

Annual Report & Financial Statements

Corporate Debt Fund

Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

At the balance sheet date the Sub-fund had the following exposures:

	2018 £'000	2017 £'000
Market Exposure		
Credit Default Swaps	24,918	37,501
Forward Currency Contracts	4,630	7,735
Futures	7,178	8,678
Interest Rate Swaps	198,422	205,015
Inflation Swaps	49,111	55,131
Total Market Exposure	284,259	314,060

The total market exposure is the sum of the notional derivative contracts on a gross basis with no offsetting.

Counterparty Exposure

Derivative instruments involve an agreement to exchange a benefit at a future date. This introduces counterparty risk where an agreement is bilateral (between two parties) and concentration risk where a clearing broker operates on an exchange. Where the counterparty or clearing broker is not solvent the market exposure obtained would be lost.

Exposure is reduced by the exchange of margin on a daily basis for cleared derivatives and by the collateral held/pledged on a bilateral transaction.

	2018			2017		
	Collateral (held)/ pledged £'000	Margin at clearing broker £'000	Market value of derivatives £'000	Collateral (held)/ pledged £'000	Margin at clearing broker £'000	Market value of derivatives £'000
Counterparty or clearer						
Bank of America Merrill Lynch	(4,110)	0	3,514	(4,671)	0	5,607
Barclays	(461)	0	533	(620)	0	806
BNP Paribas	0	0	0	(1,010)	0	1,072
Citigroup	(1,583)	0	1,494	(2,088)	0	2,435
Deutsche Bank	(696)	0	753	0	0	0
Goldman Sachs	441	0	(350)	441	0	(495)
HSBC	(281)	0	345	(382)	0	404
JP Morgan	0	0	0	380	0	(377)
Morgan Stanley	(1,249)	0	1,483	(985)	0	1,088
NatWest	(2,495)	0	2,502	0	0	0
Royal Bank of Scotland	0	0	0	(2,694)	0	2,857
UBS	(867)	0	907	(710)	0	792
Total	(11,301)	0	11,181	(12,339)	0	14,189

Margin exchanged or collateral held or pledged is in the form of high quality liquid assets e.g. cash/gilts. Positions are fully collateralised at all times. Restrictions are placed on the right of either party to reuse collateral assets.

(f) Liquidity risk

The Sub-fund's assets comprise mainly readily realisable securities. The main liabilities of the Sub-fund are the redemption of any shares that investors wish to sell and the settlement of stock purchases. The Fund Manager reviews the cash and liability position continuously, and should an increase in liquidity be required, the Fund Manager will sell securities.

Standard Life Investment Company II Annual Report & Financial Statements

Corporate Debt Fund

Distribution Tables

for the three months ended 31 January 2018

Group 1 – shares purchased prior to 1 November 2017

Group 2 – shares purchased between 1 November 2017 and 31 January 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Standard Life accumulation				
Group 1	1.0376	–	1.0376*	0.7600
Group 2	–	–	–	–
Institutional regulated accumulation				
Group 1	0.9663	–	0.9663*	0.9042
Group 2	–	–	–	–

* Distribution accumulated on 31 January 2018

for the three months ended 30 April 2018

Group 1 – shares purchased prior to 1 February 2018

Group 2 – shares purchased between 1 February 2018 and 30 April 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Standard Life accumulation				
Group 1	0.9669	–	0.9669*	0.8108
Group 2	–	–	–	–
Institutional regulated accumulation				
Group 1	0.9049	–	0.9049*	0.7398
Group 2	–	–	–	–

* Distribution accumulated on 30 April 2018

Standard Life Investment Company II Annual Report & Financial Statements

Corporate Debt Fund

Distribution Tables

(Continued)

for the three months ended 31 July 2018

Group 1 – shares purchased prior to 1 May 2018

Group 2 – shares purchased between 1 May 2018 and 31 July 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Standard Life accumulation				
Group 1	0.9839	–	0.9839*	0.8435
Group 2	–	–	–	–
Institutional regulated accumulation				
Group 1	0.9295	–	0.9295*	0.7759
Group 2	–	–	–	–

* Distribution accumulated on 31 July 2018

for the three months ended 31 October 2018

Group 1 – shares purchased prior to 1 August 2018

Group 2 – shares purchased between 1 August 2018 and 31 October 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Standard Life accumulation				
Group 1	1.0728	–	1.0728*	0.9942
Group 2	–	–	–	–
Institutional regulated accumulation				
Group 1	0.9333	–	0.9333*	0.9320
Group 2	–	–	–	–

* Distribution accumulated on 31 October 2018

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Investment Report

Fund Information	
Fund Manager	Mark Munro
Launch Date	2 November 2005
Benchmark	IA UK Corporate Bond Sector

Investment objective

The objective of the Sub-fund is to provide a high and stable level of income. Capital appreciation is of secondary importance.

Investment policy

The investment policy of the Sub-fund is to invest in a portfolio consisting mainly of corporate fixed interest and interest bearing securities that comply with certain ethical criteria. The Sub-fund may also invest in other interest bearing securities anywhere in the world that meet the ethical criteria.

The ethical criteria applicable to the Sub-fund are set out in an Ethical Policy and may be amended from time-to-time as considered necessary. In addition to excluding such companies which fail to meet the prescribed ethical standards, the ACD will seek to include companies whose business activities are regarded as making a positive contribution in terms of preserving the environment or improving the quality and safety of human life.

Risk

The Sub-fund is intended for investors who wish to participate in the potential to achieve a high and stable level of income investing in an actively managed portfolio of mainly investment grade corporate assets, with some exposure to higher yielding securities that comply with certain ethical criteria. The diversified nature of the portfolio makes it suitable for investors wishing to achieve a broad spread of mainly corporate bond exposure, which provides a degree of protection from default risk, and who do not desire a high degree of stock specific risk. Whilst the income generated should remain relatively stable, the investor must be able to accept some fluctuations in the income due to the higher risk nature of some of the securities held in the Sub-fund. The investor must also be able to accept temporary capital losses due to the volatile nature of bond markets, and the potentially restricted investment universe enforced by the ethical criteria and should therefore have an investment time horizon of at least 5 years.

Ethical criteria: further information about the ethical criteria applied to this Sub-fund can be obtained from the ACD.

Performance

During the period under review, the Ethical Corporate Bond Fund returned -0.24% compared to the IBOXX Sterling Collateralized & Corporates Index return of -0.03%. (Fund return source: Morningstar, Benchmark return source: Factset).

The Fund slightly underperformed the benchmark on a net basis over the review period. From a ratings perspective the Fund's overweight position in high yield added to relative returns, while an underweight in AA-rated credits detracted.

In terms of individual securities, the biggest single positive contributor was the Fund's zero exposure to the troubled US industrial conglomerate General Electric, which was punished heavily for a substantial goodwill write-down in October relating to its ill-fated 2015 acquisition of Alstom Power. The Fund's off-benchmark exposure to Tesco also added to relative returns as the UK supermarket giant rallied on the back of recovering sales and speculation about a possible move back up to Investment Grade. Other notable contributors included the Fund's high conviction overweight in the European Investment Bank and zero exposure to the biomedical research charity Wellcome Trust.

On the negative side, the single biggest detractor to relative returns over the review period was UK funeral business Dignity, whose corporate earnings were affected by increasing competition and declining market share. The Fund's overweight in the Denmark's Danske Bank detracted after it was implicated in a money laundering scandal at its Estonian branch. Another notable detractor was an overweight in the Italian infrastructure giant Atlantia, whose stock and bonds were severely impacted by the Genoa bridge tragedy in August.

Investment Activity

In the primary market, we took part in new deals for Assura, a UK healthcare property owner, Getlink, the company formerly known as Eurotunnel and Connect Plus, a private finance initiative (PFI) infrastructure project aimed at improving the UK's M25 motorway. We also participated in new deals from Royal Bank of Scotland, Telefonica, Newriver REIT and AXA (subordinated bonds). In the secondary market, we increased exposure to Medical Properties Trust, in particular the split-rated high yield investment grade unsecured bonds of this REIT, which specialises in acute care hospitals. We also added exposure to housing associations, including through the purchase of Clarion Housing.

In terms of sales, relative-value considerations prompted us to trim our exposure to the subordinated debt of Prudential and Clydesdale Yorkshire Bank. We also reduced exposure to the longer-dated senior debt of Vodafone, which we used to fund our purchase of a corporate hybrid new issue by the same company. Furthermore, we reduced exposure to selected UK utilities, including Cadent and Severn Trent, in favour of European names such as E.ON and Orsted, which was formerly known as Dong Energy. We felt the terms for this substitution were favourable, allowing the Fund to reduce its exposure to UK political risk ahead of what is likely to be a more volatile period.

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Investment Report (Continued)

Outlook

On the economic front, the market consensus appears to be for a global downturn in 2020. However, history suggests that consensus macro views are often inaccurate. If the next US recession proves to be further out than this, then credit spreads look fairly valued and may even offer some value on a 12-month view. However, Brexit, Italian politics and a further increase in trade tensions between the U.S. and China remain key risk factors for investors and are likely to ensure the markets remain more fragile than in the previous several years.

On balance, while fundamentals are still acceptable, we remain cautious and are maintaining a relatively low risk exposure at the Fund level. In the current environment, we anticipate investors will have to be quick to enter and exit positions to generate outperformance. In the months ahead, we will look to reduce higher-risk positions and selectively move up in credit quality by reducing our underweight to highly rated supra-national bonds while maintaining a healthy exposure to gilts.

Synthetic Risk & Reward Indicator

Lower risk Typically lower rewards				Higher risk Typically Higher rewards		
1	2	3	4	5	6	7

This indicator reflects the volatility of the Sub-fund's share price over the last five years which in turn reflects the volatility of the underlying assets in which the Sub-fund invests. Historical data may not be a reliable indication of the future. Where the share class does not have a history of five years, an alternative share class or a representative benchmark has been used to show how the Sub-fund price may have behaved over the period.

The current rating, which is the same for all share classes, is not guaranteed and may change if the volatility of the assets in which the Sub-fund invests changes. The lowest rating does not mean risk free.

All investment involves risk. This Sub-fund offers no guarantee against loss or that the Sub-fund's objective will be attained.

For further information on the risks that may not be fully captured by the risk and reward indicator, please refer to the current Key Investor Information Document (KIID).

Cautionary note

It should be remembered that past performance is not a guide to future performance. The value of investments may go down as well as up and, therefore, investors may not get back the amount originally invested.

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Comparative Tables

	2018 pence per share	2017 pence per share	2016 pence per share
Retail accumulation			
Change in net assets per share			
Opening net asset value per share	82.12	78.87	72.71
Return before operating charges*	0.02	4.19	7.41
Operating charges**	(0.85)	(0.84)	(0.79)
Return after operating charges*	(0.83)	3.35	6.62
Distributions	(1.76)	(1.86)	(2.30)
Retained distributions on accumulation share	1.76	1.76	1.84
Closing net asset value per share	81.29	82.12	78.87
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-1.01%	4.24%	9.10%
Other information			
Closing net asset value (£'000)	8,602	8,520	10,385
Closing number of shares	10,581,632	10,374,568	13,166,846
Operating charges****	1.03%	1.03%	1.03%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	83.71	83.71	83.28
Lowest share price	80.54	77.63	72.51

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional accumulation			
Change in net assets per share			
Opening net asset value per share	86.04	82.29	75.59
Return before operating charges*	0.02	4.39	7.74
Operating charges**	(0.53)	(0.52)	(0.49)
Return after operating charges*	(0.51)	3.87	7.25
Distributions	(2.21)	(2.30)	(2.77)
Retained distributions on accumulation share	2.21	2.18	2.22
Closing net asset value per share	85.53	86.04	82.29
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.59%	4.70%	9.59%
Other information			
Closing net asset value (£'000)	120,180	115,043	46,444
Closing number of shares	140,517,057	133,704,359	56,438,606
Operating charges****	0.61%	0.61%	0.61%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	87.77	87.64	86.82
Lowest share price	84.72	81.02	75.48

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Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Retail income			
Change in net assets per share			
Opening net asset value per share	56.37	55.32	52.24
Return before operating charges*	0.02	2.93	5.27
Operating charges**	(0.58)	(0.58)	(0.56)
Return after operating charges*	(0.56)	2.35	4.71
Distributions	(1.20)	(1.30)	(1.63)
Closing net asset value per share	54.61	56.37	55.32
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.99%	4.25%	9.02%
Other information			
Closing net asset value (£'000)	1,883	1,945	2,434
Closing number of shares	3,447,328	3,449,784	4,398,909
Operating charges****	1.03%	1.03%	1.03%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	57.46	57.77	58.75
Lowest share price	54.40	54.46	51.77

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Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional income			
Change in net assets per share			
Opening net asset value per share	56.52	55.46	52.37
Return before operating charges*	0.02	2.95	5.32
Operating charges**	(0.34)	(0.35)	(0.34)
Return after operating charges*	(0.32)	2.60	4.98
Distributions	(1.44)	(1.54)	(1.89)
Closing net asset value per share	54.76	56.52	55.46
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.57%	4.69%	9.51%
Other information			
Closing net asset value (£'000)	62,002	53,433	27,510
Closing number of shares	113,232,322	94,535,214	49,598,775
Operating charges****	0.61%	0.61%	0.61%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	57.66	57.94	58.91
Lowest share price	54.59	54.61	51.92

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Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life accumulation			
Change in net assets per share			
Opening net asset value per share	91.12	86.74	79.35
Return before operating charges*	0.01	4.63	8.15
Operating charges**	(0.10)	(0.10)	(0.09)
Return after operating charges*	(0.09)	4.53	8.06
Distributions	(2.80)	(2.88)	(3.33)
Retained distributions on accumulation share	2.80	2.73	2.66
Closing net asset value per share	91.03	91.12	86.74
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.10%	5.23%	10.16%
Other information			
Closing net asset value (£'000)	26	82	20
Closing number of shares	29,035	90,378	23,288
Operating charges****	0.11%	0.11%	0.11%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	93.05	92.75	91.44
Lowest share price	90.15	85.41	79.33

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Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional regulated accumulation++			
Change in net assets per share			
Opening net asset value per share	88.90	84.87	77.83
Return before operating charges*	(0.37)	4.56	7.99
Operating charges**	(0.25)	(0.39)	(0.34)
Return after operating charges*	(0.62)	4.17	7.65
Distributions	(1.21)	(2.53)	(3.05)
Retained distributions on accumulation share	1.21	2.39	2.44
Redemption value of shares at 7 June	(88.28)	0.00	0.00
Closing net asset value per share	0.00	88.90	84.87
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.70%	4.91%	9.83%
Other information			
Closing net asset value (£'000)	0	2	2
Closing number of shares	0	2,145	2,145
Operating charges****	0.28%	0.45%	0.41%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	90.73	90.55	89.56
Lowest share price	88.18	83.58	77.77

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++ Share class closed on 7 June 2018.

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life B accumulation			
Change in net assets per share			
Opening net asset value per share	90.02	85.61	78.25
Return before operating charges*	0.01	4.56	8.03
Operating charges**	0.00	0.00	0.00
Return after operating charges*	0.01	4.56	8.03
Distributions	(2.87)	(2.94)	(3.37)
Retained distributions on accumulation share	2.87	2.79	2.70
Closing net asset value per share	90.03	90.02	85.61
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	0.01%	5.33%	10.26%
Other information			
Closing net asset value (£'000)	147,933	154,234	147,853
Closing number of shares	164,320,102	171,330,466	172,714,423
Operating charges****	0.00%	0.00%	0.00%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	91.94	91.62	90.23
Lowest share price	89.15	84.30	78.25

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

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+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Platform 1 accumulation			
Change in net assets per share			
Opening net asset value per share	69.89	66.88	61.46
Return before operating charges*	0.01	3.57	6.29
Operating charges**	(0.46)	(0.46)	(0.43)
Return after operating charges*	(0.45)	3.11	5.86
Distributions	(1.76)	(1.84)	(2.21)
Retained distributions on accumulation share	1.76	1.74	1.77
Closing net asset value per share	69.44	69.89	66.88
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.64%	4.65%	9.53%
Other information			
Closing net asset value (£'000)	45,673	38,673	32,290
Closing number of shares	65,773,921	55,331,143	48,277,729
Operating charges****	0.66%	0.66%	0.66%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	71.29	71.20	70.57
Lowest share price	68.79	65.84	61.36

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

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Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Platform 1 income			
Change in net assets per share			
Opening net asset value per share	59.89	58.78	55.49
Return before operating charges*	0.01	3.11	5.65
Operating charges**	(0.39)	(0.40)	(0.38)
Return after operating charges*	(0.38)	2.71	5.27
Distributions	(1.49)	(1.60)	(1.98)
Closing net asset value per share	58.02	59.89	58.78
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.63%	4.61%	9.50%
Other information			
Closing net asset value (£'000)	15,816	15,296	13,962
Closing number of shares	27,258,018	25,538,413	23,754,258
Operating charges****	0.66%	0.66%	0.66%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	61.09	61.40	62.42
Lowest share price	57.84	57.86	55.02

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Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional A accumulation++			
Change in net assets per share			
Opening net asset value per share	55.85	53.83	50.00+++
Return before operating charges*	(0.23)	2.68	4.51
Operating charges**	(0.36)	(0.60)	(0.44)
Return after operating charges*	(0.59)	2.08	4.07
Distributions	(0.61)	(1.23)	(1.16)
Retained distributions on accumulation share	0.61	1.17	0.92
Redemption value of shares at 7 June 2018	(55.26)	0.00	0.00
Closing net asset value per share	0.00	55.85	53.83
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-1.06%	3.87%	8.14%
Other information			
Closing net asset value (£'000)	0	1	1
Closing number of shares	0	2,200	2,200
Operating charges****	0.63%	1.09%	1.11%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	56.93	56.92	56.70
Lowest share price	55.30	52.83	49.36

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++ Share class closed on 7 June 2018.

+++ Share class launched on 27 January 2016.

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional A income++			
Change in net assets per share			
Opening net asset value per share	53.76	52.75	50.00+++
Return before operating charges*	(0.21)	2.80	4.34
Operating charges**	(0.35)	(0.57)	(0.44)
Return after operating charges*	(0.56)	2.23	3.90
Distributions	(0.58)	(1.22)	(1.15)
Redemption value of shares at 7 June 2018	(52.62)	0.00	0.00
Closing net asset value per share	0.00	53.76	52.75
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-1.04%	4.23%	7.80%
Other information			
Closing net asset value (£'000)	0	1	1
Closing number of shares	0	2,200	2,200
Operating charges****	0.66%	1.06%	1.11%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	54.80	55.08	56.01
Lowest share price	52.66	51.92	49.35

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Standard Life Investment Company II

Annual Report & Financial Statements

Ethical Corporate Bond Fund

Portfolio Statement

as at 31 October 2018

Holding	Investment	Market value £'000	Percentage of total net assets
Bonds (96.88%)		391,255	97.30
Euro Denominated Bonds (3.23%)		17,481	4.35
Corporate Bonds (3.23%)		17,481	4.35
less than 5 years to maturity			
2,000,000	Danske Bank 7.5% 2020	1,741	0.43
2,747,000	Getlink 3.625% 2023	2,448	0.61
430,000	MPT Operating Partnership 4% 2022	416	0.10
between 5 and 10 years to maturity			
800,000	CaixaBank 3.5% 2027	742	0.19
3,442,000	MPT Operating Partnership 3.325% 2025	3,113	0.77
1,349,000	Paprec 4% 2025	1,193	0.30
greater than 25 years to maturity			
2,141,000	AXA 3.25% 2049	1,839	0.46
Perpetual			
1,900,000	ABN Amro 5.75% Perpetual	1,764	0.44
600,000	Royal Bank of Scotland 5.25% Perpetual	535	0.13
1,500,000	Royal Bank of Scotland FRN Perpetual	1,280	0.32
1,600,000	Telefonica 5.875% Perpetual	1,562	0.39
1,000,000	Telefonica FRN Perpetual	848	0.21
Sterling Denominated Bonds (88.26%)		361,787	89.97
Corporate Bonds (83.25%)		340,508	84.68
less than 5 years to maturity			
470,000	AA Bond 2.75% 2023	433	0.11
1,124,000	AA Bond 2.875% 2022	1,082	0.27
1,398,000	Abbey National 1.875% 2020	1,403	0.35
1,726,000	Asciano Finance 5% 2023	1,912	0.48
1,035,000	Atlantia 6.25% 2022	1,099	0.27
2,100,000	Banco Santander 2.75% 2023	2,089	0.52
1,890,000	Bank of Nova Scotia 1.25% 2022	1,858	0.46
740,000	Bank of Scotland 9.375% 2021	865	0.22
700,000	BNP Paribas 5.75% 2022	779	0.19
800,000	Close Brothers 3.875% 2021	838	0.21
1,425,000	Co-Operative Bank 4.75% 2021	1,522	0.38
2,116,000	CPUK 4.25% 2022	2,122	0.53
2,900,000	Credit Suisse 3% 2022	2,984	0.74
2,750,000	Daimler 1.5% 2022	2,704	0.67

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
2,400,000	Deutsche Bank 1.875% 2020	2,385	0.59
950,000	Deutsche Telekom 6.5% 2022	1,099	0.27
700,000	Digital Stout 4.75% 2023	769	0.19
680,000	Friends Life 12% 2021	842	0.21
1,650,000	Friends Life 8.25% 2022	1,959	0.49
2,500,000	Global Switch 4.375% 2022	2,723	0.68
3,205,000	HSBC 2.175% 2023	3,186	0.79
1,500,000	Intesa Sanpaolo 5.25% 2022	1,585	0.39
1,771,000	John Lewis 8.375% 2019	1,819	0.45
1,500,000	Lend Lease Europe 6.125% 2021	1,662	0.41
600,000	MetLife Global Funding I 2.625% 2022	622	0.16
900,000	National Australia Bank 1.375% 2022	889	0.22
1,250,000	National Express 6.625% 2020	1,346	0.34
1,010,000	NatWest 6.5% 2021	1,124	0.28
940,000	New York Life Global Funding 1% 2021	926	0.23
1,100,000	Northumbrian Water 6.875% 2023	1,322	0.33
270,000	Rabobank 4% 2022	294	0.07
2,300,000	RWE 5.5% 2022	2,601	0.65
2,100,000	Scentre 2.375% 2022	2,143	0.53
550,000	SSE 5.875% 2022	636	0.16
880,000	Swedbank 1.25% 2021	866	0.22
1,520,000	Thames Water 2.375% 2023	1,483	0.37
1,200,000	Thames Water 7.75% 2019	1,225	0.30
710,000	Unite (USAF) II 3.374% 2023	754	0.19
1,800,000	Yorkshire Water 6.5876% 2023	2,148	0.53
between 5 and 10 years to maturity			
3,590,000	Anglian Water 1.625% 2025	3,471	0.86
3,161,000	Assura Financing 3% 2028	3,173	0.79
1,000,000	Bank of America 2.3% 2025	986	0.25
700,000	Bank of America 7% 2028	944	0.24
1,500,000	Bank of Ireland 3.125% 2027	1,445	0.36
4,000,000	Bazalgette Finance 2.375% 2027	3,925	0.98
1,876,000	BUPA 2% 2024	1,860	0.46
1,000,000	Citigroup 5.875% 2024	1,156	0.29
1,700,000	Clydesdale Bank 4.625% 2026	2,026	0.50
2,591,000	Commonwealth Bank of Australia 3% 2026	2,812	0.70
1,200,000	Credit Agricole 7.375% 2023	1,481	0.37
2,500,000	CYBG 3.125% 2025	2,406	0.60
2,220,000	CYBG 5% 2026	2,264	0.56

Standard Life Investment Company II

Annual Report & Financial Statements

Ethical Corporate Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
1,100,000	Enel 5.625% 2024	1,260	0.31
1,341,000	Eversholt 6.359% 2025	1,629	0.41
3,018,000	Experian 2.125% 2024	3,009	0.75
800,000	FirstGroup 6.875% 2024	938	0.23
1,130,000	Go-Ahead 2.5% 2024	1,097	0.27
1,338,000	Heathrow Funding 6.75% 2026	1,739	0.43
1,850,000	Heathrow Funding 7.125% 2024	2,247	0.56
3,155,000	HSBC 2.256% 2026	3,017	0.75
1,062,000	HSBC 2.625% 2028	1,022	0.25
950,000	HSBC 6.75% 2028	1,185	0.29
1,450,000	Iberdrola 7.375% 2024	1,814	0.45
3,001,000	Intu (SGS) Finance 4.125% 2023	3,170	0.79
500,000	Intu Debenture 5.562% 2027	479	0.12
983,000	John Lewis 6.125% 2025	1,100	0.27
2,000,000	Lloyds Bank 4.875% 2027	2,444	0.61
1,931,000	Lloyds Bank 7.625% 2025	2,425	0.60
550,000	London & Quadrant Housing Trust 2.625% 2026	558	0.14
600,000	Merrill Lynch 8.125% 2028	822	0.20
3,000,000	Morgan Stanley 2.625% 2027	2,956	0.74
2,333,000	National Grid 2.125% 2028	2,186	0.54
765,000	NewRiver REIT 3.5% 2028	741	0.18
810,000	Peel South East 10% 2026	1,138	0.28
1,565,000	Porterbrook Rail 7.125% 2026	2,007	0.50
938,000	Principality Building Society 2.375% 2023	918	0.23
2,201,000	Royal Bank of Scotland 2.875% 2026	2,165	0.54
762,000	Royal Bank of Scotland 5.125% 2024	892	0.22
1,756,000	Saga 3.375% 2024	1,638	0.41
3,049,000	Santander UK Group 3.625% 2026	3,127	0.78
700,000	Scentre Management 3.875% 2026	759	0.19
1,300,000	Severn Trent 6.125% 2024	1,552	0.39
1,050,000	Shaftesbury Chinatown 2.348% 2027	1,008	0.25
1,700,000	Society of Lloyd's 4.75% 2024	1,799	0.45
774,000	Stagecoach Group 4% 2025	801	0.20
1,140,000	Telefonica Emisiones 5.375% 2026	1,316	0.33
450,000	Thames Water 1.875% 2024	438	0.11
1,127,000	Thames Water 3.5% 2028	1,184	0.29
840,000	Thames Water 4% 2025	915	0.23
2,348,000	Virgin Media 5.5% 2025	2,155	0.54
800,000	Virgin Media 6% 2025	899	0.22
2,070,000	Yorkshire Building Society 3.375% 2028	1,927	0.48

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
between 10 and 15 years to maturity			
826,000	Abbey National 3.875% 2029	899	0.22
1,000,000	Anglian Water 6.293% 2030	1,343	0.33
1,302,000	Annington Funding 3.184% 2029	1,282	0.32
1,390,000	Arqiva 4.882% 2032	1,486	0.37
600,000	Arqiva 5.34% 2030	700	0.17
1,800,000	AT&T 4.375% 2029	1,955	0.49
1,600,000	BPCE 5.25% 2029	1,814	0.45
1,119,000	Centrica 4.375% 2029	1,258	0.31
2,211,000	CRH 4.125% 2029	2,441	0.61
502,000	Digital Stout 3.75% 2030	507	0.13
2,841,000	Digital Stout Holding 3.3% 2029	2,818	0.70
3,199,000	DONG Energy 4.875% 2032	3,853	0.96
1,800,000	E.On Finance 6.375% 2032	2,416	0.60
2,200,000	Great Rolling Stock 6.5% 2031	2,407	0.60
1,370,000	HSBC 5.375% 2033	1,634	0.41
1,526,000	HSBC Bank 5.375% 2030	1,738	0.43
2,062,000	Land Securities 2.375% 2029	2,073	0.52
1,500,000	Legal & General 5.875% 2031	1,996	0.50
1,000,000	Lloyds Bank 6% 2029	1,354	0.34
2,220,000	London & Quadrant Housing Trust 2.25% 2029	2,134	0.53
1,900,000	Meadowhall Finance 4.986% 2032	1,699	0.42
1,210,000	Motability Operations 5.625% 2030	1,600	0.40
1,267,000	Notting Hill Housing Trust 3.75% 2032	1,359	0.34
1,371,000	Quadgas Finance 3.375% 2029	1,372	0.34
370,000	Quadrant Housing 7.93% 2033	503	0.12
1,700,000	Rabobank 4.625% 2029	1,846	0.46
850,000	RWE 6.25% 2030	1,106	0.27
1,300,000	Severn Trent 2.75% 2031	1,271	0.32
503,000	Severn Trent 6.25% 2029	661	0.16
1,587,478	Shaftesbury Carnaby 2.487% 2031	1,486	0.37
2,200,000	Smith (DS) 2.875% 2029	2,087	0.52
550,000	South Eastern Power Networks 5.625% 2030	697	0.17
1,450,000	Southern Water 6.192% 2029	1,924	0.48
1,250,000	SSE 8.375% 2028	1,845	0.46
999,000	Telereal FRN 2033	953	0.24
500,000	Trafford Centre 6.5% 2033	558	0.14
1,382,000	Tritax Big Box REIT 3.125% 2031	1,348	0.34
1,720,000	Welltower 4.8% 2028	1,934	0.48
2,005,000	Westfield America Management Ltd 2.625% 2029	1,955	0.49

Standard Life Investment Company II

Annual Report & Financial Statements

Ethical Corporate Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
between 15 and 25 years to maturity			
568,000	Affinity Sutton 4.25% 2042	674	0.17
2,506,000	Annington Funding 3.685% 2034	2,498	0.62
950,000	Arqiva 4.04% 2035	978	0.24
3,200,000	AT&T 4.25% 2043	3,269	0.81
1,000,000	AT&T 7% 2040	1,415	0.35
2,920,000	Aviva 6.125% 2036	3,192	0.79
1,100,000	Aviva 6.625% fixed to floating 2041	1,198	0.30
600,000	British Land 5.0055% 2035	610	0.15
480,000	British Telecom 6.375% 2037	643	0.16
1,050,000	Broadgate Financing 4.821% 2036	1,343	0.33
1,140,000	Broadgate Financing 5.098% 2035	1,231	0.31
1,300,000	Citigroup 6.8% 2038	1,933	0.48
1,900,000	Connect Plus 2.607% 2039	1,890	0.47
2,245,000	Direct Line 9.25% 2042	2,684	0.67
881,000	Dwr Cymru Financing 2.5% 2036	853	0.21
1,400,000	E.ON Finance 6.75% 2039	2,044	0.51
425,000	Eastern Power Networks 6.25% 2036	603	0.15
1,450,000	Enel 5.75% 2040	1,783	0.44
2,620,000	Eversholt 3.529% 2042	2,492	0.62
2,489,000	Gatwick 4.625% 2034	2,917	0.73
1,410,000	Heathrow Funding 5.875% 2041	1,957	0.49
2,950,000	Heathrow Funding 6.45% fixed to floating 2033	4,047	1.01
1,600,000	HSBC 6% 2040	1,959	0.49
2,400,000	Innogy 4.75% 2034	2,794	0.70
2,551,000	Land Securities 2.625% 2037	2,463	0.61
1,290,000	Lloyds Bank 6.5% 2040	1,891	0.47
1,300,000	London & Quadrant Housing Trust 4.625% 2033	1,563	0.39
1,400,000	Munich Re 6.625% fixed to floating 2042	1,585	0.39
1,700,000	National Grid 2.625% 2038	1,527	0.38
1,293,000	Northumbrian Water 5.125% 2042	1,666	0.41
1,898,000	Orange 5.625% 2034	2,466	0.61
1,200,000	QBE Insurance 6.115% 2042	1,282	0.32
700,000	RWE 6.125% 2039	961	0.24
500,000	Severn Trent 4.875% 2042	625	0.16
2,467,000	Southern Water 4.5% 2038	2,630	0.65
910,000	SSE 6.25% fixed to floating 2038	1,280	0.32
1,500,000	Telereal 5.5534% 2033	1,411	0.35
490,000	Telereal Secured 4.01% 2033	407	0.10
1,785,000	Tesco 5.744% 2040	2,043	0.51
750,000	Thames Water 4.375% 2034	848	0.21
2,000,000	Thames Water 5.5% 2041	2,634	0.66

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
560,000	Together Housing 4.5% 2042	665	0.17
810,000	Transport for London 3.875% 2042	978	0.24
1,000,000	United Utilities 5% 2035	1,278	0.32
2,300,000	Veolia Environment 6.125% 2037	3,229	0.80
greater than 25 years to maturity			
1,000,000	Aviva FRN 2049	944	0.23
668,000	AXA 5.625% 2054	704	0.18
1,216,000	Blend Funding 3.459% 2047	1,225	0.30
1,900,000	Channel Link 3.043% 2050	1,875	0.47
630,000	Channel Link 6.341% 2046	740	0.18
2,375,000	Clarion Housing 3.125% 2048	2,304	0.57
550,000	Legal & General 5.5% 2064	552	0.14
1,913,000	NGG 5.625% fixed to floating 2073	2,066	0.51
330,000	Notting Hill Housing Trust 4.375% 2054	391	0.10
1,050,000	Orange 5.375% 2050	1,415	0.35
1,518,000	Paragon 3.625% 2047	1,572	0.39
1,444,000	Peabody Capital 4.625% 2053	1,815	0.45
772,000	Prudential 5.625% FRN 2051	784	0.19
700,000	Prudential 5.7% fixed to floating 2063	793	0.20
1,660,000	RL Finance 6.125% fixed to floating 2043	1,813	0.45
850,000	Sanctuary Capital 5% 2047	1,127	0.28
370,000	SSE 3.625% 2077	368	0.09
1,200,000	Swan Housing Capital 3.625% 2048	1,221	0.30
1,094,000	Vodafone 3% 2056	889	0.22
1,550,000	Vodafone 3.375% 2049	1,381	0.34
1,108,000	Vodafone 4.875% FRN 2078	1,082	0.27
660,000	Wheatley 4.375% 2044	757	0.19
Perpetual			
1,600,000	Assicurazioni Generali 6.269% fixed to floating Perpetual	1,555	0.39
1,906,000	Axa 5.453% fixed to floating Perpetual	1,964	0.49
800,000	AXA 6.772% fixed to floating Perpetual	822	0.20
750,000	Bank of Scotland 7.281% Perpetual	866	0.22
2,002,000	Dignity 4.6956% Perpetual	1,881	0.47
2,455,000	Direct Line 4.75% Perpetual	2,028	0.50
2,150,000	ELM 6.3024% fixed to floating Perpetual	2,166	0.54
650,000	HBOS 6.461% Perpetual	652	0.16
1,362,000	HSBC 5.875% fixed to floating Perpetual	1,352	0.34
800,000	Lloyds Bank 13% fixed to floating Perpetual	1,348	0.34
1,300,000	Lloyds Banking Group 7.625% fixed to floating Perpetual	1,381	0.34
750,000	National Capital Trust I 5.62% Perpetual	753	0.19
1,800,000	Nationwide Building Society 6.875% Perpetual	1,827	0.45

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
800,000	Orange 5.75% fixed to floating Perpetual	848	0.21
2,000,000	Pennon 2.875% Perpetual	1,990	0.49
1,000,000	Royal Bank Of Scotland 5.625% Perpetual	1,013	0.25
900,000	RWE 7% fixed to floating Perpetual	911	0.23
1,020,000	SSE 3.875% fixed to floating Perpetual	1,024	0.25
1,020,000	Virgin Money FRN Perpetual	1,035	0.26
Government Bonds (5.01%)		21,279	5.29
between 5 and 10 years to maturity			
3,170,000	European Investment Bank 5.5% 2025	3,941	0.98
2,921,000	Transport for London 2.125% 2025	2,971	0.74
between 10 and 15 years to maturity			
2,710,000	European Investment Bank 5.625% fixed to floating 2032	3,896	0.97
4,215,000	European Investment Bank 6% 2028	5,852	1.45
between 15 and 25 years to maturity			
500,000	European Investment Bank 3.875% 2037	641	0.16
2,671,000	European Investment Bank 5% 2039	3,978	0.99
US Dollar Denominated Bonds (5.39%)		11,987	2.98
Corporate Bonds (5.39%)		11,987	2.98
between 5 and 10 years to maturity			
1,800,000	CCO 5.125% 2027	1,323	0.33
1,310,000	UBS 4.125% 2026	1,006	0.25
between 15 and 25 years to maturity			
1,281,000	CVS Health 4.875% 2035	975	0.24
greater than 25 years to maturity			
1,670,000	QBE Insurance 6.75% 2044	1,347	0.33
1,485,000	WPP 5.625% 2043	1,148	0.29
Perpetual			
500,000	AXA 6.463% fixed to floating Perpetual	389	0.10
1,250,000	Credit Agricole 7.875% Perpetual	1,010	0.25
1,500,000	HBOS Capital Funding 6.85% Perpetual	1,182	0.29
1,480,000	Lloyds Banking Group 6.413% Perpetual	1,158	0.29
1,500,000	Royal Bank of Scotland 8.625% Perpetual	1,236	0.31
1,500,000	UBS 7.125% Perpetual	1,213	0.30

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Ethical Corporate Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Derivatives (0.25%)		514	0.13
Forward Currency Contracts (0.30%)		278	0.07
	Buy EUR 292,534 Sell GBP 261,582 05/12/2018	(2)	0.00
	Buy EUR 453,391 Sell GBP 401,139 05/12/2018	2	0.00
	Buy EUR 1,998,817 Sell GBP 1,769,696 05/12/2018	5	0.00
	Buy GBP 1,290,210 Sell EUR 1,452,181 05/12/2018	1	0.00
	Buy GBP 1,949,487 Sell EUR 2,145,674 05/12/2018	44	0.01
	Buy GBP 2,445,590 Sell EUR 2,747,000 05/12/2018	7	0.00
	Buy GBP 15,154,565 Sell EUR 16,693,047 05/12/2018	332	0.08
	Buy GBP 18,575,246 Sell USD 24,051,601 05/12/2018	(218)	(0.04)
	Buy USD 3,086,599 Sell GBP 2,401,049 14/11/2018	13	0.00
	Buy USD 1,338,529 Sell GBP 1,015,916 05/12/2018	30	0.01
	Buy USD 1,676,725 Sell GBP 1,264,772 05/12/2018	45	0.01
	Buy USD 2,265,264 Sell GBP 1,750,961 05/12/2018	19	0.00
Interest Rate Swaps (-0.05%)		236	0.06
	EUR 2,300,000 Pay fixed 1.033% receive floating EURIBOR 03/08/2025	(67)	(0.02)
	USD 4,500,000 Pay fixed 2.1902% receive floating USD-LIBOR 29/11/2026	229	0.06
	USD 1,480,000 Pay fixed 2.7775% receive floating USD-LIBOR 03/08/2045	105	0.03
	GBP 3,000,000 Pay floating GBP-LIBOR receive fixed 1.5648% 23/10/2047	(107)	(0.03)
	GBP 12,000,000 Pay floating GBP-LIBOR receive fixed 1.7033% 04/10/2028	127	0.03
	USD 1,000,000 Pay floating USD-LIBOR receive fixed 2.1902% 29/11/2026	(51)	(0.01)
Total investment assets and liabilities		391,769	97.43
Net other assets		10,346	2.57
Total Net Assets		402,115	100.00

All investments are listed on recognised stock exchanges and are approved securities, or approved derivatives within the meaning of the FCA rules unless otherwise stated.

The percentage figures in brackets show the comparative holding as at 31 October 2017.

Market
value
£'000

Reconciliation of assets and liabilities to the balance sheet	
Investment assets as per the Balance Sheet	392,214
Investment liabilities	(445)
Net investment assets	391,769
Net other assets	10,346
Total Net Assets	402,115

Standard Life Investment Company II

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Statement of Total Return

for the year ended 31 October 2018

		2018	2017
	Notes	£'000	£'000
Income:			
Net capital (losses)/gains	2	(12,586)	4,065
Revenue	4	12,493	10,668
Expenses	5	(1,543)	(1,132)
Interest payable and similar charges	6	(6)	(40)
Net revenue before taxation		10,944	9,496
Taxation	7	(5)	0
Net revenue after taxation		10,939	9,496
Total return before distributions		(1,647)	13,561
Distributions	8	(10,939)	(9,496)
Change in net assets attributable to shareholders from investment activities		(12,586)	4,065

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2018

	2018	2017
	£'000	£'000
Opening net assets attributable to shareholders	387,230	280,902
Amounts receivable on the issue of shares	53,457	133,861
Amounts payable on the cancellation of shares	(35,148)	(39,912)
	18,309	93,949
Dilution adjustment	109	508
Change in net assets attributable to shareholders from investment activities (see above)	(12,586)	4,065
Retained distribution on accumulation shares	9,053	7,806
Closing net assets attributable to shareholders	402,115	387,230

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Financial Statements

(Continued)

Balance Sheet

as at 31 October 2018

	Notes	£'000	2018 £'000	2017 £'000
Assets:				
Fixed assets:				
Investment assets			392,214	376,355
Current assets:				
Debtors	9	7,337		6,722
Cash and bank balances	10	4,344		5,520
			11,681	12,242
Total assets			403,895	388,597
Liabilities:				
Investment liabilities			(445)	(237)
Creditors	11	(823)		(681)
Distribution payable		(512)		(449)
			(1,335)	(1,130)
Total liabilities			(1,780)	(1,367)
Net assets attributable to shareholders			402,115	387,230

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Notes to the Financial Statements

1 Accounting Policies

Please refer to pages 11 and 12 for note on accounting policies.

2 Net Capital (Losses)/Gains

	2018 £'000	2017 £'000
Non-derivative securities	(12,048)	1,879
Derivative contracts	317	112
Forward currency contracts	(841)	2,081
Other (losses)/gains	(7)	6
Handling charges taken from the capital account	(7)	(13)
Net capital (losses)/gains	(12,586)	4,065

3 Purchases, Sales and Transaction Costs

There are no transaction costs associated with the purchases or sales of bonds, collective investment schemes and derivatives during the year, or in the prior year.

Bonds are dealt on a spread agreed between buyer and seller with reference to the expected cashflows and current credit profiles.

Derivatives are dealt on a spread agreed between buyer and seller with reference to the underlying investment.

During the year the total purchases and sales across different major asset classes are as per below table.

	2018 £'000	2017 £'000
Purchase		
Bonds	136,227	228,241
Sales		
Bonds	104,408	124,004

The Sub-fund suffers a number of explicit costs as disclosed in the notes and Sub-fund history. The Sub-fund also suffers implicit costs an example is market spread, the spread represents the costs of providing liquidity in a market. It therefore is subject to change based on volume, active markets have a lower spread the difference between; bid the price you receive and offer the price you pay.

At the balance sheet date the average portfolio dealing spread (i.e. the spread between bid and offer prices expressed as a percentage of the offer price) was 0.71% (2017: 0.68%), this is representative of the average spread on the assets held during the year.

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Notes to the Financial Statements

(Continued)

4 Revenue

	2018 £'000	2017 £'000
Interest on debt securities	12,473	10,658
Derivative revenue	3	0
Bank interest	17	10
Total revenue	12,493	10,668

5 Expenses

	2018 £'000	2017 £'000
Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:		
Authorised Corporate Director's periodic charge	1,261	928
Dealing charge	28	24
Registration fees	185	129
	1,474	1,081
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Depositary's fees*	42	30
Safe custody fees*	19	14
	61	44
Other:		
Audit fee*	8	7
	8	7
Total expenses	1,543	1,132

* A proportion of these fees (2018: £42,050; 2017: £42,331) were re-imbursed by SLI (Mutual Funds) Limited. Audit fees for the year were £12,730 (2017: £14,345) before re-imburement from SLI (Mutual Funds) Limited.

6 Interest Payable and Similar Charges

	2018 £'000	2017 £'000
Interest payable	6	6
Derivative expense	0	34
Total interest payable & similar charges	6	40

Standard Life Investment Company II

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Notes to the Financial Statements

(Continued)

7 Taxation

	2018 £'000	2017 £'000
(a) Analysis of charge in year		
Overseas taxes	5	0
Total current tax	5	0
(b) Factors affecting current tax charge for the year		
The tax assessed for the year is less than the standard rate of corporation tax in the UK for Sub-funds of authorised Open-Ended Investment Companies (20%). The differences are explained below:		
Net revenue before taxation	10,944	9,496
Corporation tax at 20% (2017: 20%)	2,189	1,899
Effects of:		
Overseas taxes	5	0
Overseas tax expensed	(1)	0
Distributions treated as tax deductible	(2,188)	(1,899)
Total tax charge for year (note 7a)	5	0

8 Distributions

The distributions takes account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	2018 £'000	2017 £'000
First interim distribution	2,652	2,319
Second interim distribution	2,637	2,266
Third interim distribution	2,880	2,379
Final distribution	2,798	2,686
	10,967	9,650
Add: Income deducted on cancellation of shares	174	160
Deduct: Income received on issue of shares	(202)	(314)
Net distribution for the year	10,939	9,496

Details of the distribution per share are set out in this Sub-fund's distribution tables.

9 Debtors

	2018 £'000	2017 £'000
Amounts receivable from the ACD for the issue of shares	178	131
Sales awaiting settlement	497	0
Accrued revenue	6,662	6,591
Total debtors	7,337	6,722

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Notes to the Financial Statements

(Continued)

10 Cash and Bank Balances

	2018 £'000	2017 £'000
Amounts held at futures clearing houses and brokers	2,200	2,248
Cash and bank balances	2,315	4,113
	4,515	6,361
Collateral Cash	(171)	(841)
Total cash and bank balances	4,344	5,520

11 Creditors

	2018 £'000	2017 £'000
Amounts payable to the ACD for cancellation of shares	167	99
Purchases awaiting settlement	510	451
Accrued expenses payable to ACD	132	121
Accrued expenses payable to the Depositary or associates of the Depositary	5	12
Other accrued expenses	9	(2)
Total creditors	823	681

12 Related Party Transactions

Standard Life Investments (Mutual Funds) Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal in respect of all transactions of shares in the Sub-fund.

The fees received by the ACD are set out in note 5.

The ACD is involved in all transactions in shares of the Sub-fund, the aggregate values of which are set out in the Statement of Change in Net Assets Attributable to Shareholders on page 60. £121,000 was due to the ACD at the year end.

13 Shares in issue reconciliation

	Opening shares 2017	Creations during the year	Cancellations during the year	Conversions during the year	Closing shares 2018
Retail accumulation	10,374,568	1,424,811	(1,210,773)	(6,974)	10,581,632
Institutional accumulation	133,704,359	11,037,811	(4,148,718)	(76,395)	140,517,057
Retail income	3,449,784	316,894	(283,096)	(36,254)	3,447,328
Institutional income	94,535,214	37,852,034	(19,276,255)	121,329	113,232,322
Standard Life accumulation	90,378	14,034	(75,377)	0	29,035
Institutional regulated accumulation	2,145	0	(2,145)	0	0
Standard Life B accumulation	171,330,466	8,467,475	(15,477,839)	0	164,320,102
Platform 1 accumulation	55,331,143	14,915,694	(4,466,603)	(6,313)	65,773,921
Platform 1 income	25,538,413	5,676,497	(4,004,183)	47,291	27,258,018
Institutional A accumulation	2,200	0	(2,200)	0	0
Institutional A income	2,200	0	(2,200)	0	0

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Ethical Corporate Bond Fund

Notes to the Financial Statements

(Continued)

14 Fair Value Hierarchy

	2018 £'000	2018 £'000	2018 £'000	2017 £'000	2017 £'000	2017 £'000
Fair value of investment assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Bonds	2,971	388,284	0	2,621	372,493	0
Derivatives	0	959	0	0	1,241	0
Total investment assets	2,971	389,243	0	2,621	373,734	0
Derivatives	0	(445)	0	0	(237)	0
Total investment liabilities	0	(445)	0	0	(237)	0

The three levels of the fair value hierarchy under FRS 102 are described below:

Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for the identical unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

15 Risk Management Policies & Numerical Disclosures

In accordance with the investment objectives, the Sub-fund may hold certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policies;
- cash and short-term debtors and creditors arising directly from operations; and
- derivatives.

The main risks arising from the Sub-fund's financial instruments are market price, foreign currency, interest rate, credit and liquidity risk.

The policies for managing these risks are summarised below and have been applied consistently throughout the year, and prior year.

(a) Market price risk

Each Sub-fund's investment portfolio is exposed to market price fluctuation which are monitored by the Fund Manager in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers mitigate the risk of excessive exposure to any particular type of security or issuer.

In the current market conditions certain securities have become difficult to price. For these securities, reliance has therefore been placed on single broker prices. This has not resulted in any adjustment to the financial statements.

An increase or decrease in market values will therefore have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the Sub-fund.

Value at Risk (VaR) is a measure of the maximum potential loss to the Sub-fund due to market risk. More particularly, VaR measures the maximum potential loss at a given confidence level (probability) over a specific time period under normal market conditions.

2018	Minimum	Maximum	Average
VaR 99% 1 Month	2.57%	3.17%	2.83%
2017	Minimum	Maximum	Average
VaR 99% 1 Month	3.23%	3.80%	3.50%

At the year end date, there was a 1% chance of the portfolio value falling (or rising) more than 2.61%, £10,490,499 (2017: 3.28%, £12,698,668) in one month period.

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

This calculation is generally determined by the use of an industry recognised medium term risk model, typically based on 3-5 year history. The method assumes normal market conditions and that the portfolio remains unchanged.

(b) Foreign currency risk

A proportion of the net assets of the Sub-fund are denominated in currencies other than Sterling, therefore the balance sheet and total returns can be affected by currency movements. In certain circumstances, the Fund Manager may seek to manage exposure to currency movements by using forward currency contracts.

The Sub-fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

Income received in foreign currencies is converted into Sterling at the exchange rates ruling when the income is received.

Currency exposure

An increase or decrease in a particular foreign currency exchange rate will have a proportionate affect on the value of the Sub-fund.

The net foreign currency monetary exposure comprises:

Net foreign currency monetary assets

	2018	2017
	£'000	£'000
Euro	96	653
US Dollar	202	186

(c) Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuations in interest rates. The Fund Manager continuously reviews interest rates and inflation expectations. The assessment of this may result in a change in investment strategy.

Bond yields are affected by market and economic conditions, including inflation rates and government policy. An analysis of the interest rates and maturity of bond listings is detailed below.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In general, if interest rates rise, the income potential of the Sub-fund also rises but the value of fixed rate securities will decline (along with certain expenses calculated by reference to the assets of the Sub-fund). A decline in interest rates will, in general, have the opposite effect.

The interest rate risk profile of the Sub-fund's financial assets and liabilities is:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets/ (liabilities) not carrying interest £'000	Total £'000
2018				
Currency				
UK Sterling	71,458	294,201	36,158	401,817
Euro	10,260	7,638	(17,802)	96
US Dollar	6,310	5,968	(12,076)	202
2017				
Currency				
UK Sterling	62,597	282,702	41,092	386,391
Euro	6,941	6,218	(12,506)	653
US Dollar	13,982	8,194	(21,990)	186

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Ethical Corporate Bond Fund

Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

(d) Credit risk

All cash exposures are carefully managed to ensure that money is placed on deposit with counterparties that meet the minimum credit rating deemed appropriate for this Sub-fund. In certain circumstances, the Fund Manager may deliberately invest in securities (e.g. corporate bonds) with a well defined and published credit rating. In this case the Sub-fund would be deliberately taking credit risk in order to seek additional rewards.

	Bid market value 2018 £'000	Bid market value 2017 £'000
Credit Rating Analysis		
Investment Grade Bonds	331,275	318,950
Below Investment Grade Bonds	41,697	45,961
Unrated Bonds	18,283	10,203
Total Value of Bonds	391,255	375,114

(e) Financial Derivatives Instrument Risk

At the year end the Sub-fund held derivatives for the purposes of efficient portfolio management or to meet the Sub-fund's investment objectives. These types of transaction can introduce market exposure greater than the market value of the instrument. These transactions exchange benefits with a third party at a future date creating both counterparty and concentration risk. The Investment Adviser's policies for managing these risks are outlined in the Sub-fund's prospectus.

At the balance sheet date the Sub-fund had the following exposures:

	2018 £'000	2017 £'000
Market Exposure		
Forward Currency Contracts	48,226	37,094
Interest Rate Swaps	22,502	13,074
Total Market Exposure	70,728	50,168

The total market exposure is the sum of the notional derivative contracts on a gross basis with no offsetting.

Counterparty Exposure

Derivative instruments involve an agreement to exchange a benefit at a future date. This introduces counterparty risk where an agreement is bilateral (between two parties) and concentration risk where a clearing broker operates on an exchange. Where the counterparty or clearing broker is not solvent the market exposure obtained would be lost.

Exposure is reduced by the exchange of margin on a daily basis for cleared derivatives and by the collateral held/pledged on a bilateral transaction.

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Ethical Corporate Bond Fund

Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

	2018			2017		
Counterparty or clearer	Collateral (held)/ pledged £'000	Margin at clearing broker £'000	Market value of derivatives £'000	Collateral (held)/ pledged £'000	Margin at clearing broker £'000	Market value of derivatives £'000
BNP	0	0	7	0	0	0
Citigroup	0	0	76	(60)	0	41
Credit Agricole	160	0	(218)	0	0	0
Deutsche Bank	0	0	127	0	0	0
Goldman Sachs	0	2,490	0	0	0	0
HSBC	0	0	38	120	0	(129)
Lloyds Bank	0	0	18	0	0	(72)
Merrill Lynch	0	0	(61)	(448)	0	609
Morgan Stanley	0	0	196	0	0	6
Royal Bank of Canada	0	0	1	0	0	0
Royal Bank of Scotland	0	0	0	(453)	0	540
Societe Generale	(331)	0	330	0	0	(16)
UBS	0	0	0	0	0	25
Total	(171)	2,490	514	(841)	0	1,004

Margin exchanged or collateral held or pledged is in the form of high quality liquid assets e.g. cash/gilts. Positions are fully collateralised at all times. Restrictions are placed on the right of either party to reuse collateral assets.

(f) Liquidity risk

The Sub-fund's assets comprise mainly readily realisable securities. The main liabilities of the Sub-fund are the redemption of any shares that investors wish to sell and the settlement of stock purchases. The Fund Manager reviews the cash and liability position continuously, and should an increase in liquidity be required, the Fund Manager will sell securities.

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Ethical Corporate Bond Fund

Distribution Tables

for the three months ended 31 January 2018

Group 1 – shares purchased prior to 1 November 2017

Group 2 – shares purchased between 1 November 2017 and 31 January 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.4315	–	0.4315*	0.3974
Group 2	0.1876	0.2439	0.4315*	0.3974
Institutional accumulation				
Group 1	0.5445	–	0.5445*	0.4842
Group 2	0.1551	0.3894	0.5445*	0.4842
Retail income				
Group 1	0.2962	–	0.2962**	0.2787
Group 2	0.1858	0.1104	0.2962**	0.2787
Institutional income				
Group 1	0.3576	–	0.3576**	0.3264
Group 2	0.1963	0.1613	0.3576**	0.3264
Standard Life accumulation				
Group 1	0.6929	–	0.6929*	0.6032
Group 2	0.4426	0.2503	0.6929*	0.6032
Institutional regulated accumulation				
Group 1	0.6126	–	0.6126*	0.5448
Group 2	–	–	–	–
Standard Life B accumulation				
Group 1	0.7098	–	0.7098*	0.6092
Group 2	–	–	–	0.6092
Platform 1 accumulation				
Group 1	0.4333	–	0.4333*	0.3868
Group 2	0.2475	0.1858	0.4333*	0.3868
Platform 1 income				
Group 1	0.3713	–	0.3713**	0.3399
Group 2	0.1970	0.1743	0.3713**	0.3399
Institutional A accumulation				
Group 1	0.2986	–	0.2986*	0.2680
Group 2	–	–	–	–
Institutional A income				
Group 1	0.2845	–	0.2845**	0.2640
Group 2	–	–	–	–

* Distribution accumulated on 31 January 2018

** Distribution paid on 31 March 2018

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Distribution Tables

(Continued)

for the three months ended 30 April 2018

Group 1 – shares purchased prior to 1 February 2018

Group 2 – shares purchased between 1 February 2018 and 30 April 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.4365	–	0.4365*	0.4787
Group 2	0.2226	0.2139	0.4365*	0.4787
Institutional accumulation				
Group 1	0.5461	–	0.5461*	0.5847
Group 2	0.3027	0.2434	0.5461*	0.5847
Retail income				
Group 1	0.2982	–	0.2982**	0.3346
Group 2	0.1758	0.1224	0.2982**	0.3346
Institutional income				
Group 1	0.3563	–	0.3563**	0.3924
Group 2	0.2822	0.0741	0.3563**	0.3924
Standard Life accumulation				
Group 1	0.6904	–	0.6904*	0.7213
Group 2	0.2488	0.4416	0.6904*	0.7213
Institutional regulated accumulation				
Group 1	0.5958	–	0.5958*	0.6286
Group 2	–	–	–	–
Standard Life B accumulation				
Group 1	0.7063	–	0.7063*	0.7424
Group 2	–	–	–	–
Platform 1 accumulation				
Group 1	0.4351	–	0.4351*	0.4683
Group 2	0.2178	0.2173	0.4351*	0.4683
Platform 1 income				
Group 1	0.3705	–	0.3705**	0.4090
Group 2	0.2209	0.1496	0.3705**	0.4090
Institutional A accumulation				
Group 1	0.3136	–	0.3136*	0.3250
Group 2	–	–	–	–
Institutional A income				
Group 1	0.2918	–	0.2918**	0.3150
Group 2	–	–	–	–

* Distribution accumulated on 30 April 2018

** Distribution paid on 30 June 2018

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Distribution Tables

for the three months ended 31 July 2018

Group 1 – shares purchased prior to 1 May 2018

Group 2 – shares purchased between 1 May 2018 and 31 July 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.4552	–	0.4552*	0.4498
Group 2	0.2387	0.2165	0.4552*	0.4498
Institutional accumulation				
Group 1	0.5692	–	0.5692*	0.5656
Group 2	0.4286	0.1406	0.5692*	0.5656
Retail income				
Group 1	0.3092	–	0.3092**	0.3116
Group 2	0.0972	0.2120	0.3092**	0.3116
Institutional income				
Group 1	0.3693	–	0.3693**	0.3740
Group 2	0.0223	0.3470	0.3693**	0.3740
Standard Life accumulation				
Group 1	0.7196	–	0.7196*	0.7067
Group 2	0.4754	0.2442	0.7196*	0.7067
Institutional regulated accumulation				
Group 1	–	–	–	0.6254
Group 2	–	–	–	–
Standard Life B accumulation				
Group 1	0.7360	–	0.7360*	0.7249
Group 2	–	–	0.0000*	0.7249
Platform 1 accumulation				
Group 1	0.4535	–	0.4535*	0.4479
Group 2	0.2258	0.2277	0.4535*	0.4479
Platform 1 income				
Group 1	0.3838	–	0.3838**	0.3886
Group 2	0.1446	0.2392	0.3838**	0.3886
Institutional A accumulation				
Group 1	–	–	–	0.3000
Group 2	–	–	–	–
Institutional A income				
Group 1	–	–	–	0.2892
Group 2	–	–	–	–

* Distribution accumulated on 31 July 2018

** Distribution paid on 30 September 2018

Standard Life Investment Company II Annual Report & Financial Statements

Ethical Corporate Bond Fund

Distribution Tables

(Continued)

for the three months ended 31 October 2018

Group 1 – shares purchased prior to 1 August 2018

Group 2 – shares purchased between 1 August 2018 and 31 October 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.4371	–	0.4371*	0.4363
Group 2	0.1956	0.2415	0.4371*	0.4363
Institutional accumulation				
Group 1	0.5505	–	0.5505*	0.5476
Group 2	0.2433	0.3072	0.5505*	0.5476
Retail income				
Group 1	0.2952	–	0.2952**	0.3007
Group 2	0.1946	0.1006	0.2952**	0.3007
Institutional income				
Group 1	0.3546	–	0.3546**	0.3619
Group 2	0.1890	0.1656	0.3546**	0.3619
Standard Life accumulation				
Group 1	0.7003	–	0.7003*	0.6957
Group 2	0.4507	0.2496	0.7003*	0.6957
Institutional regulated accumulation				
Group 1	–	–	–	0.5958
Group 2	–	–	–	–
Standard Life B accumulation				
Group 1	0.7167	–	0.7167*	0.7112
Group 2	0.4383	0.2784	0.7167*	0.7112
Platform 1 accumulation				
Group 1	0.4379	–	0.4379*	0.4362
Group 2	0.1939	0.2440	0.4379*	0.4362
Platform 1 income				
Group 1	0.3684	–	0.3684**	0.3761
Group 2	0.1958	0.1726	0.3684**	0.3761
Institutional A accumulation				
Group 1	–	–	–	0.2731
Group 2	–	–	–	–
Institutional A income				
Group 1	–	–	–	0.2854
Group 2	–	–	–	–

* Distribution accumulated on 31 October 2018

** Distribution paid on 31 December 2018

Standard Life Investment Company II Annual Report & Financial Statements

European Equity Index Tracker Fund

Investment Report

Fund Information	
Fund Manager	–
Launch Date	11 April 2005
Benchmark	–

All the shares in this Sub-fund were redeemed and cancelled on 14 June 2012. The Sub-fund will formally terminate at a later date.

Standard Life Investment Company II Annual Report & Financial Statements

European Equity Index Tracker Fund

Portfolio Statement

as at 31 October 2018

		Market value £'000	Percentage of total net assets
Holding	Investment		
European equities (0.00%)		0	0.00
Ireland (0.00%)		3	0.00
18,022	Anglo Irish Bank Corporation*	0	0.00
131	ImmoFin	3	0.00
Total investment assets and liabilities		3	0.00
Net other assets		(3)	0.00
Total Net Assets		0	0.00

The percentage figures in brackets show the comparative holding as at 31 October 2017.

* Delisted

Standard Life Investment Company II

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European Equity Index Tracker Fund

Financial Statements

Statement of Total Return

for the year ended 31 October 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Income:					
Net capital gains/(losses)	2		3		(36)
Revenue	4	1		1	
Expenses	5	(2)		(1)	
Net revenue before taxation		(1)		0	
Taxation	6	0		19	
Net revenue after taxation			(1)		19
Total return before distributions			2		(17)
Distributions	7		0		0
Change in net assets attributable to shareholders from investment activities			2		(17)

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2018

		2018		2017	
		£'000	£'000	£'000	£'000
Opening net assets			0		0
Amounts receivable on the issue of shares		0		0	
Amounts payable on the cancellation of shares		0		0	
			0		0
Change in net assets attributable to shareholders from investment activities (see above)			2		(17)
Residual payment to shareholders from redemption of shares			(2)		17
Closing net assets			0		0

Standard Life Investment Company II Annual Report & Financial Statements

European Equity Index Tracker Fund

Financial Statements

(Continued)

Balance Sheet

as at 31 October 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Assets:					
Fixed assets:					
Investment assets			3		0
Current assets:					
Debtors		0		0	
Cash and bank balances		457		458	
			457		458
Total assets			460		458
Liabilities:					
Creditors	8	(460)		(458)	
			(460)		(458)
Total liabilities			(460)		(458)
Net assets			0		0

Standard Life Investment Company II

Annual Report & Financial Statements

European Equity Index Tracker Fund

Notes to the Financial Statements

1 Accounting Policies

Please refer to pages 11 and 12 for note on accounting policies.

2 Net Capital Gains/(Losses)

	2018 £'000	2017 £'000
Non-derivative securities	3	(36)
Net capital gains/(losses)	3	(36)

3 Purchases, Sales and Transaction Costs

There are no transaction costs associated with the purchases or sales of bonds, collective investment schemes and derivatives during the year, or in the prior year.

4 Revenue

	2018 £'000	2017 £'000
Interest on overseas withholding tax reclaims	1	1
Total revenue	1	1

5 Expenses

	2018 £'000	2017 £'000
Other:		
Audit fee	2	1
Total expenses	2	1

6 Taxation

	2018 £'000	2017 £'000
(a) Analysis of charge in year		
UK Corporation tax	0	0
Overseas withholding tax*	0	(19)
Total current tax	0	(19)

Standard Life Investment Company II Annual Report & Financial Statements

European Equity Index Tracker Fund

Notes to the Financial Statements

(Continued)

6 Taxation (Continued)

	2018 £'000	2017 £'000
(b) Factors affecting current tax charge for the year		
The tax assessed for the year is the same as the standard rate of corporation tax in the UK for Funds of authorised Open Ended Investment Companies (20%). The differences are explained below:		
Net (expense)/revenue before taxation	(1)	0
Corporation tax at 20% (2017: 20%)	0	0
Effects of:		
Overseas withholding tax*	0	(19)
Adjustment in respect of prior period	1	0
Non deductible expenses	0	0
Current tax charge for year (note 6a)	0	(19)

Authorised Open-Ended Investment Companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included in the above reconciliation.

* Included in the overseas tax figure is a receipt of £nil (2017: £381,000) from the French Tax Authorities in respect of a claim that withholding tax deducted on French dividends in prior years was contrary to European Law.

7 Distributions

(a) The distributions takes account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	2018 £'000	2017 £'000
Distribution	0	0
Add: Income deducted on cancellation of shares	0	0
Deduct: Income received on issue of shares	0	0
Net distribution for the year	0	0

(b) Difference between net revenue and distribution

Net revenue after taxation	0	19
Deduct: Revenue transferred to capital	0	(19)
Total distributions	0	0

8 Creditors

	2018 £'000	2017 £'000
Other accrued expenses	2	2
Payable to other Sub-fund - Interest payable on outstanding tax	4	4
Withholding tax reclaims - due to SLI	0	0
Corporation tax payable	0	1
Residual payment due in respect of ongoing Sub-fund closure	454	451
Total creditors	460	458

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Investment Report

Fund Information	
Fund Manager	Sarah Norris
Launch Date	24 September 2007
Benchmark	IA Europe Excluding UK Sector

Investment objective

The investment objective of the Sub-fund is to provide capital appreciation. It is intended that income will not be a prime consideration.

Investment policy

The investment policy of the Sub-fund is to invest in equities and equity type investments that comply with certain ethical criteria of companies listed predominantly on the main European markets or which, in the opinion of the ACD, carry on a significant part of their operations in Europe (excluding the UK). 'Equity type investments' will include convertible stocks, stock exchange listed warrants, Depositary Receipts and any other such investments which entitle the holder to subscribe for or convert into the equity of the company and/or where the share price performance is, in the opinion of the ACD, influenced significantly by the stock market performance of the company's ordinary shares.

The ethical criteria applicable to the Sub-fund are set out in an Ethical Policy and may be amended from time-to-time as considered necessary. In addition to excluding such companies which fail to meet the prescribed ethical standards, the ACD will seek to include companies whose business activities are regarded as making a positive contribution in terms of preserving the environment or improving the quality and safety of human life.

Risk

The Sub-fund is intended for investors who wish to participate in the potential capital growth opportunities afforded by investment in an actively managed portfolio of mainly European equities that comply with certain ethical criteria. The nature of the portfolio affords investors a focused investment approach, whilst providing proper diversification across ethically acceptable mainly European equities. Investors must be able to accept significant temporary losses due to both the volatile nature of equity markets and the potentially restricted investment universe enforced by ethical criteria, and should therefore have an investment horizon of at least 5 years.

Further information about the ethical criteria applied to this Sub-fund can be obtained from the ACD.

Performance

Over the period under review, the Fund returned -9.39%, compared to the IA Europe (excluding UK) average of -6.96% (source: Morningstar, basic-rate taxpayer, bid-to-bid basis).

German payment company Wirecard performed strongly in the wake of better-than-expected results. Meanwhile, a well-received listing of a competitor gave the market enough confidence to re-rate the company. A position in Ambu continued to perform well, thanks to ongoing strong demand for its single-use endoscopy product. The Danish healthcare equipment company experienced strong sales growth that allowed it to increase its guidance for earnings. Another positive for the Fund's performance was a holding in Kesko. The Finnish retailer announced an excellent set of results, which was driven by a material improvement in its operating profit margin. We continue to believe that the consensus underestimates the potential improvement in profits from its building and technical trade division. It also has a strong balance sheet that adds to its ability to enhance profitability.

Wessanen, a Dutch food producer with a focus on organic products, continued to underperform following the release of disappointing results. The release highlighted underperformance in France. Market growth had been buoyant, but the company became overly focused on the supermarkets channel at the expense of the specialist health-food sector. We have confidence that the deep experience of management team will re-establish its market position, as our view is the issues that have to be addressed are temporary. Prysmian, the Italian cable maker, was also weak. It was affected by stock-specific problems among competitors and a rights issue to fund an acquisition in the US that we believe is a sensible. Meanwhile, Siltronic, the electronics manufacturer, was hit by the general cyclical sell-off amid rising concerns about global demand for semiconductors, which was impacted by the increased trade tensions between the US and China. This was despite solid earnings numbers and management making encouraging remarks about its outlook. Lastly, not having any exposure to Novartis, Nestle and Roche had a significant negative impact on the Fund's relative performance. These were the three largest detractors from performance.

Activity

We established a new Nemetschek, a German software developer that creates software for architects, engineers and the construction industry. The company increased its exposure to the building management and maintenance segment of the market. This is an area that should see good growth as owners of buildings look to technology for solutions to improve the cost efficiency of operating properties. Shares were also purchased in Danish insurance group Tryg, as its prospects for higher returns improved after it successfully integrated a recent acquisition.

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Investment Report

(Continued)

Elsewhere, a significant transaction was the proceeds from the sale of Relx (it converted to a UK-listing only) were switched into information and analytics peer Wolters Kluwer, whose earnings profile and business dynamics are similar. Further sales included Nordea. The bank has made disappointing progress with its cost-reduction initiatives. In addition, the full benefits of its head office relocation to Finland will take some time to appear. After a money laundering scandal was uncovered at Danske Bank we liquidated the position. Finally, French insurance company AXA was trimmed as a recent deal cast doubt on the company's capital discipline.

Outlook & Strategy

We are cautiously optimistic about the prospects for European equities. While conscious of elevated valuations, Europe is still more attractively valued than many other developed markets. Notwithstanding this, currency pressure is a potential headwind for corporate profitability. A source of volatility is geopolitics, including US mid-term elections, US/China trade tensions, Brexit and Italy. However, such conditions can create buying opportunities as investors overreact to the headlines. It is likely that European equity markets will trade in a narrow range, but will exhibit some high stock volatility. Given this, markets will be sensitive to news flow on trade issues and currency volatility.

Synthetic Risk & Reward Indicator

Lower risk Typically lower rewards				Higher risk Typically Higher rewards		
1	2	3	4	5	6	7

This indicator reflects the volatility of the Sub-fund's share price over the last five years which in turn reflects the volatility of the underlying assets in which the Sub-fund invests. Historical data may not be a reliable indication of the future. Where the share class does not have a history of five years, an alternative share class or a representative benchmark has been used to show how the Sub-fund price may have behaved over the period.

The current rating, which is the same for all share classes, is not guaranteed and may change if the volatility of the assets in which the Sub-fund invests changes. The lowest rating does not mean risk free. All investment involves risk. This Sub-fund offers no guarantee against loss or that the Sub-fund's objective will be attained.

For further information on the risks that may not be fully captured by the risk and reward indicator, please refer to the current Key Investor Information Document (KIID).

Cautionary note

It should be remembered that past performance is not a guide to future performance. The value of investments may go down as well as up and, therefore, investors may not get back the amount originally invested.

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Comparative Tables

	2018 pence per share	2017 pence per share	2016 pence per share
Retail accumulation			
Change in net assets per share			
Opening net asset value per share	73.17	61.72	51.70
Return before operating charges*	(5.15)	12.35	10.74
Operating charges**	(0.96)	(0.90)	(0.72)
Return after operating charges*	(6.11)	11.45	10.02
Distributions	(1.05)	(0.82)	(0.84)
Retained distributions on accumulation share	1.05	0.82	0.84
Closing net asset value per share	67.06	73.17	61.72
* after direct transaction costs of:***	0.07	0.08	0.09
Performance+			
Return after charges	-8.35%	18.55%	19.38%
Other information			
Closing net asset value (£'000)	3,688	3,123	2,072
Closing number of shares	5,499,518	4,268,251	3,356,478
Operating charges****	1.34%	1.34%	1.34%
Direct transaction costs***	0.09%	0.12%	0.17%
Prices			
Highest share price	76.44	73.96	62.56
Lowest share price	64.79	56.77	46.84

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional accumulation			
Change in net assets per share			
Opening net asset value per share	77.90	65.47	54.24
Return before operating charges*	(5.51)	13.05	11.73
Operating charges**	(0.67)	(0.62)	(0.50)
Return after operating charges*	(6.18)	12.43	11.23
Distributions	(1.47)	(1.21)	(1.20)
Retained distributions on accumulation share	1.47	1.21	1.20
Closing net asset value per share	71.72	77.90	65.47
* after direct transaction costs of:***	0.07	0.09	0.10
Performance+			
Return after charges	-7.93%	18.99%	20.70%
Other information			
Closing net asset value (£'000)	8,033	6,554	3,342
Closing number of shares	11,200,392	8,413,175	5,105,062
Operating charges****	0.87%	0.87%	0.87%
Direct transaction costs***	0.09%	0.12%	0.18%
Prices			
Highest share price	81.67	78.62	66.21
Lowest share price	69.28	60.12	49.52

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Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life accumulation			
Change in net assets per share			
Opening net asset value per share	83.86	69.96	57.44
Return before operating charges*	(5.98)	13.99	12.59
Operating charges**	(0.10)	(0.09)	(0.07)
Return after operating charges*	(6.08)	13.90	12.52
Distributions	(2.20)	(1.86)	(1.73)
Retained distributions on accumulation share	2.20	1.86	1.73
Closing net asset value per share	77.78	83.86	69.96
* after direct transaction costs of:***	0.08	0.09	0.10
Performance+			
Return after charges	-7.25%	19.87%	21.80%
Other information			
Closing net asset value (£'000)	75	54	34
Closing number of shares	96,893	64,281	48,734
Operating charges****	0.12%	0.12%	0.12%
Direct transaction costs***	0.09%	0.12%	0.17%
Prices			
Highest share price	88.44	84.60	70.74
Lowest share price	75.11	64.27	52.65

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

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Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional regulated accumulation			
Change in net assets per share			
Opening net asset value per share	81.30	68.00	56.06
Return before operating charges*	(5.78)	13.61	12.19
Operating charges**	(0.34)	(0.31)	(0.25)
Return after operating charges*	(6.12)	13.30	11.94
Distributions	(1.89)	(1.59)	(1.51)
Retained distributions on accumulation share	1.89	1.59	1.51
Closing net asset value per share	75.18	81.30	68.00
* after direct transaction costs of:***	0.08	0.09	0.10
Performance+			
Return after charges	-7.53%	19.56%	21.30%
Other information			
Closing net asset value (£'000)	3,145	3,391	2,031
Closing number of shares	4,183,696	4,171,373	2,987,017
Operating charges****	0.42%	0.42%	0.42%
Direct transaction costs***	0.09%	0.12%	0.17%
Prices			
Highest share price	85.53	82.02	68.78
Lowest share price	72.61	62.47	51.28

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

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Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life B accumulation			
Change in net assets per share			
Opening net asset value per share	84.49	70.32	57.82
Return before operating charges*	(6.03)	14.18	12.51
Operating charges**	(0.01)	(0.01)	(0.01)
Return after operating charges*	(6.04)	14.17	12.50
Distributions	(2.31)	(1.95)	(1.61)
Retained distributions on accumulation share	2.31	1.95	1.61
Closing net asset value per share	78.45	84.49	70.32
* after direct transaction costs of:***	0.08	0.09	0.11
Performance+			
Return after charges	-7.15%	20.15%	21.62%
Other information			
Closing net asset value (£'000)	166,000	166,893	141,592
Closing number of shares	211,607,896	197,530,860	201,354,231
Operating charges****	0.01%	0.01%	0.01%
Direct transaction costs***	0.09%	0.12%	0.18%
Prices			
Highest share price	89.18	85.34	71.27
Lowest share price	75.75	64.77	53.01

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Platform 1 accumulation			
Change in net assets per share			
Opening net asset value per share	113.19	95.17	78.88
Return before operating charges*	(8.00)	18.98	17.05
Operating charges**	(1.03)	(0.96)	(0.76)
Return after operating charges*	(9.03)	18.02	16.29
Distributions	(2.09)	(1.71)	(1.70)
Retained distributions on accumulation share	2.09	1.71	1.70
Closing net asset value per share	104.16	113.19	95.17
* after direct transaction costs of:***	0.10	0.13	0.15
Performance+			
Return after charges	-7.98%	18.93%	20.65%
Other information			
Closing net asset value (£'000)	17,210	11,259	6,296
Closing number of shares	16,522,685	9,947,271	6,615,596
Operating charges****	0.92%	0.92%	0.92%
Direct transaction costs***	0.09%	0.12%	0.18%
Prices			
Highest share price	118.6	114.2	96.25
Lowest share price	100.6	87.38	72.03

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure-quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Portfolio Statement

as at 31 October 2018

Holding	Investment	Market value £'000	Percentage of total net assets
European Equities (97.14%)		188,953	95.36
Austria (0.00%)		1,855	0.94
58,145	Erste	1,855	0.94
Denmark (8.94%)		10,369	5.23
233,324	Ambu	3,805	1.92
244,181	Tryg	4,614	2.33
39,825	Vestas Wind Systems	1,950	0.98
Finland (2.53%)		3,540	1.79
77,671	Kesko	3,540	1.79
France (18.18%)		30,968	15.63
61,648	Accor	2,209	1.12
81,266	Amundi	3,786	1.91
80,036	Bouygues	2,282	1.15
34,297	Essilor	3,672	1.85
266,944	Orange	3,270	1.65
37,704	ORPEA	3,636	1.83
95,977	Plastic Omnium	2,093	1.06
73,696	Schneider Electric	4,178	2.11
24,354	SEB	2,728	1.38
24,149	Teleperformance	3,114	1.57
Germany (13.96%)		42,492	21.44
23,208	Adidas	4,289	2.16
32,134	Allianz	5,263	2.66
158,115	Deutsche Post	3,913	1.97
287,067	Deutsche Telekom	3,694	1.86
89,255	Deutsche Wohnen	3,205	1.62
184,485	Infineon Technology	2,904	1.47
29,053	Nemetschek	2,994	1.51
7,728	Puma	3,101	1.56
59,739	Scout24	1,941	0.98
24,200	Siltronic	1,739	0.88
240,654	TUI	3,117	1.57
43,131	Wirecard	6,332	3.20

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Ireland (5.14%)		9,151	4.62
134,225	CRH	3,147	1.59
238,375	Glanbia	3,287	1.66
79,743	Kingspan	2,717	1.37
Italy (7.61%)		13,758	6.94
142,884	Amplifon	1,982	1.00
895,532	Enel	3,442	1.74
269,600	FinecoBank	2,208	1.11
87,588	Interpump	1,979	1.00
305,539	Mediobanca	2,100	1.06
134,562	Prysmian	2,047	1.03
Netherlands (13.25%)		19,977	10.08
39,042	ASML	5,225	2.64
101,150	ASR Nederland	3,588	1.81
166,082	GrandVision	3,267	1.65
60,561	Randstad	2,392	1.21
155,893	Wessanen	1,277	0.64
95,160	Wolters Kluwer	4,228	2.13
Norway (1.01%)		3,508	1.77
243,612	Telenor	3,508	1.77
Spain (6.52%)		17,289	8.73
93,584	Amadeus	5,907	2.98
981,795	Banco Santander	3,651	1.85
981,795	Banco Santander Rights	0	0.00
379,934	Bankinter	2,441	1.23
111,813	CIE Automotive	2,320	1.17
134,400	Inditex	2,970	1.50
Sweden (13.08%)		17,516	8.84
200,264	Assa Abloy	3,113	1.57
354,937	Husqvarna	2,093	1.06
212,279	Sandvik	2,631	1.33

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Portfolio Statement

(Continued)

		Market value £'000	Percentage of total net assets
Holding	Investment		
Sweden (Continued)			
278,492	Svenska Cellulosa	2,063	1.04
223,730	Swedbank	3,945	1.99
237,480	Thule Group	3,671	1.85
Switzerland (6.92%)		18,530	9.35
337,750	Credit Suisse	3,474	1.75
8,729	Partners	4,869	2.46
26,676	Temenos	2,872	1.45
281,185	UBS	3,082	1.55
17,397	Zurich	4,233	2.14
Total investment assets		188,953	95.36
Net other assets		9,198	4.64
Total Net Assets		198,151	100.00

All investments are listed on recognised stock exchanges and are approved securities within the meaning of the FCA rules unless otherwise stated.

The percentage figures in brackets show the comparative holding as at 31 October 2017.

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Financial Statements

Statement of Total Return

for the year ended 31 October 2018

		2018	2017
	Notes	£'000	£'000
Income:			
Net capital (losses)/gains	2	(21,093)	28,550
Revenue	4	6,041	4,804
Expenses	5	(258)	(168)
Interest payable and similar charges	6	(7)	(5)
Net revenue before taxation		5,776	4,631
Taxation	7	(327)	(213)
Net revenue after taxation		5,449	4,418
Total return before distributions		(15,644)	32,968
Distributions	8	(5,449)	(4,418)
Change in net assets attributable to shareholders from investment activities		(21,093)	28,550

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2018

	2018	2017
	£'000	£'000
Opening net assets attributable to shareholders	191,274	155,367
Amounts receivable on the issue of shares	33,814	17,468
Amounts payable on the cancellation of shares	(11,449)	(14,535)
	22,365	2,933
Dilution adjustment	111	89
Change in net assets attributable to shareholders from investment activities (see above)	(21,093)	28,550
Retained distribution on accumulation shares	5,494	4,335
Closing net assets attributable to shareholders	198,151	191,274

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Financial Statements

(Continued)

Balance Sheet

as at 31 October 2018

	Notes	2018 £'000	2017 £'000
Assets:			
Fixed assets:			
Investment assets		188,953	185,810
Current assets:			
Debtors	9	922	676
Cash and bank balances	10	8,346	4,836
		9,268	5,512
Total assets		198,221	191,322
Liabilities:			
Creditors	11	(70)	(48)
		(70)	(48)
Total liabilities		(70)	(48)
Net assets attributable to shareholders		198,151	191,274

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Notes to the Financial Statements

1 Accounting Policies

Please refer to pages 11 and 12 for note on accounting policies.

2 Net Capital (Losses)/Gains

	2018 £'000	2017 £'000
Non-derivative securities	(21,079)	28,601
Forward currency contracts	(4)	2
Other gains/(losses)	6	(35)
Handling charges taken from the capital account	(16)	(18)
Net capital (losses)/gains	(21,093)	28,550

3 Equity Purchases, Sales and Transaction Costs

	2018 £'000	2017 £'000
Purchases		
Equities	97,893	74,707
Commissions	65	83
Taxes & Other Fees	71	64
Total purchase transaction costs	136	147
Purchases including transaction costs	98,029	74,854

Sales

Equities	73,972	68,955
Commissions	(56)	(70)
Total sale transaction costs	(56)	(70)
Total sales net of transaction costs	73,916	68,885

	2018 % Transaction	2017 % Transaction
Equity Transaction Cost as a % of total Purchases & Sales		
Purchases		
Commissions	0.07%	0.11%
Taxes & Other Fees	0.07%	0.09%
Sales		
Commissions	0.08%	0.10%

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Notes to the Financial Statements

(Continued)

3 Equity Purchases, Sales and Transaction Costs (Continued)

	2018 % Average NAV	2017 % Average NAV
Equity Purchases, Sales Analysis to Average NAV		
Purchases		
Commissions	0.03%	0.05%
Taxes & Other Fees	0.03%	0.04%
Sales		
Commissions	0.03%	0.04%
Taxes & Other Fees	0	0

During the year the total purchases and sales across different major asset classes are as per below table.

	2018 £'000	2017 £'000
Purchase		
Equities	97,893	74,854
Sales		
Equities	73,972	68,885

The Sub-fund suffers a number of explicit costs as disclosed in the notes and Sub-fund history. The Sub-fund also suffers implicit costs an example is market spread, the spread represents the costs of providing liquidity in a market. It therefore is subject to change based on volume, active markets have a lower spread the difference between; bid the price you receive and offer the price you pay.

At the balance sheet date the average portfolio dealing spread (i.e. the spread between bid and offer prices expressed as a percentage of the offer price) was 0.52% (2017: 0.65%), this is representative of the average spread on the assets held during the year.

4 Revenue

	2018 £'000	2017 £'000
Overseas dividends	6,011	4,797
Bank interest	30	7
Total revenue	6,041	4,804

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Notes to the Financial Statements

(Continued)

5 Expenses

	2018 £'000	2017 £'000
Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:		
Authorised Corporate Director's periodic charge	221	142
Dealing charge	7	4
Registration fees	20	13
	<u>248</u>	<u>159</u>
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Depositary's fees*	5	3
Safe custody fees*	3	2
	<u>8</u>	<u>5</u>
Other:		
Professional fees	0	2
Audit fee*	2	2
	<u>2</u>	<u>4</u>
Total expenses	<u>258</u>	<u>168</u>

* A proportion of these fees (2018: £55,102; 2017: £53,035) were re-imbursed by SLI (Mutual Funds) Limited.
Audit fees for the year were £8,911 (2017: £9,754 before re-imburement from SLI (Mutual Funds) Limited).

6 Interest Payable and Similar Charges

	2018 £'000	2017 £'000
Interest payable	7	5
Total interest payable & similar charges	<u>7</u>	<u>5</u>

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Notes to the Financial Statements

(Continued)

7 Taxation

	2018 £'000	2017 £'000
(a) Analysis of charge in year		
Overseas taxes	327	213
Total current tax	327	213
(b) Factors affecting current tax charge for the year		
The tax assessed for the year is less than the standard rate of corporation tax in the UK for Funds of authorised Open-Ended Investment Companies (20%). The differences are explained below:		
Net revenue before taxation	5,776	4,631
Corporation tax at 20% (2017: 20%)	1,155	926
Effects of:		
Revenue not subject to taxation	(1,202)	(945)
Overseas taxes	327	213
Overseas tax expensed	0	(2)
Excess allowable expenses	47	21
Total tax charge for year (note 7a)	327	213

8 Distributions

The distributions takes account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	2018 £'000	2017 £'000
Interim distribution	2,397	2,088
Final distribution	3,097	2,246
	5,494	4,334
Add: Income deducted on cancellation of shares	103	145
Deduct: Income received on issue of shares	(148)	(61)
Net distribution for the year	5,449	4,418

Details of the distribution per share are set out in this Sub-fund's distribution tables.

9 Debtors

	2018 £'000	2017 £'000
Amounts receivable from the ACD for the issue of shares	203	136
Sales awaiting settlement	0	121
Accrued revenue	136	71
Expenses reimbursement receivable from the ACD	10	36
Foreign withholding tax recoverable	573	312
Total debtors	922	676

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Notes to the Financial Statements

(Continued)

10 Cash and Bank Balances

	2018 £'000	2017 £'000
Cash and bank balances	8,346	4,836
Total cash and bank balances	8,346	4,836

11 Creditors

	2018 £'000	2017 £'000
Amounts payable to the ACD for cancellation of shares	29	14
Accrued expenses payable to ACD	23	17
Accrued expenses payable to the Depositary or associates of the Depositary	3	8
Other accrued expenses	15	9
Total creditors	70	48

12 Related Party Transactions

Standard Life Investments (Mutual Funds) Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal in respect of all transactions of shares in the Sub-fund.

The fees received by the ACD are set out in note 5.

The ACD is involved in all transactions in shares of the Sub-fund, the aggregate values of which are set out in the Statement of Change in Net Assets Attributable to Shareholders on page 91. £161,000 was due from the ACD at the year end.

13 Shares in issue reconciliation

	Opening shares 2017	Creations during the year	Cancellations during the year	Conversions during the year	Closing shares 2018
Retail accumulation	4,268,251	1,877,501	(605,750)	(40,484)	5,499,518
Institutional accumulation	8,413,175	4,284,197	(1,551,051)	54,071	11,200,392
Standard Life accumulation	64,281	45,406	(12,794)	0	96,893
Institutional regulated accumulation	4,171,373	1,271,935	(1,259,612)	0	4,183,696
Standard Life B accumulation	197,530,860	23,801,833	(9,724,797)	0	211,607,896
Platform 1 accumulation	9,947,271	7,240,150	(653,650)	(11,086)	16,522,685

14 Fair Value Hierarchy

	2018 £'000	2018 £'000	2018 £'000	2017 £'000	2017 £'000	2017 £'000
Fair value of investment assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Equities	188,953	0	0	185,808	0	0
Derivatives	0	0	0	0	2	0
Total investment assets	188,953	0	0	185,808	2	0

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Notes to the Financial Statements

(Continued)

14 Fair Value Hierarchy (Continued)

The three levels of the fair value hierarchy under FRS 102 are described below:

Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for the identical unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

15 Risk Management Policies & Numerical Disclosures

In accordance with the investment objectives, the Sub-fund may hold certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policies;
- cash and short-term debtors and creditors arising directly from operations; and
- derivatives.

The main risks arising from the Sub-fund's financial instruments are market price, foreign currency, interest rate, and liquidity risk.

The policies for managing these risks are summarised below and have been applied consistently throughout the year, and prior year.

(a) Market price risk

Each Sub-fund's investment portfolio is exposed to market price fluctuation which are monitored by the Fund Manager in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers mitigate the risk of excessive exposure to any particular type of security or issuer.

An increase or decrease in market values will therefore have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the Sub-fund.

A five per cent increase in the value of the Sub-fund's portfolio would have the effect of increasing the return and net assets as at year end date by £9,448,000 (2017: £9,291,000). A five per cent decrease would have an equal and opposite effect.

(b) Foreign currency risk

A proportion of the net assets of the Sub-fund are denominated in currencies other than Sterling, therefore the balance sheet and total returns can be affected by currency movements. In certain circumstances, the Fund Manager may seek to manage exposure to currency movements by using forward currency contracts.

The Sub-fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

Income received in foreign currencies is converted into Sterling at the exchange rates ruling when the income is received.

A five per cent increase in the value of the Sub-fund's foreign currency exposure would have the effect of increasing the return and net assets as at year end date by £9,534,000 (2017: £9,349,000). A five per cent decrease would have an equal and opposite effect.

Currency exposure

An increase or decrease in a particular foreign currency exchange rate will have a proportionate effect on the value of the Sub-fund. The net foreign currency monetary exposure comprises:

	Net foreign currency monetary assets	
	2018	2017
	£'000	£'000
Danish Krone	10,540	17,233
Euro	140,357	129,495
Norwegian Krone	3,596	1,938
Swedish Krona	17,516	25,022
Swiss Franc	18,648	13,285

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European Ethical Equity Fund

Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

(c) Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuations in interest rates. The Fund Manager continuously reviews interest rates and inflation expectations. The assessment of this may result in a change in investment strategy.

The interest rate risk profile of the Sub-fund's financial assets and liabilities is:

	Floating rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
2018			
Currency			
UK Sterling	7,353	141	7,494
Danish Krone	0	10,540	10,540
Euro	992	139,365	140,357
Norwegian Krone	0	3,596	3,596
Swedish Krona	0	17,516	17,516
Swiss Franc	0	18,648	18,648
2017			
Currency			
UK Sterling	4,062	239	4,301
Danish Krone	0	17,233	17,233
Euro	778	128,717	129,495
Norwegian Krone	0	1,938	1,938
Swedish Krona	0	25,022	25,022
Swiss Franc	1	13,284	13,285

(d) Liquidity risk

The Sub-fund's assets comprise mainly readily realisable securities. The main liabilities of the Sub-fund are the redemption of any shares that investors wish to sell and the settlement of stock purchases. The Fund Manager reviews the cash and liability position continuously, and should an increase in liquidity be required, the Fund Manager will sell securities.

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Distribution Tables

for the six months ended 30 April 2018

Group 1 – shares purchased prior to 1 November 2017

Group 2 – shares purchased between 1 November 2017 and 30 April 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.4173	–	0.4173*	0.3943
Group 2	0.3630	0.0543	0.4173*	0.3943
Institutional accumulation				
Group 1	0.6187	–	0.6187*	0.5722
Group 2	0.5443	0.0744	0.6187*	0.5722
Standard Life accumulation				
Group 1	0.9678	–	0.9678*	0.8680
Group 2	0.5076	0.4602	0.9678*	0.8680
Institutional regulated accumulation				
Group 1	0.8186	–	0.8186*	0.7418
Group 2	0.6705	0.1481	0.8186*	0.7418
Standard Life B accumulation				
Group 1	1.0216	–	1.0216*	0.9159
Group 2	0.9083	0.1133	1.0216*	0.9159
Platform 1 accumulation				
Group 1	0.8716	–	0.8716*	0.8072
Group 2	0.6920	0.1796	0.8716*	0.8072

* Distribution accumulated on 30 April 2018

Standard Life Investment Company II Annual Report & Financial Statements

European Ethical Equity Fund

Distribution Tables

(Continued)

for the six months ended 31 October 2018

Group 1 – shares purchased prior to 1 May 2018

Group 2 – shares purchased between 1 May 2018 and 31 October 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.6357	–	0.6357*	0.4294
Group 2	0.0064	0.6293	0.6357*	0.4294
Institutional accumulation				
Group 1	0.8544	–	0.8544*	0.6373
Group 2	0.1098	0.7446	0.8544*	0.6373
Standard Life accumulation				
Group 1	1.2330	–	1.2330*	0.9891
Group 2	0.3184	0.9146	1.2330*	0.9891
Institutional regulated accumulation				
Group 1	1.0724	–	1.0724*	0.8459
Group 2	0.1440	0.9284	1.0724*	0.8459
Standard Life B accumulation				
Group 1	1.2852	–	1.2852*	1.0372
Group 2	0.3003	0.9849	1.2852*	1.2818
Platform 1 accumulation				
Group 1	1,2168	–	1,2168*	0.8994
Group 2	1.1182	1.0986	1,2168*	0.8994

* Distribution accumulated on 31 October 2018

Treatment by Corporate Shareholders (unaudited)

Corporate shareholders should account for the current year's dividends shown in the distribution table as follows:

	Interim Dividend Distribution	Final Dividend Distribution
Treat as a UK corporate dividend	100.00%	100.00%
Treat as an annual payment net of Income tax at 20%	0.00%	0.00%

Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Investment Report

Fund Information	
Fund Manager	Katy Forbes & Adam Skerry
Launch Date	19 May 2004
Benchmark	Barclays World Government Inflation Linked Index (hedged to GBP)

Investment objective

The investment objective of the Sub-fund is to provide a total return from income and capital appreciation.

Investment policy

The investment policy of the Sub-fund is to invest primarily in sovereign -issued and corporate inflation-linked debt. The Sub-fund may also invest in conventional government bonds, investment grade corporate entities and other interest bearing securities issued anywhere in the world. Additionally, from time to time, the Sub-fund may invest in other forms of transferable securities, deposits, money-market instruments and collective investment schemes in accordance with the FCA Rules.

Risk

Up to 100% of the scheme property of the Sub-fund may be invested in transferable securities which are warrants. If more than 5% of the scheme property of the Sub-fund is invested in warrants the net asset value of the Sub-fund may, at times, be highly volatile. Call options are not deemed to be warrants for the purposes of this 5% restriction.

A substantial portion of the scheme property of the Sub-fund may, in exceptional circumstances, be invested in deposits or moneymarket instruments.

The Sub-fund is intended for investors seeking to limit the impact of inflation on the value of their investments over the longer term, particularly those investors looking to meet future liabilities which are linked to inflation. Income will be generated from a portfolio of global bonds, the majority of which will make payments linked to the prevailing level of inflation in the country of issue. Investors must be able to accept some fluctuation in the income generated and accept some losses in the capital value of their investment due to the volatile nature of the assets held and they should, therefore, have an investment time horizon of at least 5 years.

Performance

Over the period under review, the Fund returned -0.23%, which was in line with the return of the Bloomberg Barclays World Government Inflation-Linked Bond Index (GBP Hedged). (Fund return source: Morningstar, Index return source: Factset).

In the first half of the period, being short in French and German real yields detracted from performance as investors chose to focus on Mario Draghi's dovish messaging on Eurozone inflation rather than the European Central Bank's (ECB) comments on Quantitative Easing (QE) tapering. On the other hand, being long of 10-year US inflation 10-years forward versus equivalent European inflation contributed positively, as European inflation data disappointed while US numbers remained strong. Our underweight positioning in UK real yields also added to returns, as these were impacted by a sell-off in core government bonds early in the year.

In the second half, our long position in 10-year US inflation relative to 10-year European inflation performed strongly as the former rallied and the latter sold off. Similarly being long of 25-year US CPI inflation 5-years forward also added to returns. Right towards the end of the second half, a tactical overweight in 30-year UK real yields contributed positively as risk markets faltered and demand from liability driven investment strategies picked up. On the negative side however, despite the fall back in UK inflation, the Fund's short position on UK (3-year) inflation detracted as negative Brexit headlines and real yield strength adversely affected the position. A long position in 30-year US Treasury Inflation Protected Securities (TIPS) also detracted as real yields rose despite risk markets faltering.

Investment Activity

Towards the end of the reporting period, we opened a cross-market Swedish/European rates position, which should profit if Sweden's Riksbank normalises/tightens monetary policy faster than the European Central Bank. We closed our long Canadian inflation position as we saw potential for weakness following a run of positive sentiment indicators and consistently strong data. We also opened a long position in French inflation-linked bonds relative to European inflation-linked bonds, since we expect the spread between these two to compress. Finally, we closed our tactical position in 30-year UK real yields, following a sustained rally since we entered the trade.

Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Investment Report (Continued)

Outlook

We remain long on US inflation both on a standalone basis and versus Europe since we see further upside pressures on US inflation over the coming months, while remaining more pessimistic on the outlook for European inflation.

The ECB continues to reaffirm its commitment to continuing policy normalisation through the removal of QE, referencing what it sees as strength in inflation and the output gap apparently closing. However, we feel that the lack of underlying inflationary pressures leaves headline inflation vulnerable to energy and food price moderation.

In the case of the UK, the market continues to price a persistent overshooting of inflation but we oppose this via our three-year inflation short position. Brexit continues to dominate the political agenda, and will no doubt cause further volatility in financial markets before the final outcome becomes clearer. We have moved the portfolio to a neutral view on UK interest rates following the rally near the end of the reporting period and we will remain pragmatic in our positioning as we look to navigate the critical stages of the Brexit negotiations.

Synthetic Risk & Reward Indicator



This indicator reflects the volatility of the Sub-fund's share price over the last five years which in turn reflects the volatility of the underlying assets in which the Sub-fund invests. Historical data may not be a reliable indication of the future. Where the share class does not have a history of five years, an alternative share class or a representative benchmark has been used to show how the Sub-fund price may have behaved over the period.

The current rating, which is the same for all share classes, is not guaranteed and may change if the volatility of the assets in which the Sub-fund invests changes. The lowest rating does not mean risk free.

All investment involves risk. This Sub-fund offers no guarantee against loss or that the Sub-fund's objective will be attained.

For further information on the risks that may not be fully captured by the risk and reward indicator, please refer to the current Key Investor Information Document (KIID).

Cautionary note

It should be remembered that past performance is not a guide to future performance. The value of investments may go down as well as up and, therefore, investors may not get back the amount originally invested.

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Global Index Linked Bond Fund

Comparative Tables

	2018 pence per share	2017 pence per share	2016 pence per share
Retail accumulation			
Change in net assets per share			
Opening net asset value per share	177.04	180.04	164.08
Return before operating charges*	(0.06)	(1.14)	17.82
Operating charges**	(1.82)	(1.82)	(1.75)
Return after operating charges*	(1.88)	(2.96)	16.07
Distributions	(1.65)	(0.76)	(0.54)
Retained distributions on accumulation share	1.65	0.72	0.43
Closing net asset value per share	175.16	177.04	180.04
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-1.06%	-1.64%	9.79%
Other information			
Closing net asset value (£'000)	18,100	20,018	23,304
Closing number of shares	10,333,126	11,307,296	12,944,003
Operating charges****	1.03%	1.03%	1.02%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	179.8	181.0	183.4
Lowest share price	173.5	172.6	161.6

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Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional accumulation			
Change in net assets per share			
Opening net asset value per share	185.89	188.28	170.98
Return before operating charges*	(0.06)	(1.18)	18.65
Operating charges**	(1.13)	(1.12)	(1.07)
Return after operating charges*	(1.19)	(2.30)	17.58
Distributions	(2.52)	(1.58)	(1.38)
Retained distributions on accumulation share	2.52	1.49	1.10
Closing net asset value per share	184.70	185.89	188.28
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.64%	-1.22%	10.28%
Other information			
Closing net asset value (£'000)	315,457	278,921	246,581
Closing number of shares	170,796,739	150,045,590	130,964,432
Operating charges****	0.60%	0.61%	0.60%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	188.9	189.9	191.7
Lowest share price	182.9	180.6	168.5

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Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Retail income			
Change in net assets per share			
Opening net asset value per share	152.25	155.45	142.06
Return before operating charges*	(0.05)	(0.98)	15.37
Operating charges**	(1.56)	(1.57)	(1.51)
Return after operating charges*	(1.61)	(2.55)	13.86
Distributions	(1.41)	(0.65)	(0.47)
Closing net asset value per share	149.23	152.25	155.45
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-1.06%	-1.64%	9.76%
Other information			
Closing net asset value (£'000)	3,077	4,901	10,313
Closing number of shares	2,061,914	3,218,970	6,634,621
Operating charges****	1.03%	1.03%	1.02%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	154.6	156.0	158.5
Lowest share price	148.2	149.1	139.9

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Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional income			
Change in net assets per share			
Opening net asset value per share	152.52	155.79	142.34
Return before operating charges*	(0.03)	(1.04)	15.48
Operating charges**	(0.92)	(0.93)	(0.89)
Return after operating charges*	(0.95)	(1.97)	14.59
Distributions	(2.06)	(1.30)	(1.14)
Closing net asset value per share	149.51	152.52	155.79
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.62%	-1.26%	10.25%
Other information			
Closing net asset value (£'000)	134,812	134,437	244,437
Closing number of shares	90,170,193	88,141,282	156,904,464
Operating charges****	0.60%	0.61%	0.60%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	155.0	156.4	158.9
Lowest share price	148.6	149.5	140.3

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Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life income++			
Change in net assets per share			
Opening net asset value per share	68.54	70.00	63.95
Return before operating charges*	0.29	(0.47)	6.94
Operating charges**	(0.02)	(0.02)	(0.02)
Return after operating charges*	0.27	(0.49)	6.92
Distributions	(0.59)	(0.97)	(0.87)
Redemption Value per share at 14 June 2018	(68.22)	0.00	0.00
Closing net asset value per share	0.00	68.54	70.00
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	0.39%	-0.70%	10.82%
Other information			
Closing net asset value (£'000)	0	2	2
Closing number of shares	0	2,157	2,157
Operating charges****	0.02%	0.03%	0.02%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	69.71	70.37	71.45
Lowest share price	67.51	67.18	63.07

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++ Share class closed on 14 June 2018.

Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life accumulation			
Change in net assets per share			
Opening net asset value per share	196.60	198.11	179.21
Return before operating charges*	(0.05)	(1.16)	19.57
Operating charges**	(0.21)	(0.21)	(0.19)
Return after operating charges*	(0.26)	(1.37)	19.38
Distributions	(3.65)	(2.65)	(2.38)
Retained distributions on accumulation share	3.65	2.51	1.90
Closing net asset value per share	196.34	196.60	198.11
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.13%	-0.69%	10.81%
Other information			
Closing net asset value (£'000)	290	582	417
Closing number of shares	147,444	295,850	210,664
Operating charges****	0.11%	0.11%	0.10%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	200.1	200.7	201.7
Lowest share price	194.3	190.2	176.7

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Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional regulated accumulation			
Change in net assets per share			
Opening net asset value per share	86.10	87.04	78.93
Return before operating charges*	(0.03)	(0.54)	8.60
Operating charges**	(0.35)	(0.35)	(0.33)
Return after operating charges*	(0.38)	(0.89)	8.27
Distributions	(1.34)	(0.90)	(0.80)
Retained distributions on accumulation share	1.34	0.85	0.64
Closing net asset value per share	85.72	86.10	87.04
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.44%	-1.03%	10.48%
Other information			
Closing net asset value (£'000)	16,915	19,170	21,128
Closing number of shares	19,734,492	22,266,084	24,273,476
Operating charges****	0.40%	0.41%	0.40%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	87.51	87.95	88.62
Lowest share price	84.85	83.52	77.80

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Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Platform 1 accumulation			
Change in net assets per share			
Opening net asset value per share	57.00	57.75	52.47
Return before operating charges*	(0.03)	(0.35)	5.71
Operating charges**	(0.37)	(0.37)	(0.36)
Return after operating charges*	(0.40)	(0.72)	5.35
Distributions	(0.74)	(0.46)	(0.39)
Retained distributions on accumulation share	0.74	0.43	0.32
Closing net asset value per share	56.60	57.00	57.75
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.71%	-1.25%	10.20%
Other information			
Closing net asset value (£'000)	100,730	117,798	124,103
Closing number of shares	177,954,580	206,671,313	214,888,091
Operating charges****	0.65%	0.66%	0.65%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	57.92	58.24	58.80
Lowest share price	56.05	55.39	51.71

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Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Platform 1 income			
Change in net assets per share			
Opening net asset value per share	54.03	55.21	50.45
Return before operating charges*	(0.02)	(0.38)	5.48
Operating charges**	(0.35)	(0.36)	(0.34)
Return after operating charges*	(0.37)	(0.74)	5.14
Distributions	(0.70)	(0.44)	(0.38)
Closing net asset value per share	52.96	54.03	55.21
* after direct transaction costs of: ***	0.00	0.00	0.00
Performance+			
Return after charges	-0.68%	-1.34%	10.19%
Other information			
Closing net asset value (£'000)	43,456	49,910	89,763
Closing number of shares	82,049,990	92,371,081	162,583,748
Operating charges****	0.65%	0.66%	0.65%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	54.91	55.41	56.31
Lowest share price	52.65	52.96	49.71

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Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional S accumulation			
Change in net assets per share			
Opening net asset value per share	58.76	59.39	53.84
Return before operating charges*	(0.02)	(0.36)	5.89
Operating charges**	(0.23)	(0.23)	(0.22)
Return after operating charges*	(0.25)	(0.59)	5.67
Distributions	(0.93)	(0.63)	(0.56)
Retained distributions on accumulation share	0.93	0.59	0.44
Closing net asset value per share	58.51	58.76	59.39
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.42%	-1.00%	10.53%
Other information			
Closing net asset value (£'000)	138,539	128,693	103,260
Closing number of shares	236,773,353	219,015,826	173,880,784
Operating charges****	0.38%	0.38%	0.38%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	59.73	60.02	60.46
Lowest share price	57.92	56.98	53.07

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Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional S income			
Change in net assets per share			
Opening net asset value per share	56.28	57.46	52.50
Return before operating charges*	(0.01)	(0.35)	5.71
Operating charges**	(0.22)	(0.22)	(0.21)
Return after operating charges*	(0.23)	(0.57)	5.50
Distributions	(0.88)	(0.61)	(0.54)
Closing net asset value per share	55.17	56.28	57.46
*after direct transaction costs of: ***	0.00	0.00	0.00
Performance+			
Return after charges	-0.41%	-0.99%	10.48%
Other information			
Closing net asset value (£'000)	479,724	468,303	378,185
Closing number of shares	869,567,599	832,067,267	658,207,831
Operating charges****	0.38%	0.39%	0.38%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	57.22	57.75	58.63
Lowest share price	54.87	55.13	51.75

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional A accumulation++			
Change in net assets per share			
Opening net asset value per share	53.91	54.85	50.00+++
Return before operating charges*	0.47	(0.36)	5.31
Operating charges**	(0.60)	(0.57)	(0.44)
Return after operating charges*	(0.13)	(0.93)	4.87
Distributions	(0.20)	(0.20)	(0.08)
Retained distributions on accumulation share	0.20	0.19	0.06
Redemption value per share at 14 June 2018	(53.78)	0.00	0.00
Closing net asset value per share	0.00	53.91	54.85
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.24%	-1.69%	9.74%
Other information			
Closing net asset value (£'000)	0	1	1
Closing number of shares	0	2,200	2,200
Operating charges****	1.10%	1.10%	1.10%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	54.75	55.12	55.88
Lowest share price	53.16	52.58	50.00

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**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

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++ Share class closed on 14 June 2018.

+++ Share class launched on 27 January 2016.

Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Comparative Tables

(Continued)

2016	2018	2017	
	pence per share	pence per share	pence per share
Institutional A income++			
Change in net assets per share			
Opening net asset value per share	53.70	54.79	50.00+++
Return before operating charges*	0.46	(0.32)	5.31
Operating charges**	(0.59)	(0.57)	(0.44)
Return after operating charges*	(0.13)	(0.89)	4.87
Distributions	(0.19)	(0.20)	(0.08)
Redemption value per share at 14 June 2018	(53.38)	0.00	0.00
Closing net asset value per share	0.00	53.70	54.79
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.24%	-1.62%	9.74%
Other information			
Closing net asset value (£'000)	0	1	1
Closing number of shares	0	2,200	2,200
Operating charges****	1.10%	1.10%	1.10%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	54.54	55.03	55.84
Lowest share price	52.88	52.53	50.00

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

++ Share class closed on 14 June 2018.

+++ Share class launched on 27 January 2016.

Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Portfolio Statement

as at 31 October 2018

Holding	Investment	Market value £'000	Percentage of total net assets
Bonds (98.23%)		1,224,786	97.87
Australian Dollar Denominated Bonds (4.16%)		32,969	2.63
Government Bonds (4.16%)		32,969	2.63
less than 5 years to maturity			
3,536,000	Australia (Commonwealth of) 1% Index-Linked 2018	2,138	0.17
21,181,000	Australia (Commonwealth of) 1.25% Index-Linked 2022	13,659	1.09
5,756,000	Australia (Commonwealth of) 4% Index-Linked 2020	5,814	0.46
between 5 and 10 years to maturity			
14,524,000	Australia (Commonwealth of) 3% Index-Linked 2025	11,358	0.91
Canadian Dollar Denominated Bonds (3.28%)		26,312	2.10
Government Bonds (3.28%)		26,312	2.10
less than 5 years to maturity			
2,393,000	Canada (Govt of) 4.25% Index-Linked 2021	2,546	0.20
between 5 and 10 years to maturity			
1,161,000	Canada (Govt of) 4.25% Index-Linked 2026	1,346	0.11
between 10 and 15 years to maturity			
10,333,000	Canada (Govt of) 4% Index-Linked 2031	12,668	1.01
between 15 and 25 years to maturity			
829,000	Canada (Govt of) 2% Index-Linked 2041	742	0.06
greater than 25 years to maturity			
11,260,000	Canada (Govt of) 1.5% Index-Linked 2044	9,010	0.72
Danish Krone Denominated Bonds (0.23%)		2,867	0.23
Government Bonds (0.23%)		2,867	0.23
between 5 and 10 years to maturity			
21,024,000	Denmark (Govt of) 0.1% Index-Linked 2023	2,867	0.23
Euro Denominated Bonds (15.01%)		225,215	18.00
Government Bonds (15.01%)		225,215	18.00
less than 5 years to maturity			
16,812,000	France (Govt of) 2.1% Index-Linked 2023	19,668	1.57
21,734,000	France (Govt of) 2.25% Index-Linked 2020	26,174	2.09

Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Government Bonds (Continued)			
9,991,000	Italy (Govt of) 2.1% Index-Linked 2021	10,261	0.82
13,137,000	Italy (Govt of) 2.6% Index-Linked 2023	14,408	1.15
between 5 and 10 years to maturity			
14,895,000	France (Govt of) 0.1% Index-Linked 2025	14,579	1.17
6,891,000	Germany (Fed Rep of) 0.1% Index-Linked 2026	7,029	0.56
5,297,000	Italy (Govt of) 3.1% Index-Linked 2026	5,534	0.44
7,458,000	Italy (Govt of) 1.3% Index-Linked 2028	6,249	0.50
4,804,000	Italy (Govt of) 2.35% Index-Linked 2024	4,551	0.36
5,807,000	Spain (Govt of) 0.65% Index-Linked Bond 2027	5,584	0.45
13,085,000	Spain (Govt of) 1.8% Index-Linked 2024	13,752	1.10
between 10 and 15 years to maturity			
11,472,000	France (Govt of) 0.7% Index-Linked 2030	12,202	0.98
4,898,000	France (Govt of) 3.15% Index-Linked 2032	8,477	0.68
11,774,000	France (Govt of) 3.4% Index-Linked 2029	19,619	1.57
7,464,000	Germany (Fed Rep of) 0.5% Index-Linked 2030	8,090	0.65
5,271,000	Italy (Govt of) 1.25% Index-Linked 2032	4,187	0.33
5,610,000	Spain (Govt of) 1% Index-Linked Bond 2030	5,501	0.44
between 15 and 25 years to maturity			
2,881,000	France (Govt of) 0.1% Index-Linked 2036	2,799	0.22
7,323,000	France (Govt of) 1.8% Index-Linked 2040	11,258	0.90
6,528,000	Italy (Govt of) 2.35% Index-Linked 2035	7,108	0.57
7,749,000	Italy (Govt of) 2.55% Index-Linked 2041	7,606	0.61
greater than 25 years to maturity			
4,693,000	France (Govt of) 1.75% 2066	4,057	0.32
5,702,000	Germany (Fed Rep of) 0.1% Index-Linked 2046	6,522	0.52
Japanese Yen Denominated Bonds (2.10%)		32,126	2.56
Government Bonds (2.10%)		32,126	2.56
between 5 and 10 years to maturity			
621,000,000	Japan (Govt of) 0.1% Index-Linked 2024	4,618	0.37
329,700,000	Japan (Govt of) 0.1% Index-Linked 2024	2,394	0.19
1,109,700,000	Japan (Govt of) 0.1% Index-Linked 2025	8,068	0.64
1,253,400,000	Japan (Govt of) 0.1% Index-Linked 2026	9,135	0.73
348,000,000	Japan (Govt of) 0.1% Index-Linked 2027	2,542	0.20
740,000,000	Japan (Govt of) 0.1% Index-Linked 2028	5,369	0.43

Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
New Zealand Dollar Denominated Bonds (2.55%)		7,023	0.56
Government Bonds (2.55%)		7,023	0.56
between 5 and 10 years to maturity			
5,337,000	New Zealand (Govt of) 2% Index-Linked 2025	3,094	0.25
between 10 and 15 years to maturity			
5,151,000	New Zealand (Govt of) 3% Index-Linked 2030	3,293	0.26
between 15 and 25 years to maturity			
1,048,000	New Zealand (Govt of) 2.5% Index-Linked 2035	636	0.05
Sterling Denominated Bonds (28.44%)		355,511	28.43
Corporate Bonds (3.18%)		40,263	3.22
less than 5 years to maturity			
572,000	National Grid Gas 4.1875% Index-Linked 2022	1,170	0.09
1,291,000	Rabobank 2.25% Index-Linked 2022	2,007	0.16
between 5 and 10 years to maturity			
4,691,000	Network Rail 1.75% Index-Linked 2027	8,577	0.69
between 15 and 25 years to maturity			
5,210,000	Network Rail 1.375% Index-Linked 2037	11,805	0.94
1,778,000	Southern Water 3.706% Index-Linked 2034	4,599	0.37
greater than 25 years to maturity			
2,670,000	Aberdeen City Council 0.1% Index-Linked 2054	3,266	0.26
1,500,000	Affinity Water 1.548% Index-Linked 2045	2,621	0.21
2,425,000	Network Rail 1.125% Index-Linked 2047	6,218	0.50
Government Bonds (25.26%)		315,248	25.21
less than 5 years to maturity			
6,330,000	UK (Govt of) 1.875% Index-Linked 2022	10,248	0.82
3,713,000	UK (Govt of) 2.5% Index-Linked 2020	13,393	1.07
between 5 and 10 years to maturity			
9,367,000	UK (Govt of) 0.125% Index-Linked 2024	12,280	0.98
6,271,320	UK (Govt of) 1.25% Index-Linked 2027	11,994	0.96

Standard Life Investment Company II

Annual Report & Financial Statements

Global Index Linked Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Government Bonds (Continued)			
between 10 and 15 years to maturity			
980,000	European Investment Bank 2.4% Index-Linked 2030	2,333	0.19
7,860,237	UK (Govt of) 0.125% Index-Linked 2029	11,416	0.91
5,848,000	UK (Govt of) 1.25% Index-Linked 2032	11,326	0.91
3,175,000	UK (Govt of) 4.125% Index-Linked 2030	11,598	0.93
between 15 and 25 years to maturity			
5,085,000	UK (Govt of) 0.125% Index-Linked 2036	7,693	0.61
2,975,000	UK (Govt of) 0.125% Index-Linked 2041	4,489	0.36
8,399,000	UK (Govt of) 0.625% Index-Linked 2040	17,454	1.40
7,084,000	UK (Govt of) 0.625% Index-Linked 2042	15,758	1.26
8,831,000	UK (Govt of) 0.75% Index-Linked 2034	15,479	1.24
709,000	UK (Govt of) 1.125% Index-Linked 2037	1,627	0.13
5,914,000	UK (Govt of) 2% Index-Linked 2035	16,038	1.28
greater than 25 years to maturity			
7,206,000	UK (Govt of) 0.125% Index-Linked 2044	12,975	1.04
5,403,000	UK (Govt of) 0.125% Index-Linked 2046	9,413	0.75
1,714,000	UK (Govt of) 0.125% Index-Linked 2048	2,916	0.23
3,020,000	UK (Govt of) 0.125% Index-Linked 2056	6,087	0.49
5,998,000	UK (Govt of) 0.125% Index-Linked 2058	12,785	1.02
4,264,000	UK (Govt of) 0.125% Index-Linked 2065	10,250	0.82
7,370,000	UK (Govt of) 0.125% Index-Linked 2068	19,332	1.55
6,780,000	UK (Govt of) 0.25% Index-Linked 2052	14,362	1.15
6,506,000	UK (Govt of) 0.375% Index-Linked 2062	17,320	1.38
6,876,000	UK (Govt of) 0.5% Index-Linked 2050	16,875	1.35
4,080,000	UK (Govt of) 0.75% Index-Linked 2047	10,361	0.83
5,452,000	UK (Govt of) 1.25% Index-Linked 2055	19,446	1.55
Swedish Krone Denominated Bonds (0.00%)		9,265	0.74
Government Bonds (0.00%)		9,265	0.74
between 5 and 10 years to maturity			
51,200,000	Sweden (Kingdom of) Inflation Linked Bond 1% 2025	5,511	0.44
between 10 and 15 years to maturity			
22,230,000	Sweden (Kingdom of) 3.5% Index-Linked 2028	3,754	0.30

Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
US Dollar Denominated Bonds (42.46%)		533,498	42.62
Government Bonds (42.46%)		533,498	42.62
less than 5 years to maturity			
25,556,900	US Treasury 0.125% Index-Linked 2021	20,737	1.66
22,479,000	US Treasury 0.125% Index-Linked 2022	19,025	1.52
24,196,400	US Treasury 0.125% Index-Linked 2022	18,976	1.52
22,327,900	US Treasury 0.125% Index-Linked 2022	18,596	1.49
22,326,100	US Treasury 0.125% Index-Linked 2023	18,376	1.47
16,075,100	US Treasury 0.375% Index-Linked 2023	13,280	1.06
15,742,500	US Treasury 0.625% Index-Linked 2021	13,668	1.09
9,823,300	US Treasury 0.625% Index-Linked 2023	7,655	0.61
47,804,300	US Treasury 1.125% Index-Linked 2021	43,159	3.45
8,823,900	US Treasury 1.25% Index-Linked 2020	8,028	0.64
between 5 and 10 years to maturity			
23,987,600	US Treasury 0.125% Index-Linked 2024	18,994	1.52
3,077,700	US Treasury 0.125% Index-Linked 2026	2,359	0.19
33,532,000	US Treasury 0.25% Index-Linked 2025	26,558	2.12
26,168,700	US Treasury 0.375% Index-Linked 2025	20,855	1.67
16,500,000	US Treasury 0.375% Index-Linked 2027	12,528	1.00
13,328,700	US Treasury 0.375% Index-Linked 2027	10,251	0.82
20,725,100	US Treasury 0.5% Index-Linked 2028	15,668	1.25
23,550,800	US Treasury 0.625% Index-Linked 2024	19,499	1.56
19,955,000	US Treasury 0.625% Index-Linked 2026	16,018	1.28
17,633,000	US Treasury 0.75% Index-Linked 2028	13,422	1.07
9,255,600	US Treasury 1.75% Index-Linked 2028	9,186	0.73
35,550,200	US Treasury 2% Index-Linked 2026	37,539	3.00
15,891,100	US Treasury 2.375% Index-Linked 2025	17,932	1.43
12,630,800	US Treasury 2.375% Index-Linked 2027	13,568	1.08
between 10 and 15 years to maturity			
1,538,500	US Treasury 2.5% Index-Linked 2029	1,597	0.13
3,831,200	US Treasury 3.375% Index-Linked 2032	5,412	0.43
13,419,000	US Treasury 3.875% Index-Linked 2029	20,370	1.63
between 15 and 25 years to maturity			
12,550,000	US Treasury 0.625% Index-Linked 2043	9,238	0.74
12,632,500	US Treasury 0.75% Index-Linked 2042	9,799	0.78
8,280,000	US Treasury 2.125% Index-Linked 2040	8,727	0.70
13,090,000	US Treasury 2.125% Index-Linked 2041	13,682	1.09

Standard Life Investment Company II

Annual Report & Financial Statements

Global Index Linked Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Government Bonds (Continued)			
greater than 25 years to maturity			
16,479,900	US Treasury 0.75% Index-Linked 2045	12,068	0.96
10,311,400	US Treasury 0.875% Index-Linked 2047	7,552	0.60
17,655,600	US Treasury 1% Index-Linked 2046	13,634	1.09
18,123,100	US Treasury 1.375% Index-Linked 2044	15,542	1.24
Collective Investment Schemes (1.68%)		29,073	2.32
2,028	Aberdeen Liquidity Fund - Euro	1,798	0.14
27,275	Aberdeen Liquidity Fund - Sterling	27,275	2.18
Derivatives (1.55%)		(8,779)	(0.67)
Forward Currency Contracts (1.52%)		(8,820)	(0.70)
Buy AUD 5,275,830 Sell GBP 2,853,674 06/12/2018		69	0.01
Buy CAD 569,204 Sell GBP 342,307 14/11/2018		(3)	0.00
Buy CAD 572,097 Sell GBP 336,242 06/12/2018		4	0.00
Buy CAD 575,530 Sell GBP 337,826 06/12/2018		5	0.00
Buy EUR 1,397,787 Sell GBP 1,245,299 06/12/2018		(4)	0.00
Buy EUR 1,688,780 Sell GBP 1,500,140 06/12/2018		(1)	0.00
Buy EUR 2,763,311 Sell GBP 2,508,985 14/11/2018		(57)	0.00
Buy EUR 3,636,077 Sell GBP 3,200,173 06/12/2018		29	0.00
Buy GBP 36,386,071 Sell AUD 65,144,421 06/12/2018		299	0.01
Buy GBP 391,478 Sell CAD 659,673 17/01/2019		(1)	0.00
Buy GBP 773,726 Sell CAD 1,314,119 17/01/2019		(7)	0.00
Buy GBP 13,260,038 Sell CAD 22,346,356 14/11/2018		(52)	0.00
Buy GBP 13,372,371 Sell CAD 22,534,036 06/12/2018		(43)	0.00
Buy GBP 63,899 Sell DKK 530,723 14/11/2018		1	0.00
Buy GBP 2,806,264 Sell DKK 23,727,103 17/01/2019		(24)	0.00
Buy GBP 2,803,232 Sell EUR 3,118,715 06/12/2018		34	0.00
Buy GBP 4,073,275 Sell EUR 4,572,018 06/12/2018		14	0.00
Buy GBP 42,780,240 Sell EUR 48,524,360 17/01/2019		(387)	(0.03)
Buy GBP 77,701,686 Sell EUR 86,662,502 14/11/2018		815	0.07
Buy GBP 109,331,663 Sell EUR 121,197,169 06/12/2018		1,712	0.14
Buy GBP 5,417,884 Sell JPY 772,921,577 14/11/2018		56	0.00
Buy GBP 12,114,310 Sell JPY 1,752,625,827 06/12/2018		(54)	0.00
Buy GBP 14,376,082 Sell JPY 2,117,323,858 17/01/2019		(349)	(0.03)
Buy GBP 71,103 Sell NZD 142,143 14/11/2018		(2)	0.00
Buy GBP 260,742 Sell NZD 502,650 14/11/2018		4	0.00

Standard Life Investment Company II

Annual Report & Financial Statements

Global Index Linked Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Forward Currency Contracts (Continued)			
	Buy GBP 7,143,685 Sell NZD 13,990,429 06/12/2018	3	0.00
	Buy GBP 93,432 Sell SEK 1,103,215 06/12/2018	(1)	0.00
	Buy GBP 111,483 Sell SEK 1,316,293 06/12/2018	(1)	0.00
	Buy GBP 125,746 Sell SEK 1,469,011 06/12/2018	0	0.00
	Buy GBP 9,293,336 Sell SEK 107,089,271 14/11/2018	118	0.01
	Buy GBP 2,686,981 Sell USD 3,515,346 06/12/2018	(60)	0.00
	Buy GBP 4,242,859 Sell USD 5,575,007 06/12/2018	(113)	(0.01)
	Buy GBP 5,301,826 Sell USD 7,011,845 06/12/2018	(177)	(0.01)
	Buy GBP 180,992,437 Sell USD 236,301,192 06/12/2018	(3,630)	(0.29)
	Buy GBP 182,743,644 Sell USD 239,846,647 17/01/2019	(4,176)	(0.33)
	Buy GBP 184,530,629 Sell USD 240,047,961 14/11/2018	(3,226)	(0.26)
	Buy NZD 137,929 Sell GBP 69,597 14/11/2018	1	0.00
	Buy NZD 692,980 Sell GBP 341,173 06/12/2018	12	0.00
	Buy SEK 1,281,481 Sell GBP 108,161 06/12/2018	2	0.00
	Buy USD 2,747,732 Sell GBP 2,126,731 14/11/2018	22	0.00
	Buy USD 2,843,453 Sell GBP 2,201,343 06/12/2018	20	0.00
	Buy USD 4,352,587 Sell GBP 3,378,857 14/11/2018	26	0.00
	Buy USD 7,652,651 Sell GBP 5,952,958 06/12/2018	26	0.00
	Buy USD 7,939,451 Sell GBP 6,080,921 14/11/2018	129	0.01
	Buy USD 17,897,500 Sell GBP 13,851,835 14/11/2018	147	0.01
Inflation Swaps (0.02%)		(43)	0.02
EUR 27,940,000	Pay fixed 1.38% receive floating CPTFEMUY 15/07/2027	387	0.03
USD 34,940,000	Pay fixed 2.16% receive floating USDCPI 25/07/2037	845	0.07
USD 12,910,000	Pay fixed 2.33% receive floating USDCPI 23/03/2047	(37)	0.00
USD 18,790,000	Pay fixed 2.36% receive floating USDCPI 14/02/2038	(107)	(0.01)
GBP 9,920,000	Pay fixed 3.17% receive floating UKRPI 15/05/2046	2,013	0.16
GBP 2,455,000	Pay fixed 3.19% receive floating UKRPI 15/05/2046	472	0.04
GBP 51,820,000	Pay fixed 3.5% receive floating UKRPI 15/05/2020	(172)	(0.01)
GBP 32,820,000	Pay fixed 3.64% receive floating UKRPI 15/02/2020	(180)	(0.01)
GBP 49,130,000	Pay fixed 3.71% receive floating UKRPI 15/01/2020	(335)	(0.03)
EUR 27,940,000	Pay floating CPTFEMUY receive fixed 1.71% 15/07/2037	(286)	(0.02)
GBP 9,920,000	Pay floating UKRPI receive fixed 3.19% 15/05/2041	(1,540)	(0.12)
GBP 6,530,000	Pay floating UKRPI receive fixed 3.21% 15/05/2041	(964)	(0.08)
GBP 51,820,000	Pay floating UKRPI receive fixed 3.45% 15/05/2023	(174)	(0.01)
GBP 32,820,000	Pay floating UKRPI receive fixed 3.62% 15/02/2023	205	0.02
GBP 49,130,000	Pay floating UKRPI receive fixed 3.66% 15/01/2023	316	0.03
USD 34,940,000	Pay floating USDCPI receive fixed 2.07% 25/07/2027	(542)	(0.04)

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Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Inflation Swaps (Continued)			
USD 12,910,000	Pay floating USDCPI receive fixed 2.16% 23/03/2022	16	0.00
USD 18,790,000	Pay floating USDCPI receive fixed 2.29% 14/02/2028	40	0.00
Interest Rate Swaps (0.01%)		84	0.01
SEK 154,372,000	Pay fixed 1.515% receive floating SEK-STIBOR 04/10/2029	(29)	0.00
SEK 231,558,000	Pay fixed 1.579% receive floating SEK-STIBOR 08/10/2029	(158)	(0.01)
EUR 14,656,000	Pay floating EURIBOR receive fixed 1.2% 04/10/2029	50	0.00
EUR 21,984,000	Pay floating EURIBOR receive fixed 1.279% 08/10/2029	221	0.02
Total investment assets and liabilities		1,245,080	99.52
Net other assets		6,020	0.48
Total Net Assets		1,251,100	100.00

All investments are listed on recognised stock exchanges and are approved securities, or approved derivatives within the meaning of the FCA rules unless otherwise stated.

The percentage figures in brackets show the comparative holding as at 31 October 2017.

Market
value
£'000

Reconciliation of assets and liabilities to the balance sheet

Investment assets as per the Balance Sheet	1,261,972
Investment liabilities	(16,892)
Net investment assets	1,245,080
Net other assets	6,020
Total Net Assets	1,251,100

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Statement of Total Return

for the year ended 31 October 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Income:					
Net capital losses	2		(25,242)		(27,867)
Revenue	4	24,700		18,277	
Expenses	5	(6,359)		(6,515)	
Interest payable and similar charges	6	(195)		(12)	
Net revenue before taxation		18,146		11,750	
Taxation	7	0		0	
Net revenue after taxation			18,146		11,750
Total return before distributions			(7,096)		(16,117)
Distributions	8		(18,146)		(11,751)
Change in net assets attributable to shareholders from investment activities			(25,242)		(27,868)

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2018

		2018		2017	
		£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders			1,222,737		1,241,495
Amounts receivable on the issue of shares		162,921		349,253	
Amounts payable on the cancellation of shares		(117,576)		(344,823)	
			45,345		4,430
Dilution adjustment			8		65
Change in net assets attributable to shareholders from investment activities (see above)			(25,242)		(27,868)
Retained distribution on accumulation shares			8,252		4,613
Unclaimed distributions			0		2
Closing net assets attributable to shareholders			1,251,100		1,222,737

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Balance Sheet

as at 31 October 2018

	Notes	2018 £'000	2017 £'000
Assets:			
Fixed assets:			
Investment assets		1,261,972	1,248,327
Current assets:			
Debtors	9	12,007	37,636
Cash and bank balances	10	(2,102)	(11,068)
		9,905	26,568
Total assets		1,271,877	1,274,895
Liabilities:			
Investment liabilities		(16,892)	(7,703)
Creditors	11	(987)	(42,755)
Distribution payable		(2,898)	(1,700)
		(3,885)	(44,455)
Total liabilities		(20,777)	(52,158)
Net assets attributable to shareholders		1,251,100	1,222,737

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Notes to the Financial Statements

1 Accounting Policies

Please refer to pages 11 and 12 for note on accounting policies.

2 Net Capital Losses

	2018 £'000	2017 £'000
Non-derivative securities	3,608	(88,169)
Derivative contracts	186	124
Forward currency contracts	(28,707)	60,211
Other losses	(309)	(7)
Handling charges taken from the capital account	(20)	(26)
Net capital losses	(25,242)	(27,867)

3 Purchases, Sales and Transaction Costs

There are no transaction costs associated with the purchases or sales of bonds, collective investment schemes and derivatives during the year, or in the prior year.

Collective investments operate within the terms of the offer document or prospectus. Typically we do not invest into Sub-funds that require an initial charge to be made. The underlying price contains an estimation of cost known as a dilution levy which is applied from time to time.

Bonds are dealt on a spread agreed between buyer and seller with reference to the expected cashflows and current credit profiles.

Derivatives are dealt on a spread agreed between buyer and seller with reference to the underlying investment.

During the year the total purchases and sales across different major asset classes are as per below table.

	2018 £'000	2017 £'000
Purchase		
Bonds	685,617	1,249,841
Sales		
Bonds	676,996	1,215,389

The Sub-fund suffers a number of explicit costs as disclosed in the notes and Sub-fund history. The Sub-fund also suffers implicit costs an example is market spread, the spread represents the costs of providing liquidity in a market. It therefore is subject to change based on volume, active markets have a lower spread the difference between; bid the price you receive and offer the price you pay.

At the balance sheet date the average portfolio dealing spread (i.e. the spread between bid and offer prices expressed as a percentage of the offer price) was 0.20% (2017: 0.17%), this is representative of the average spread on the assets held during the year.

4 Revenue

	2018 £'000	2017 £'000
Interest on debt securities	24,539	18,137
Derivative revenue	0	20
Bank interest	161	120
Total revenue	24,700	18,277

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Notes to the Financial Statements

(Continued)

5 Expenses

	2018 £'000	2017 £'000
Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:		
Authorised Corporate Director's periodic charge	4,822	4,972
Dealing charge	262	268
Registration fees	985	981
	<u>6,069</u>	<u>6,221</u>
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Depositary's fees	215	220
Safe custody fee	63	60
	<u>278</u>	<u>280</u>
Other:		
Audit fee	12	14
Total expenses	<u>6,359</u>	<u>6,515</u>

6 Interest Payable and Similar Charges

	2018 £'000	2017 £'000
Interest payable	39	12
Derivative expense	156	0
Total interest payable & similar charges	<u>195</u>	<u>12</u>

7 Taxation

	2018 £'000	2017 £'000
(a) Analysis of charge in year		
Total current tax	<u>0</u>	<u>0</u>
(b) Factors affecting current tax charge for the year		
The tax assessed for the year is less than the standard rate of corporation tax in the UK for Sub-funds of authorised Open-Ended Investment Companies (20%). The differences are explained below:		
Net revenue before taxation	18,146	11,750
Corporation tax at 20% (2017: 20%)	3,629	2,350
Effects of:		
Distributions treated as tax deductible	(1,596)	(2,350)
UK Indexation relief	(2,033)	0
Total tax charge for year (note 7a)	<u>0</u>	<u>0</u>

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Notes to the Financial Statements

(Continued)

8 Distributions

The distributions takes account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	2018 £'000	2017 £'000
First interim distribution	3,369	3,126
Second interim distribution	4,371	2,687
Third interim distribution	5,131	2,904
Final distribution	5,294	2,991
	18,165	11,708
Add: Income deducted on cancellation of shares	216	393
Deduct: Income received on issue of shares	(235)	(350)
Net distribution for the year	18,146	11,751

Details of the distribution per share are set out in this Sub-fund's distribution tables.

Net revenue after taxation	18,146	11,750
Undistributed revenue brought forward	1	2
Undistributed revenue carried forward	(1)	(1)
Total distributions	18,146	11,751

9 Debtors

	2018 £'000	2017 £'000
Amounts receivable from the ACD for the issue of shares	822	1,481
Sales awaiting settlement	7,881	33,010
Accrued revenue	3,304	3,145
Total debtors	12,007	37,636

10 Cash and Bank Balances

	2018 £'000	2017 £'000
Amounts held at futures clearing houses and brokers	47	(151)
Cash and bank balances	642	3,386
	689	3,235
Collateral Cash	(2,791)	(14,303)
Total cash and bank balances	(2,102)	(11,068)

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Notes to the Financial Statements

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11 Creditors

	2018	2017
	£'000	£'000
Amounts payable to the ACD for cancellation of shares	429	38,455
Purchases awaiting settlement	0	3,733
Accrued expenses payable to ACD	497	505
Accrued expenses payable to the Depositary or associates of the Depositary	17	34
Other accrued expenses	44	28
Total creditors	987	42,755

12 Related Party Transactions

Standard Life Investments (Mutual Funds) Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal in respect of all transactions of shares in the Sub-fund.

The fees received by the ACD are set out in note 5.

The ACD is involved in all transactions in shares of the Sub-fund, the aggregate values of which are set out in the Statement of Change in Net Assets Attributable to Shareholders on page 125. £104,000 was due to the ACD at the year end.

13 Shares in issue reconciliation

	Opening shares 2017	Creations during the year	Cancellations during the year	Conversions during the year	Closing shares 2018
Retail accumulation	11,307,296	1,112,623	(1,936,954)	(149,839)	10,333,126
Institutional accumulation	150,045,590	29,931,908	(9,065,449)	(115,310)	170,796,739
Retail income	3,218,970	21,021	(1,176,554)	(1,523)	2,061,914
Institutional income	88,141,282	10,961,462	(9,507,127)	574,576	90,170,193
Standard Life income	2,157	0	(2,157)	0	0
Standard Life accumulation	295,850	17,889	(166,295)	0	147,444
Institutional regulated accumulation	22,266,084	1,076,392	(3,607,985)	0	19,734,492
Platform 1 accumulation	206,671,313	19,740,206	(48,256,541)	(200,398)	177,954,580
Platform 1 income	92,371,081	7,867,719	(18,434,317)	245,507	82,049,990
Institutional S accumulation	219,015,826	32,301,141	(14,524,619)	(18,995)	236,773,353
Institutional S income	832,067,267	88,470,400	(50,257,886)	(712,182)	869,567,599
Institutional A accumulation	2,200	0	(2,200)	0	0
Institutional A income	2,200	0	(2,200)	0	0

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Notes to the Financial Statements

(Continued)

14 Fair Value Hierarchy

	2018 £'000	2018 £'000	2018 £'000	2017 £'000	2017 £'000	2017 £'000
Fair value of investment assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Bonds	1,105,229	119,557	0	1,055,341	145,749	0
Collective Investment Schemes	0	29,073	0	0	20,582	0
Derivatives	0	8,113	0	0	26,655	0
Total investment assets	1,105,229	156,743	0	1,055,341	192,986	0
Derivatives	0	(16,892)	0	0	(7,703)	0
Total investment liabilities	0	(16,892)	0	0	(7,703)	0

The three levels of the fair value hierarchy under FRS 102 are described below:

Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for the identical unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

15 Risk Management Policies & Numerical Disclosures

In accordance with the investment objectives, the Sub-fund may hold certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policies;
- cash and short-term debtors and creditors arising directly from operations; and
- derivatives.

The main risks arising from the Sub-fund's financial instruments are market price, foreign currency, interest rate, credit and liquidity risk.

The policies for managing these risks are summarised below and have been applied consistently throughout the year, and prior year.

(a) Market price risk

Each Sub-fund's investment portfolio is exposed to market price fluctuation which are monitored by the Fund Manager in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers mitigate the risk of excessive exposure to any particular type of security or issuer.

An increase or decrease in market values will therefore have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the Sub-fund.

Value at Risk (VaR) is a measure of the maximum potential loss to the Sub-fund due to market risk. More particularly, VaR measures the maximum potential loss at a given confidence level (probability) over a specific time period under normal market conditions.

2018	Minimum	Maximum	Average
VaR 99% 1 Month	3.16%	3.75%	3.50%
2017	Minimum	Maximum	Average
VaR 99% 1 Month	3.86%	4.28%	4.04%

At the year end date, there was a 1% chance of the portfolio value falling (or rising) more than 3.16%, £39,587,000 (2017: 3.90%, £47,687,000) in one month period.

This calculation is generally determined by the use of an industry recognised medium term risk model, typically based on 3-5 year history. The method assumes normal market conditions and that the portfolio remains unchanged.

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Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

(b) Foreign currency risk

A proportion of the net assets of the Sub-fund are denominated in currencies other than Sterling, therefore the balance sheet and total returns can be affected by currency movements. In certain circumstances, the Fund Manager may seek to manage exposure to currency movements by using forward currency contracts.

The Sub-fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

Income received in foreign currencies is converted into Sterling at the exchange rates ruling when the income is received.

Currency exposure

The net foreign currency monetary exposure comprises:

	Net foreign currency monetary assets/(liabilities)	
	2018 £'000	2017 £'000
Australian Dollar	(82)	1,903
Canadian Dollar	(256)	1,417
Danish Krone	(24)	(26)
Euro	621	7,434
Japanese Yen	(126)	1,255
New Zealand Dollar	(5)	155
Swedish Krona	(223)	77
US Dollar	(3,010)	16,324

(c) Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuations in interest rates. The Fund Manager continuously reviews interest rates and inflation expectations. The assessment of this may result in a change in investment strategy.

Bond yields are affected by market and economic conditions, including inflation rates and government policy. An analysis of the interest rates and maturity of bond listings is detailed below.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In general, if interest rates rise, the income potential of the Sub-fund also rises but the value of fixed rate securities will decline (along with certain expenses calculated by reference to the assets of the Sub-fund). A decline in interest rates will, in general, have the opposite effect.

The interest rate risk profile of the Sub-fund's financial assets and liabilities is:

	Floating rate financial assets £'000	Fixed rate financial assets/ (liabilities) £'000	Financial assets/ (liabilities) not carrying interest £'000	Total £'000
2018				
Currency				
UK Sterling	380,150	1,797	872,259	1,254,206
Australian Dollar	32,970	0	(33,052)	(82)
Canadian Dollar	26,358	0	(26,616)	(258)
Danish Krone	2,867		(2,890)	(23)
Euro	221,245	4,444	(225,067)	622
Japanese Yen	32,125		(32,251)	(126)
New Zealand Dollar	7,023		(7,028)	(5)
Swedish Krona	9,264	(187)	(9,301)	(224)
US Dollar	533,039	701	(536,750)	(3,010)

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Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

	Floating rate financial assets	Fixed rate financial assets/ (liabilities)	Financial assets/ (liabilities) not carrying interest	Total
2017	£'000	£'000	£'000	£'000
Currency				
UK Sterling	355,827	0	838,371	1,194,198
Australian Dollar	50,921	0	(49,018)	1,903
Canadian Dollar	40,070	0	(38,653)	1,417
Danish Krone	2,823	0	(2,849)	(26)
Euro	183,519	0	(176,085)	7,434
Japanese Yen	26,535	0	(25,280)	1,255
New Zealand Dollar	31,225	0	(31,070)	155
Swedish Krona	0	0	77	77
US Dollar	519,683	0	(503,359)	16,324

(d) Credit risk

All cash exposures are carefully managed to ensure that money is placed on deposit with counterparties that meet the minimum credit rating deemed appropriate for this Sub-fund. In certain circumstances, the Fund Manager may deliberately invest in securities (e.g. corporate bonds) with a well defined and published credit rating. In this case the Sub-fund would be deliberately taking credit risk in order to seek additional rewards.

	Bid market value 2018 £'000	Bid market value 2017 £'000
Credit Rating Analysis		
Investment Grade Bonds	1,224,785	1,201,090
Total Value of Bonds	1,224,785	1,201,090

(e) Financial Derivatives Instrument Risk

At the year end the Sub-fund held derivatives for the purposes of efficient portfolio management or to meet the Sub-fund's investment objectives. These types of transaction can introduce market exposure greater than the market value of the instrument. These transactions exchange benefits with a third party at a future date creating both counterparty and concentration risk. The Investment Adviser's policies for managing these risks are outlined in the Sub-fund's prospectus.

At the balance sheet date the Sub-fund had the following exposures:

	2018 £'000	2017 £'000
Market Exposure		
Forward Currency Contracts	969,358	1,165,528
Interest Rate Swaps	65,538	447,120
Inflation Swaps	450,225	418,712
Total Market Exposure	1,485,121	2,031,360

The total market exposure is the sum of the notional derivative contracts on a gross basis with no offsetting.

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Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

Counterparty Exposure

Derivative instruments involve an agreement to exchange a benefit at a future date. This introduces counterparty risk where an agreement is bilateral (between two parties) and concentration risk where a clearing broker operates on an exchange. Where the counterparty or clearing broker is not solvent the market exposure obtained would be lost.

Exposure is reduced by the exchange of margin on a daily basis for cleared derivatives and by the collateral held/pledged on a bilateral transaction.

Counterparty or clearer	2018			2017		
	Collateral (held)/ pledged	Margin at clearing broker	Market value of derivatives	Collateral (held)/ pledged	Margin at clearing broker	Market value of derivatives
	£'000	£'000	£'000	£'000	£'000	£'000
Barclays	(1,637)	0	2,043	0	0	80
BNP Paribas	0	0	40	(972)	0	764
Citigroup	(482)	0	417	(523)	0	568
Deutsche Bank	0	0	0	0	0	(5)
Goldman Sachs	12	0	(3)	3,884	0	63
HSBC	0	0	(1)	318	0	81
Lloyds	100	0	(173)	0	0	(33)
JP Morgan	269	0	(169)	(1,866)	0	2,967
Merrill Lynch	7,127	0	(6,686)	258	0	(321)
Morgan Stanley	179	0	(325)	(390)	0	347
NatWest	6,001	0	(4,653)	0	0	0
Nomura	(448)	0	529	(326)	0	363
Royal Bank of Canada	0	0	4	(8,258)	0	10,176
Royal Bank of Scotland	0	0	0	(3,279)	0	4,552
Societe Generale	0	0	54	3,932	0	(1,580)
StateStreet	0	0	(2)	0	0	380
UBS	(88)	0	147	(554)	0	550
Total	11,033	0	(8,778)	(7,776)	0	18,952

Margin exchanged or collateral held or pledged is in the form of high quality liquid assets e.g. cash/gilts. Positions are fully collateralised at all times. Restrictions are placed on the right of either party to reuse collateral assets.

(f) Liquidity risk

The Sub-funds assets comprise mainly readily realisable securities. The main liabilities of the Sub-fund are the redemption of any shares that investors wish to sell and the settlement of stock purchases. The Fund Manager reviews the cash and liability position continuously, and should an increase in liquidity be required, the Fund Manager will sell securities.

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Distribution Tables

for the three months ended 31 January 2018

Group 1 – shares purchased prior to 1 November 2017

Group 2 – shares purchased between 1 November 2017 and 31 January 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.2491	–	0.2491*	0.1878
Group 2	0.1481	0.1010	0.2491*	0.1878
Institutional accumulation				
Group 1	0.4602	–	0.4602*	0.3527
Group 2	0.2909	0.1693	0.4602*	0.3527
Retail income				
Group 1	0.2141	–	0.2141**	0.1622
Group 2	0.0605	0.1536	0.2141**	0.1622
Institutional income				
Group 1	0.3777	–	0.3777**	0.2917
Group 2	0.2102	0.1675	0.3777**	0.2917
Standard Life income				
Group 1	0.2679	–	0.2679**	0.2082
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	0.7373	–	0.7373*	0.5672
Group 2	0.3495	0.3878	0.7373*	0.5672
Institutional regulated accumulation				
Group 1	0.2570	–	0.2570*	0.1974
Group 2	0.0710	0.1860	0.2570*	0.1974
Platform 1 accumulation				
Group 1	0.1339	–	0.1339*	0.1024
Group 2	0.0704	0.0635	0.1339*	0.1024
Platform 1 income				
Group 1	0.1269	–	0.1269**	0.0986
Group 2	0.0706	0.0563	0.1269**	0.0986

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Distribution Tables

(Continued)

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Institutional S accumulation				
Group 1	0.1785	–	0.1785*	0.1370
Group 2	0.0893	0.0892	0.1785*	0.1370
Institutional S income				
Group 1	0.1709	–	0.1709**	0.1326
Group 2	0.0920	0.0789	0.1709**	0.1326
Institutional A accumulation				
Group 1	0.0731	–	0.0731*	0.0520
Group 2	–	–	–	–
Institutional A income				
Group 1	0.0704	–	0.0704**	0.0520
Group 2	–	–	–	–

* Distribution accumulated on 31 January 2018

** Distribution paid on 31 March 2018

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Distribution Tables

(Continued)

for the three months ended 30 April 2018

Group 1 – shares purchased prior to 1 February 2018

Group 2 – shares purchased between 1 February 2018 and 30 April 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.3974	–	0.3974*	0.1575
Group 2	0.1065	0.2909	0.3974*	0.1575
Institutional accumulation				
Group 1	0.6081	–	0.6081*	0.3554
Group 2	0.2942	0.3139	0.6081*	0.3554
Retail income				
Group 1	0.3412	–	0.3412**	0.1355
Group 2	0.1496	0.1916	0.3412**	0.1355
Institutional income				
Group 1	0.4976	–	0.4976**	0.2933
Group 2	0.2707	0.2269	0.4976**	0.2933
Standard Life income				
Group 1	0.3193	–	0.3193**	0.2270
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	0.8826	–	0.8826*	0.6223
Group 2	0.3871	0.4955	0.8826*	0.6223
Institutional regulated accumulation				
Group 1	0.3238	–	0.3238*	0.2063
Group 2	0.2596	0.0642	0.3238*	0.2063
Platform 1 accumulation				
Group 1	0.1794	–	0.1794*	0.1022
Group 2	0.1378	0.0416	0.1794*	–
Platform 1 income				
Group 1	0.1698	–	0.1698**	0.0973
Group 2	0.0983	0.0715	0.1698**	0.0973

Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Distribution Tables

(Continued)

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Institutional S accumulation				
Group 1	0.2238	–	0.2238*	0.1442
Group 2	0.1267	0.0971	0.2238*	0.1442
Institutional S income				
Group 1	0.2137	–	0.2137**	0.1389
Group 2	0.1048	0.1089	0.2137**	0.1389
Institutional A accumulation				
Group 1	0.1240	–	0.1240*	0.0400
Group 2	–	–	–	–
Institutional A income				
Group 1	0.1227	–	0.1227**	0.0400
Group 2	–	–	–	–

* Distribution accumulated on 30 April 2018

** Distribution paid on 30 June 2018

Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Distribution Tables

(Continued)

for the three months ended 31 July 2018

Group 1 – shares purchased prior to 1 May 2018

Group 2 – shares purchased between 1 May 2018 and 31 July 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.4919	–	0.4919*	0.1693
Group 2	0.1714	0.3205	0.4919*	0.1693
Institutional accumulation				
Group 1	0.7168	–	0.7168*	0.3745
Group 2	0.4270	0.2898	0.7168*	0.3745
Retail income				
Group 1	0.4208	–	0.4208**	0.1460
Group 2	0.1645	0.2563	0.4208**	0.1460
Institutional income				
Group 1	0.5840	–	0.5840**	0.3084
Group 2	0.2919	0.2921	0.5840**	0.3084
Standard Life income				
Group 1	–	–	0.0000**	0.2349
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	1.0078	–	1.0078*	0.6402
Group 2	0.7540	0.2538	1.0078*	0.6402
Institutional regulated accumulation				
Group 1	0.3755	–	0.3755*	0.2167
Group 2	0.2373	0.1382	0.3755*	0.2167
Platform 1 accumulation				
Group 1	0.2119	–	0.2119*	0.1075
Group 2	0.1167	0.0952	0.2119*	0.1075
Platform 1 income				
Group 1	0.1998	–	0.1998**	0.1025
Group 2	0.0920	0.1078	0.1998**	0.1025

Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Distribution Tables

(Continued)

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Institutional S accumulation				
Group 1	0.2595	–	0.2595*	0.1510
Group 2	0.1381	0.1214	0.2595*	0.1510
Institutional S income				
Group 1	0.2469	–	0.2469**	0.1454
Group 2	0.1277	0.1192	0.2469**	0.1454
Institutional A accumulation				
Group 1	–	–	0.0000*	0.0381
Group 2	–	–	–	–
Institutional A income				
Group 1	–	–	0.0000**	0.0381
Group 2	–	–	–	–

* Distribution accumulated on 31 July 2018

** Distribution paid on 30 September 2018

Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Distribution Tables

(Continued)

for the three months ended 31 October 2018

Group 1 – shares purchased prior to 1 August 2018

Group 2 – shares purchased between 1 August 2018 and 31 October 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.5082	–	0.5082*	0.2014
Group 2	0.2837	0.2245	0.5082*	0.2014
Institutional accumulation				
Group 1	0.7332	–	0.7332*	0.4103
Group 2	0.4817	0.2515	0.7332*	0.4103
Retail income				
Group 1	0.4343	–	0.4343**	0.1689
Group 2	0.1443	0.2900	0.4343**	0.1689
Institutional income				
Group 1	0.5965	–	0.5965**	0.3368
Group 2	0.3331	0.2634	0.5965**	0.3368
Standard Life income				
Group 1	–	–	0.0000**	0.2502
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	1.0244	–	1.0244*	0.6803
Group 2	0.5829	0.4415	1.0244*	0.6803
Institutional regulated accumulation				
Group 1	0.3834	–	0.3834*	0.2329
Group 2	0.1556	0.2278	0.3834*	0.2329
Platform 1 accumulation				
Group 1	0.2171	–	0.2171*	0.1180
Group 2	0.1042	0.1129	0.2171*	0.1180
Platform 1 income				
Group 1	0.2043	–	0.2043**	0.1122
Group 2	0.1073	0.0970	0.2043**	0.1122

Standard Life Investment Company II Annual Report & Financial Statements

Global Index Linked Bond Fund

Distribution Tables

(Continued)

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Institutional S accumulation				
Group 1	0.2650	–	0.2650*	0.1619
Group 2	0.1317	0.1333	0.2650*	0.1619
Institutional S income				
Group 1	0.2511	–	0.2511**	0.1555
Group 2	0.1449	0.1062	0.2511**	0.1555
Institutional A accumulation				
Group 1	–	–	0.0000*	0.0572
Group 2	–	–	–	–
Institutional A income				
Group 1	–	–	0.0000**	0.0559
Group 2	–	–	–	–

* Distribution accumulated on 31 October 2018

** Distribution paid on 31 December 2018

Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Investment Report

Fund Information	
Fund Manager	Svitlana Gubriy
Launch Date	16 January 2007
Benchmark	FTSE EPRA/NAREIT Developed Index (Custom Hedged GBP)

Investment objective

The investment objective of the Sub-fund is to provide a total return from both income and capital appreciation.

Investment policy

The investment policy of the Sub-fund is to invest primarily in listed Real Estate Investment Trusts (REITs), listed securities and shares in companies principally engaged in real estate activities on a global basis.

Risk

The Sub-fund is intended for investors seeking exposure to a portfolio consisting primarily of Real Estate Investment Trusts (REITs) and shares in companies principally engaged in real estate activities on a global basis. Investors must be able to accept some fluctuation in the income generated and accept some losses in the capital value of their investment due to the volatile nature of the assets held.

Performance

Over the period under review, the Fund returned 2.32% against the benchmark (sterling-hedged FTSE EPRA NAREIT Global Index) return of 2.24%. Source: Morningstar (Fund) Factset (benchmark), net of fees, basic rate taxpayer, platform 1 share class.

Stock selection in Canada was positive as our holding in Canadian Apartment Properties outperformed. Within Japan, stock selection was also positive as Daiwa Office outperformed, and the timing of our purchase of Invesco Office J-REIT helped performance. Finally, our holding in Fabega in Scandinavia proved to be beneficial as the stock outperformed the sector by a wide margin.

On the downside, our holding in Shinoken, a Japanese off-benchmark stock, underperformed. A loan approval scandal at its peer Tateru provoked negative sentiment towards Shinoken, despite no evidence of wrongdoing. An overweight position in Singapore developer, City Developments, proved to be negative after the government introduced policies to curb house-price growth. Meanwhile, stock selection in US central business offices was negative as Empire State and Hudson Pacific Properties underperformed.

Investment Activity

In the US, we increased our exposure to the healthcare sector through the purchase of Ventas and Sabra Health Care REIT. Ventas is a large-cap healthcare company, which has underperformed its peer, Welltower, by a considerable margin. This led to a favourable relative valuation entry point. Sabra Health Care REIT is a small-cap healthcare stock with a healthy dividend; we expect it to perform well in 2019. Also in the US, we introduced data centre provider Equinix to the portfolio, as we believe that strong demand for co-location data centres will lead to faster-than-expected earnings growth.

Turning to Europe, we added CA Immo to the portfolio. The German office market is experiencing attractive rental growth and CA Immo is the best-positioned company to benefit given its focus on centrally located offices and prime development opportunities. In the UK, we sold Derwent London following its recent re-rating and because of concerns that any further upside will be limited given current Brexit negotiations. We bought Hammerson, after its board rejected plans to acquire Intu and announced that it would instead focus on its standalone business, which should prove a catalyst for the stock to re-rate.

In Asia, we switched from Mitsui Fudosan into Mitsubishi Estate after the former announced a share buyback. We reinvested excess proceeds into Hang Lung Property and Nippon REIT. We also participated in a share offering by Invincible, where we expect a regulatory catalyst to be positive for occupancy rates in the future. In Australia, we sold Scentre, which had outperformed in a tough retail environment; and Lendlease, which performed well following good results.

Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Investment Report (Continued)

Outlook

We continue to focus on companies that are expected to benefit from strong real estate fundamentals and earnings, combining cyclical real estate fundamentals and long-term secular trends. As interest rates begin to rise, investors are no longer paying for yield, and so higher-quality, lower-yielding names should outperform. We are looking for markets with rental growth at this stage in the capital cycle, and we expect a benign but rising interest rate environment.

In the US, we are focusing on sectors with outsized growth prospects, such as the industrial and digital infrastructure (data centres and cell tower) REIT sectors. Our positioning in continental Europe is driven by the conviction behind economic recovery driving rental growth in key European markets. While neutral overall, we are overweight in Spain, where recovery continues at pace; and overweight in the European housebuilders. We maintain our underweight positions in the UK, favouring industrial exposure; and in Hong Kong, given concerns over sentiment-driven volatility in residential stocks. We are also underweight in Japan, where we prefer developers with net asset value discounts.

Synthetic Risk & Reward Indicator



This indicator reflects the volatility of the Sub-fund's share price over the last five years which in turn reflects the volatility of the underlying assets in which the Sub-fund invests. Historical data may not be a reliable indication of the future. Where the share class does not have a history of five years, an alternative share class or a representative benchmark has been used to show how the Sub-fund price may have behaved over the period.

The current rating, which is the same for all share classes, is not guaranteed and may change if the volatility of the assets in which the Sub-fund invests changes. The lowest rating does not mean risk free. All investment involves risk. This Sub-fund offers no guarantee against loss or that the Sub-fund's objective will be attained.

For further information on the risks that may not be fully captured by the risk and reward indicator, please refer to the current Key Investor Information Document (KIID).

Cautionary note

It should be remembered that past performance is not a guide to future performance. The value of investments may go down as well as up and, therefore, investors may not get back the amount originally invested.

Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Comparative Tables

	2018 pence per share	2017 pence per share	2016 pence per share
Retail accumulation			
Change in net assets per share			
Opening net asset value per share	47.15	45.60	48.88
Return before operating charges*	0.92	2.19	(2.63)
Operating charges**	(0.66)	(0.64)	(0.65)
Return after operating charges*	0.26	1.55	(3.28)
Distributions	(1.16)	(1.18)	(1.11)
Retained distributions on accumulation share	1.16	1.18	1.11
Closing net asset value per share	47.41	47.15	45.60
* after direct transaction costs of:***	0.08	0.10	0.12
Performance+			
Return after charges	0.55%	3.40%	-6.71%
Other information			
Closing net asset value (£'000)	4,307	4,943	6,749
Closing number of shares	9,085,716	10,483,769	14,800,573
Operating charges****	1.37%	1.38%	1.35%
Direct transaction costs***	0.16%	0.21%	0.25%
Prices			
Highest share price	50.48	47.98	51.15
Lowest share price	44.70	43.58	42.13

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional accumulation			
Change in net assets per share			
Opening net asset value per share	50.56	48.72	51.86
Return before operating charges*	0.94	2.29	(2.69)
Operating charges**	(0.46)	(0.45)	(0.45)
Return after operating charges*	0.48	1.84	(3.14)
Distributions	(1.25)	(1.16)	(1.18)
Retained distributions on accumulation share	1.25	1.16	1.18
Closing net asset value per share	51.04	50.56	48.72
* after direct transaction costs of:***	0.08	0.10	0.13
Performance+			
Return after charges	0.95%	3.78%	-6.05%
Other information			
Closing net asset value (£'000)	22,043	22,358	18,238
Closing number of shares	43,186,530	44,221,785	37,433,263
Operating charges****	0.90%	0.91%	0.88%
Direct transaction costs***	0.16%	0.21%	0.26%
Prices			
Highest share price	54.32	51.45	54.52
Lowest share price	48.00	46.51	44.83

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Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Retail income			
Change in net assets per share			
Opening net asset value per share	36.96	36.63	40.17
Return before operating charges*	0.73	1.78	(2.09)
Operating charges**	(0.51)	(0.51)	(0.53)
Return after operating charges*	0.22	1.27	(2.62)
Distributions	(0.90)	(0.94)	(0.92)
Closing net asset value per share	36.28	36.96	36.63
* after direct transaction costs of:***	0.06	0.08	0.10
Performance+			
Return after charges	0.60%	3.47%	-6.52%
Other information			
Closing net asset value (£'000)	233	307	439
Closing number of shares	641,260	831,646	1,198,467
Operating charges****	1.37%	1.38%	1.35%
Direct transaction costs***	0.16%	0.21%	0.26%
Prices			
Highest share price	38.81	37.96	41.23
Lowest share price	34.88	34.92	34.49

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Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional income			
Change in net assets per share			
Opening net asset value per share	39.28	38.73	42.18
Return before operating charges*	0.75	1.79	(2.13)
Operating charges**	(0.36)	(0.36)	(0.36)
Return after operating charges*	0.39	1.43	(2.49)
Distributions	(0.97)	(0.88)	(0.96)
Closing net asset value per share	38.70	39.28	38.73
* after direct transaction costs of:***	0.06	0.08	0.11
Performance+			
Return after charges	0.99%	3.69%	-5.90%
Other information			
Closing net asset value (£'000)	1,412	1,544	2,447
Closing number of shares	3,648,870	3,931,122	6,318,678
Operating charges****	0.90%	0.92%	0.88%
Direct transaction costs***	0.16%	0.21%	0.27%
Prices			
Highest share price	41.36	40.23	43.46
Lowest share price	37.09	36.86	36.29

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Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life income			
Change in net assets per share			
Opening net asset value per share	42.61	41.71	45.05
Return before operating charges*	0.74	1.81	(2.31)
Operating charges**	(0.03)	(0.04)	(0.02)
Return after operating charges*	0.71	1.77	(2.33)
Distributions	(0.95)	(0.87)	(1.01)
Closing net asset value per share	42.37	42.61	41.71
* after direct transaction costs of:***	0.07	0.09	0.11
Performance+			
Return after charges	1.67%	4.24%	-5.17%
Other information			
Closing net asset value (£'000)	6,475	6,512	6,375
Closing number of shares	15,281,001	15,283,001	15,283,001
Operating charges****	0.07%	0.08%	0.05%
Direct transaction costs***	0.16%	0.21%	0.25%
Prices			
Highest share price	45.19	43.55	46.68
Lowest share price	40.34	39.69	38.84

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Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life accumulation			
Change in net assets per share			
Opening net asset value per share	54.63	52.20	55.15
Return before operating charges*	0.97	2.52	(2.88)
Operating charges**	(0.08)	(0.09)	(0.07)
Return after operating charges*	0.89	2.43	(2.95)
Distributions	(1.24)	(1.30)	(1.21)
Retained distributions on accumulation share	1.24	1.30	1.21
Closing net asset value per share	55.52	54.63	52.20
* after direct transaction costs of:***	0.09	0.11	0.14
Performance+			
Return after charges	1.63%	4.66%	-5.35%
Other information			
Closing net asset value (£'000)	427	6,717	39,761
Closing number of shares	769,902	12,294,757	76,170,375
Operating charges****	0.15%	0.16%	0.13%
Direct transaction costs***	0.16%	0.21%	0.26%
Prices			
Highest share price	58.97	55.45	58.24
Lowest share price	51.94	49.78	47.76

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Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional regulated accumulation			
Change in net assets per share			
Opening net asset value per share	52.26	50.24	53.31
Return before operating charges*	0.96	2.33	(2.76)
Operating charges**	(0.32)	(0.31)	(0.31)
Return after operating charges*	0.64	2.02	(3.07)
Distributions	(1.23)	(1.23)	(1.21)
Retained distributions on accumulation share	1.23	1.23	1.21
Closing net asset value per share	52.90	52.26	50.24
* after direct transaction costs of:***	0.08	0.11	0.14
Performance+			
Return after charges	1.22%	4.02%	-5.76%
Other information			
Closing net asset value (£'000)	9,654	11,173	20,770
Closing number of shares	18,251,091	21,377,543	41,342,918
Operating charges****	0.60%	0.61%	0.58%
Direct transaction costs***	0.16%	0.21%	0.27%
Prices			
Highest share price	56.24	53.17	56.14
Lowest share price	49.64	47.93	46.12

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Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Platform 1 accumulation			
Change in net assets per share			
Opening net asset value per share	74.53	71.84	76.51
Return before operating charges*	1.40	3.39	(3.97)
Operating charges**	(0.72)	(0.70)	(0.70)
Return after operating charges*	0.68	2.69	(4.67)
Distributions	(1.79)	(1.77)	(1.74)
Retained distributions on accumulation share	1.79	1.77	1.74
Closing net asset value per share	75.21	74.53	71.84
* after direct transaction costs of:***	0.12	0.15	0.19
Performance+			
Return after charges	0.91%	3.74%	-6.10%
Other information			
Closing net asset value (£'000)	14,043	15,943	19,774
Closing number of shares	18,671,452	21,392,504	27,524,801
Operating charges****	0.95%	0.96%	0.93%
Direct transaction costs***	0.16%	0.21%	0.25%
Prices			
Highest share price	80.02	75.84	80.40
Lowest share price	70.72	68.58	66.12

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

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Global REIT Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Platform 1 income			
Change in net assets per share			
Opening net asset value per share	66.55	65.74	71.63
Return before operating charges*	1.28	3.04	(3.63)
Operating charges**	(0.64)	(0.64)	(0.65)
Return after operating charges*	0.64	2.40	(4.28)
Distributions	(1.59)	(1.59)	(1.61)
Closing net asset value per share	65.60	66.55	65.74
* after direct transaction costs of:***	0.11	0.14	0.18
Performance+			
Return after charges	0.96%	3.65%	-5.98%
Other information			
Closing net asset value (£'000)	8,221	8,955	8,611
Closing number of shares	12,531,224	13,455,053	13,099,413
Operating charges****	0.95%	0.97%	0.93%
Direct transaction costs***	0.16%	0.21%	0.26%
Prices			
Highest share price	70.09	68.26	73.77
Lowest share price	62.87	62.56	61.62

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

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Portfolio Statement

as at 31 October 2018

Holding	Investment	Market value £'000	Percentage of total net assets
Equities (95.71%)		65,794	98.47
European Equities (11.24%)		8,048	12.05
Austria (1.38%)		643	0.96
25,183	CA Immo	643	0.96
France (4.20%)		1,897	2.84
16,495	Gecina	1,897	2.84
Germany (1.23%)		2,789	4.18
56,301	Deutsche Wohnen	2,022	3.03
42,051	Instone Real Estate	767	1.15
Netherlands (0.00%)		595	0.89
20,565	Eurocommercial Properties	595	0.89
Spain (2.37%)		1,073	1.61
136,407	Inmobiliaria Colonial	1,073	1.61
Sweden (2.06%)		1,051	1.57
104,780	Fabege	1,051	1.57
Japanese Equities (8.44%)		6,174	9.24
563	Canadian Solar Infrastructure Fund	377	0.56
141	Daiwa Office Investment	673	1.01
1,012	GLP J-REIT	783	1.17
3,072	Invesco Office J-REIT	340	0.51
2,069	Invincible Investment	669	1.00
66,026	Mitsubishi Estate	826	1.24
279	Nippon REIT Investment	710	1.06
42,770	Shinoken	276	0.41
31,433	Sumitomo Realty & Development	846	1.27
153,148	Tokyu Fudosan	674	1.01

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Global REIT Fund

Portfolio Statement

(Continued)

		Market value £'000	Percentage of total net assets
Holding	Investment		
North American Equities (56.83%)		40,723	60.94
Canada (3.56%)		2,242	3.35
13,070	Allied Properties Real Estate	329	0.49
55,967	Canadian Apartment Properties REIT	1,558	2.33
19,853	Smart Real Estate Investment Trust	355	0.53
United States (53.27%)		38,481	57.59
12,844	Alexandria Real Estate Equities	1,229	1.84
12,191	American Tower	1,486	2.22
9,160	AvalonBay Communications	1,257	1.88
52,894	Brixmor Property	671	1.00
56,016	Diamondrock Hospital	458	0.69
18,130	Digital Realty Trust	1,465	2.19
30,429	Douglas Emmett	862	1.29
57,892	Duke Realty	1,249	1.87
2,624	Equinix	778	1.17
24,891	Equity LifeStyle Properties	1,845	2.76
7,647	Essex Property Trust	1,501	2.25
14,082	Extra Space Storage	992	1.50
6,289	Federal Realty Investment Trust	611	0.91
29,095	Highwoods Properties	971	1.45
8,772	Hilton Worldwide	489	0.73
46,598	Host Hotels & Resorts	697	1.04
33,940	Hudson Pacific Properties	805	1.21
9,500	Hyatt Hotels	515	0.77
59,184	Invitation Homes	1,013	1.52
16,162	Macerich	653	0.98
10,959	Mid-America Apartment Communities	839	1.25
22,196	Omega Healthcare	579	0.87
23,116	Pebblebrook Hotel Trust	610	0.91
63,236	Prologis	3,191	4.78
5,849	Public Storage	941	1.41
30,883	Realty Income	1,457	2.18
23,905	Regency Centers	1,185	1.77
38,761	Sabra Health Care REIT	657	0.98
18,584	Simon Properties	2,668	3.99
34,771	STORE Capital	790	1.18
36,786	UDR	1,128	1.69
30,502	Ventas	1,385	2.07
120,857	VEREIT	693	1.04

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Global REIT Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
United States (Continued)			
13,077	Vornado Realty	697	1.04
40,879	Welltower	2,114	3.16
Pacific Basin Equities (14.70%)		8,118	12.15
Australia (5.83%)		2,877	4.31
131,432	Dexus Property	740	1.11
188,083	Goodman	1,070	1.60
186,578	Mirvac	224	0.34
386,885	Scentre	843	1.26
Hong Kong (6.68%)		4,223	6.32
296,839	CK Asset Holdings	1,508	2.26
229,679	Link Real Estate	1,594	2.38
614,445	New World Development	609	0.91
192,072	Swire Properties	512	0.77
Singapore (2.19%)		1,018	1.52
760,135	Capitamall Trust REIT	906	1.35
661,265	Oxley	112	0.17
UK Equities (4.50%)		2,731	4.09
Financials (4.50%)		2,731	4.09
175,643	Hammerson	770	1.15
227,123	Segro	1,395	2.09
66,416	Unite	566	0.85
Collective Investment Schemes (1.94%)		1,734	2.60
272	Aberdeen Liquidity Fund - Euro	241	0.36
1,492	Aberdeen Liquidity Fund - Sterling	1,493	2.24
Derivatives (2.74%)		(407)	(0.61)
Forward Currency Contracts (2.74%)		(407)	(0.61)
Buy AUD 105,755 Sell GBP 57,931 14/11/2018		1	0.00
Buy AUD 138,267 Sell GBP 74,834 14/11/2018		2	0.00

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Global REIT Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Forward Currency Contracts (Continued)			
	Buy AUD 175,959 Sell GBP 94,849 14/11/2018	3	0.00
	Buy AUD 685,248 Sell GBP 370,910 14/11/2018	9	0.01
	Buy AUD 4,109,541 Sell GBP 2,254,757 12/12/2018	21	0.03
	Buy CAD 115,251 Sell GBP 69,309 14/11/2018	(1)	0.00
	Buy CAD 128,571 Sell GBP 74,595 14/11/2018	2	0.00
	Buy CAD 1,216,253 Sell GBP 713,075 12/12/2018	11	0.02
	Buy CAD 5,513,613 Sell GBP 3,229,311 12/12/2018	52	0.08
	Buy CAD 87,048 Sell GBP 51,293 23/01/2019	0	0.00
	Buy EUR 224,975 Sell GBP 199,132 14/11/2018	0	0.00
	Buy EUR 271,532 Sell GBP 242,599 14/11/2018	(2)	0.00
	Buy EUR 281,949 Sell GBP 248,913 14/11/2018	1	0.00
	Buy EUR 3,967,432 Sell GBP 3,531,090 14/11/2018	(11)	(0.02)
	Buy EUR 242,332 Sell GBP 212,880 12/12/2018	2	0.00
	Buy EUR 7,522,858 Sell GBP 6,702,053 12/12/2018	(20)	(0.03)
	Buy EUR 180,308 Sell GBP 159,833 23/01/2019	1	0.00
	Buy GBP 92,780 Sell AUD 170,034 14/11/2018	(2)	0.00
	Buy GBP 1,339,408 Sell AUD 2,345,214 14/11/2018	39	0.06
	Buy GBP 910,531 Sell AUD 1,641,688 12/12/2018	1	0.00
	Buy GBP 1,346,804 Sell AUD 2,467,853 12/12/2018	(20)	(0.03)
	Buy GBP 1,735,105 Sell AUD 3,227,419 23/01/2019	(49)	(0.07)
	Buy GBP 81,483 Sell CAD 138,589 14/11/2018	(1)	0.00
	Buy GBP 123,983 Sell CAD 211,088 14/11/2018	(2)	0.00
	Buy GBP 295,498 Sell CAD 497,986 14/11/2018	(1)	0.00
	Buy GBP 713,620 Sell CAD 1,216,253 14/11/2018	(11)	(0.02)
	Buy GBP 885,492 Sell CAD 1,513,392 12/12/2018	(15)	(0.02)
	Buy GBP 1,096,836 Sell CAD 1,875,725 12/12/2018	(20)	(0.03)
	Buy GBP 1,957,303 Sell CAD 3,340,748 12/12/2018	(31)	(0.04)
	Buy GBP 1,197,725 Sell CAD 2,047,955 23/01/2019	(19)	(0.03)
	Buy GBP 92,683 Sell EUR 102,826 14/11/2018	1	0.00
	Buy GBP 7,930,289 Sell EUR 8,844,836 14/11/2018	83	0.12
	Buy GBP 139,819 Sell EUR 156,719 12/12/2018	1	0.00
	Buy GBP 2,937,930 Sell EUR 3,255,857 12/12/2018	46	0.07
	Buy GBP 3,677,723 Sell EUR 4,110,281 12/12/2018	27	0.04
	Buy GBP 186,930 Sell EUR 211,997 23/01/2019	(2)	0.00
	Buy GBP 3,406,166 Sell EUR 3,885,675 23/01/2019	(51)	(0.07)
	Buy GBP 284,870 Sell HKD 2,938,715 14/11/2018	(8)	(0.01)
	Buy GBP 3,202,827 Sell HKD 32,778,710 14/11/2018	(69)	(0.10)
	Buy GBP 3,578,452 Sell HKD 36,477,796 14/11/2018	(63)	(0.09)
	Buy GBP 363,958 Sell HKD 3,747,966 12/12/2018	(10)	(0.01)

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Global REIT Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Forward Currency Contracts (Continued)			
	Buy GBP 594,322 Sell HKD 6,098,598 12/12/2018	(14)	(0.02)
	Buy GBP 1,922,310 Sell HKD 19,797,065 12/12/2018	(53)	(0.08)
	Buy GBP 2,934,043 Sell HKD 29,843,771 12/12/2018	(43)	(0.06)
	Buy GBP 55,058 Sell JPY 7,855,305 14/11/2018	1	0.00
	Buy GBP 79,501 Sell JPY 11,508,279 14/11/2018	0	0.00
	Buy GBP 506,899 Sell JPY 71,884,230 14/11/2018	8	0.01
	Buy GBP 660,785 Sell JPY 96,330,092 14/11/2018	(8)	(0.01)
	Buy GBP 953,221 Sell JPY 135,998,944 14/11/2018	10	0.01
	Buy GBP 956,373 Sell JPY 135,998,944 14/11/2018	13	0.02
	Buy GBP 3,016,861 Sell JPY 434,112,126 14/11/2018	5	0.01
	Buy GBP 1,370,536 Sell JPY 203,183,974 12/12/2018	(41)	(0.06)
	Buy GBP 2,486,418 Sell JPY 363,569,095 12/12/2018	(38)	(0.06)
	Buy GBP 4,256,604 Sell JPY 611,129,236 12/12/2018	12	0.02
	Buy GBP 4,648,298 Sell JPY 689,750,615 23/01/2019	(149)	(0.22)
	Buy GBP 28,793 Sell SEK 336,624 14/11/2018	0	0.00
	Buy GBP 29,058 Sell SEK 341,158 14/11/2018	0	0.00
	Buy GBP 31,014 Sell SEK 362,461 14/11/2018	0	0.00
	Buy GBP 36,968 Sell SEK 441,884 14/11/2018	(1)	0.00
	Buy GBP 44,359 Sell SEK 519,665 14/11/2018	0	0.00
	Buy GBP 57,285 Sell SEK 670,076 14/11/2018	0	0.00
	Buy GBP 58,127 Sell SEK 683,419 14/11/2018	0	0.00
	Buy GBP 69,992 Sell SEK 816,130 14/11/2018	0	0.00
	Buy GBP 647,115 Sell SEK 7,456,857 14/11/2018	8	0.01
	Buy GBP 530,155 Sell SEK 6,239,592 12/12/2018	(5)	(0.01)
	Buy GBP 655,528 Sell SEK 7,675,176 12/12/2018	(3)	0.00
	Buy GBP 701,711 Sell SEK 8,356,161 23/01/2019	(17)	(0.02)
	Buy GBP 36,829 Sell SGD 66,002 14/11/2018	0	0.00
	Buy GBP 55,838 Sell SGD 99,924 14/11/2018	(1)	0.00
	Buy GBP 549,457 Sell SGD 974,295 14/11/2018	(1)	0.00
	Buy GBP 1,283,078 Sell SGD 2,276,210 14/11/2018	(3)	0.00
	Buy GBP 757,544 Sell SGD 1,365,589 12/12/2018	(13)	(0.02)
	Buy GBP 1,026,144 Sell SGD 1,828,724 12/12/2018	(6)	(0.01)
	Buy GBP 2,747 Sell SGD 4,869 23/01/2019	0	0.00
	Buy GBP 1,058,781 Sell SGD 1,931,692 23/01/2019	(30)	(0.05)
	Buy GBP 30,563,964 Sell USD 39,778,968 14/11/2018	(550)	(0.82)
	Buy GBP 1,008,326 Sell USD 1,318,313 12/12/2018	(21)	(0.03)
	Buy GBP 5,643,770 Sell USD 7,417,816 12/12/2018	(150)	(0.22)
	Buy GBP 17,931,049 Sell USD 23,624,901 12/12/2018	(520)	(0.78)
	Buy GBP 18,472,212 Sell USD 23,977,535 12/12/2018	(254)	(0.38)

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Global REIT Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Forward Currency Contracts (Continued)			
	Buy GBP 446,915 Sell USD 571,886 23/01/2019	1	0.00
	Buy GBP 22,464,610 Sell USD 29,717,018 23/01/2019	(688)	(1.03)
	Buy HKD 626,830 Sell GBP 61,943 14/11/2018	1	0.00
	Buy HKD 1,157,104 Sell GBP 113,670 14/11/2018	2	0.00
	Buy HKD 1,227,063 Sell GBP 122,684 14/11/2018	0	0.00
	Buy HKD 1,609,589 Sell GBP 157,444 14/11/2018	3	0.01
	Buy HKD 1,716,488 Sell GBP 168,302 14/11/2018	3	0.01
	Buy HKD 2,393,955 Sell GBP 234,385 14/11/2018	5	0.01
	Buy HKD 13,750,803 Sell GBP 1,330,912 14/11/2018	42	0.06
	Buy HKD 3,409,768 Sell GBP 330,230 12/12/2018	10	0.01
	Buy HKD 4,998,304 Sell GBP 486,028 12/12/2018	13	0.02
	Buy HKD 56,077,633 Sell GBP 5,423,337 12/12/2018	171	0.25
	Buy HKD 1,433,627 Sell GBP 143,049 23/01/2019	0	0.00
	Buy JPY 24,682,816 Sell GBP 166,401 14/11/2018	5	0.01
	Buy JPY 30,768,191 Sell GBP 212,447 14/11/2018	1	0.00
	Buy JPY 61,138,947 Sell GBP 431,090 14/11/2018	(7)	(0.01)
	Buy JPY 69,313,667 Sell GBP 486,224 14/11/2018	(5)	(0.01)
	Buy JPY 76,798,847 Sell GBP 534,356 14/11/2018	(2)	0.00
	Buy JPY 130,717,480 Sell GBP 884,466 14/11/2018	22	0.03
	Buy JPY 135,998,944 Sell GBP 953,221 14/11/2018	(10)	(0.01)
	Buy JPY 223,836,864 Sell GBP 1,517,503 14/11/2018	35	0.05
	Buy JPY 62,747,781 Sell GBP 423,544 12/12/2018	12	0.02
	Buy JPY 974,698,331 Sell GBP 6,613,029 12/12/2018	156	0.23
	Buy JPY 63,252,585 Sell GBP 439,909 23/01/2019	0	0.00
	Buy SEK 406,363 Sell GBP 34,269 14/11/2018	1	0.00
	Buy SEK 565,898 Sell GBP 47,817 14/11/2018	1	0.00
	Buy SEK 671,482 Sell GBP 57,124 14/11/2018	0	0.00
	Buy SEK 4,591,627 Sell GBP 393,425 14/11/2018	0	0.00
	Buy SEK 740,142 Sell GBP 63,289 12/12/2018	0	0.00
	Buy SEK 13,914,768 Sell GBP 1,193,230 12/12/2018	1	0.00
	Buy SEK 274,078 Sell GBP 23,527 23/01/2019	0	0.00
	Buy SEK 303,418 Sell GBP 26,033 23/01/2019	0	0.00
	Buy SEK 342,052 Sell GBP 29,351 23/01/2019	0	0.00
	Buy SGD 4,869 Sell GBP 2,753 08/11/2018	0	0.00
	Buy SGD 974,295 Sell GBP 549,524 08/11/2018	1	0.00
	Buy SGD 42,667 Sell GBP 23,963 14/11/2018	0	0.00
	Buy SGD 94,248 Sell GBP 52,088 14/11/2018	1	0.00
	Buy SGD 108,439 Sell GBP 61,150 14/11/2018	0	0.00
	Buy SGD 615,396 Sell GBP 338,161 14/11/2018	10	0.01

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Global REIT Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Forward Currency Contracts (Continued)			
	Buy SGD 1,145,361 Sell GBP 634,958 14/11/2018	12	0.02
	Buy SGD 71,436 Sell GBP 39,195 12/12/2018	1	0.00
	Buy SGD 175,998 Sell GBP 97,834 12/12/2018	2	0.00
	Buy SGD 3,018,316 Sell GBP 1,672,045 12/12/2018	32	0.05
	Buy SGD 37,010 Sell GBP 20,608 23/01/2019	0	0.00
	Buy SGD 43,711 Sell GBP 23,913 23/01/2019	1	0.00
	Buy SGD 218,185 Sell GBP 120,941 23/01/2019	2	0.00
	Buy SGD 514,618 Sell GBP 290,658 23/01/2019	(1)	0.00
	Buy SGD 619,153 Sell GBP 349,262 23/01/2019	0	0.00
	Buy USD 301,571 Sell GBP 234,104 14/11/2018	2	0.00
	Buy USD 1,138,124 Sell GBP 881,848 14/11/2018	8	0.01
	Buy USD 1,503,246 Sell GBP 1,156,308 14/11/2018	19	0.03
	Buy USD 15,690,558 Sell GBP 11,904,038 14/11/2018	368	0.55
	Buy USD 1,607,366 Sell GBP 1,213,604 12/12/2018	42	0.06
	Buy USD 55,020,254 Sell GBP 41,689,938 12/12/2018	1,279	1.91
	Buy USD 1,066,986 Sell GBP 821,543 23/01/2019	10	0.01
Total investment assets and liabilities		67,121	100.46
Net other liabilities		(306)	(0.46)
Total Net Assets		66,815	100.00

All investments are listed on recognised stock exchanges and are approved securities, regulated collective investment schemes or approved derivatives within the meaning of the FCA rules unless otherwise stated.

The percentage figures in brackets show the comparative holding as at 31 October 2017.

	Market value £'000
Reconciliation of assets and liabilities to the balance sheet	
Investment assets as per the Balance Sheet	70,163
Investment liabilities	(3,042)
Net investment assets	67,121
Net other liabilities	(306)
Total Net Assets	66,815

Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Financial Statements

Statement of Total Return

for the year ended 31 October 2018

		2018	2017
	Notes	£'000	£'000
Income:			
Net capital gains	2	801	1,741
Revenue	4	3,359	2,773
Expenses	5	(981)	(619)
Interest payable and similar charges	6	(6)	(5)
Net revenue before taxation		2,372	2,149
Taxation	7	(332)	(328)
Net revenue after taxation		2,040	1,821
Total return before distributions		2,841	3,562
Distributions	8	(2,978)	(2,399)
Change in net assets attributable to shareholders from investment activities		(137)	1,163

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2018

	2018	2017
	£'000	£'000
Opening net assets attributable to shareholders	78,452	123,163
Amounts receivable on the issue of shares	104,941	12,063
Amounts payable on the cancellation of shares	(119,021)	(59,944)
	(14,080)	(47,881)
Dilution adjustment	244	94
Change in net assets attributable to shareholders from investment activities (see above)	(137)	1,163
Retained distribution on accumulation shares	2,336	1,913
Closing net assets attributable to shareholders	66,815	78,452

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Global REIT Fund

Financial Statements

(Continued)

Balance Sheet

as at 31 October 2018

	Notes	2018 £'000	2017 £'000
Assets:			
Fixed assets:			
Investment assets		70,163	78,973
Current assets:			
Debtors	9	2,873	1,370
Cash and bank balances	10	986	209
		3,859	1,579
Total assets		74,022	80,552
Liabilities:			
Investment liabilities		(3,042)	(210)
Creditors	11	(2,035)	(250)
Bank Overdrafts	10	(2,062)	(1,550)
Distribution payable		(68)	(90)
		(4,165)	(1,890)
Total liabilities		(7,207)	(2,100)
Net assets attributable to shareholders		66,815	78,452

Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Notes to the Financial Statements

1 Accounting Policies

Please refer to pages 11 and 12 for note on accounting policies.

2 Net Capital Gains

	2018 £'000	2017 £'000
Non-derivative securities	3,087	(6,270)
Forward currency contracts	(2,409)	8,057
Other gains/(losses)	160	(2)
Handling charges taken from the capital account	(37)	(44)
Net capital gains	801	1,741

3 Equity Purchases, Sales and Transaction Costs

There are no transaction costs associated with the purchases or sales of derivatives during the year, or in the prior year.

Derivatives are dealt on a spread agreed between buyer and seller with reference to the underlying investment.

	2018 £'000	2017 £'000
Equity Purchases, Sales and Transaction Costs		
Purchases		
Equities	176,771	93,805
Commissions	68	72
Taxes & Other Fees	70	34
Total purchase transaction costs	138	106
Purchases including transaction costs	176,909	93,911
Sales		
Equities	188,890	135,327
Commissions	(47)	(96)
Taxes & Other Fees	(8)	(10)
Total sale transaction costs	(55)	(106)
Total sales net of transaction costs	188,835	135,221
	2018 % Transaction	2017 % Transaction
Equity Transaction Cost as a % of total Purchases & Sales		
Purchases		
Commissions	0.04%	0.08%
Taxes & Other Fees	0.04%	0.04%
Sales		
Commissions	0.02%	0.07%
Taxes & Other Fees	0.00%	0.01%

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Global REIT Fund

Notes to the Financial Statements

(Continued)

3 Equity Purchases, Sales and Transaction Costs (Continued)

	2018	2017
Equity Purchases, Sales Analysis to Average NAV	% Average NAV	% Average NAV
Purchases		
Commissions	0.06%	0.07%
Taxes & Other Fees	0.06%	0.03%
Sales		
Commissions	0.04%	0.10%
Taxes & Other Fees	0.01%	0.01%
During the year the total purchases and sales across different major asset classes are as per below table.		
	2018	2017
	£'000	£'000
Purchase		
Equities	176,771	93,911
Collective investment schemes	93,690	76,508
Sales		
Equities	188,890	135,221
Collective investment schemes	93,525	76,138

The Sub-fund suffers a number of explicit costs as disclosed in the notes and Sub-fund history. The Sub-fund also suffers implicit costs an example is market spread, the spread represents the costs of providing liquidity in a market. It therefore is subject to change based on volume, active markets have a lower spread the difference between; bid the price you receive and offer the price you pay.

At the balance sheet date the average portfolio dealing spread (i.e. the spread between bid and offer prices expressed as a percentage of the offer price) was 0.36% (2017: 0.48%), this is representative of the average spread on the assets held during the year.

4 Revenue

	2018	2017
	£'000	£'000
UK dividends	81	22
Overseas dividends	3,140	2,652
Bank interest	20	9
Property income distributions	118	90
Total revenue	3,359	2,773

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Global REIT Fund

Notes to the Financial Statements

(Continued)

5 Expenses

	2018 £'000	2017 £'000
Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:		
Authorised Corporate Director's periodic charge	838	496
Dealing charge	12	13
Registration fees	89	70
	<u>939</u>	<u>579</u>
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Depositary's fees	22	18
Safe custody fee	10	8
	<u>32</u>	<u>26</u>
Other:		
Professional fees	0	2
Audit fee	10	12
	<u>10</u>	<u>14</u>
Total expenses	<u>981</u>	<u>619</u>

6 Interest Payable and Similar Charges

	2018 £'000	2017 £'000
Interest payable	6	5
Total interest payable & similar charges	<u>6</u>	<u>5</u>

7 Taxation

	2018 £'000	2017 £'000
(a) Analysis of charge in year		
Corporation tax	311	316
Double taxation relief	(311)	(279)
Adjustments in respect of prior periods	(3)	4
Overseas taxes	336	291
Total current tax	<u>333</u>	<u>332</u>
Deferred tax (note 7c)	(1)	(4)
Total taxation (note 7b)	<u>332</u>	<u>328</u>

Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Notes to the Financial Statements

(Continued)

7 Taxation (Continued)

(b) Factors affecting current tax charge for the year

The tax assessed for the year is less than the standard rate of corporation tax in the UK for Funds of authorised Open-Ended Investment Companies (20%). The differences are explained below:

Net revenue before taxation	2,372	2,149
Corporation tax at 20% (2017: 20%)	475	430
Effects of:		
Revenue not subject to taxation	0	(4)
Overseas taxes	25	12
Adjustments in respect of prior periods	(3)	4
Revenue taxable in other periods	1	7
Non taxable overseas dividends	(166)	(121)
Total tax charge for year (note 7a)	332	328

(c) Deferred tax

Deferred tax charge at the start of the year	7	11
Deferred tax charge in statement of total return for year (note 7a)	(1)	(4)
Provision at the end of the year	6	7

8 Distributions

The distributions takes account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	2018 £'000	2017 £'000
First interim distribution	644	671
Second interim distribution	902	598
Third interim distribution	970	602
Final distribution	296	443
	2,812	2,314
Add: Income deducted on cancellation of shares	328	142
Deduct: Income received on issue of shares	(162)	(57)
Net distribution for the year	2,978	2,399

Details of the distribution per share are set out in this Sub-fund's distribution tables.

Net revenue after taxation	2,040	1,821
Annual ACD charge to capital	838	496
Tax thereon	(1)	(2)
Undistributed revenue brought forward	0	1
Registration fees taken from the capital account	89	70
Dealing charges taken from the capital account	12	13
Total distributions	2,978	2,399

Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Notes to the Financial Statements

(Continued)

9 Debtors

	2018	2017
	£'000	£'000
Amounts receivable from the ACD for the issue of shares	84	98
Sales awaiting settlement	2,649	1,149
Accrued revenue	79	86
Foreign withholding tax recoverable	52	37
Corporation tax recoverable	9	0
Total debtors	2,873	1,370

10 Cash and Bank Balances

	2018	2017
	£'000	£'000
Cash and bank balances	(2,062)	209
Collateral Cash	986	(1,550)
Total cash and bank balances	(1,076)	(1,341)

11 Creditors

	2018	2017
	£'000	£'000
Amounts payable to the ACD for cancellation of shares	99	142
Purchases awaiting settlement	1,864	0
Accrued expenses payable to ACD	44	42
Accrued expenses payable to the Depositary or associates of the Depositary	2	16
Other accrued expenses	20	11
Corporation tax payable	0	32
Deferred tax payable	6	7
Total creditors	2,035	250

12 Related Party Transactions

Standard Life Investments (Mutual Funds) Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal in respect of all transactions of shares in the Sub-fund.

The fees received by the ACD are set out in note 5.

The ACD is involved in all transactions in shares of the Sub-fund, the aggregate values of which are set out in the Statement of Change in Net Assets Attributable to Shareholders on page 161. £59,000 was due to the ACD at the year end.

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Global REIT Fund

Notes to the Financial Statements

(Continued)

13 Shares in issue reconciliation

	Opening shares 2017	Creations during the year	Cancellations during the year	Conversions during the year	Closing shares 2018
Retail accumulation	10,483,769	734,680	(2,124,297)	(8,436)	9,085,716
Institutional accumulation	44,221,785	181,140,136	(182,185,285)	9,894	43,186,530
Retail income	831,646	14,123	(204,509)	0	641,260
Institutional income	3,931,122	13,008,557	(13,290,809)	0	3,648,870
Standard Life income	15,283,001	0	(2,000)	0	15,281,001
Standard Life accumulation	12,294,757	10,282	(11,535,137)	0	769,902
Institutional regulated accumulation	21,377,543	655,179	(3,781,631)	0	18,251,091
Platform 1 accumulation	21,392,504	3,294,946	(6,014,616)	(1,382)	18,671,452
Platform 1 income	13,455,053	2,780,004	(3,703,833)	0	12,531,224

14 Fair Value Hierarchy

	2018 £'000	2018 £'000	2018 £'000	2017 £'000	2017 £'000	2017 £'000
Fair value of investment assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Equities	65,794	0	0	75,091	0	0
Collective Investment Schemes	0	1,734	0	0	1,524	0
Derivatives	0	2,635	0	0	2,358	0
Total investment assets	65,794	4,369	0	75,091	3,882	0
Derivatives	0	(3,042)	0	0	(210)	0
Total investment liabilities	0	(3,042)	0	0	(210)	0

The three levels of the fair value hierarchy under FRS 102 are described below:

Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for the identical unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

15 Risk Management Policies & Numerical Disclosures

In accordance with the investment objectives, the Sub-fund may hold certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policies;
- cash and short-term debtors and creditors arising directly from operations; and
- derivatives.

The main risks arising from the Sub-fund's financial instruments are market price, foreign currency, interest rate, and liquidity risk.

The policies for managing these risks are summarised below and have been applied consistently throughout the year, and prior year.

Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

(a) Market price risk

Each Sub-fund's investment portfolio is exposed to market price fluctuation which are monitored by the Fund Manager in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers mitigate the risk of excessive exposure to any particular type of security or issuer.

An increase or decrease in market values will therefore have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the Sub-fund.

A five per cent increase in the value of the Sub-fund's portfolio would have the effect of increasing the return and net assets as at year end date by £3,325,000 (2017: £3,938,000). A five per cent decrease would have an equal and opposite effect.

(b) Foreign currency risk

A proportion of the net assets of the Sub-fund are denominated in currencies other than Sterling, therefore the balance sheet and total returns can be affected by currency movements. In certain circumstances, the Fund Manager may seek to manage exposure to currency movements by using forward currency contracts.

The Sub-fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

Income received in foreign currencies is converted into Sterling at the exchange rates ruling when the income is received.

A five per cent increase in the value of the Sub-fund's foreign currency exposure would have the effect of increasing the return and net assets as at year end date by £46,000 (2017: £86,000). A five per cent decrease would have an equal and opposite effect.

Currency exposure

An increase or decrease in a particular foreign currency exchange rate will have a proportionate effect on the value of the Sub-fund. The net foreign currency monetary exposure comprises:

Net foreign currency monetary assets/(liabilities)

	2018	2017
	£'000	£'000
Australian Dollar	(56)	48
Canadian Dollar	51	(50)
Euro	50	1,267
Hong Kong Dollar	45	(19)
Japanese Yen	357	(1)
Singapore Dollar	619	35
Swedish Krona	13	(1)
US Dollar	(157)	440

(c) Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuations in interest rates. The Fund Manager continuously reviews interest rates and inflation expectations. The assessment of this may result in a change in investment strategy.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In general, if interest rates rise, the income potential of the Sub-fund also rises but the value of fixed rate securities will decline (along with certain expenses calculated by reference to the assets of the Sub-fund). A decline in interest rates will, in general, have the opposite effect.

Standard Life Investment Company II

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Global REIT Fund

Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

The interest rate risk profile of the Sub-fund's financial assets and liabilities is:

	Floating rate financial assets/ (liabilities) £'000	Financial assets/ (liabilities) not carrying interest £'000	Total £'000
2018			
Currency			
UK Sterling	657	65,236	65,893
Australian Dollar	0	(56)	(56)
Canadian Dollar	0	51	51
Euro	0	50	50
Hong Kong Dollar	0	45	45
Japanese Yen	0	357	357
Singapore Dollar	0	619	619
Swedish Krona	0	13	13
US Dollar	0	(157)	(157)
2017			
Currency			
UK Sterling	136	76,597	76,733
Australian Dollar	0	48	48
Canadian Dollar	0	(50)	(50)
Euro	(1)	1,268	1,267
Hong Kong Dollar	0	(19)	(19)
Japanese Yen	0	(1)	(1)
Singapore Dollar	0	35	35
Swedish Krona	0	(1)	(1)
US Dollar	47	393	440

(d) Financial Derivatives Instrument Risk

At the year end the Sub-fund held derivatives for the purposes of efficient portfolio management or to meet the Sub-fund's investment objectives. These types of transaction can introduce market exposure greater than the market value of the instrument. These transactions exchange benefits with a third party at a future date creating both counterparty and concentration risk. The Investment Adviser's policies for managing these risks are outlined in the Sub-fund's prospectus.

At the balance sheet date the Sub-fund had the following exposures:

	2018 £'000	2017 £'000
Market Exposure		
Forward Currency Contracts	274,824	124,511
Total Market Exposure	<u>274,824</u>	<u>124,511</u>

The total market exposure is the sum of the notional derivative contracts on a gross basis with no offsetting.

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Global REIT Fund

Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

Counterparty Exposure

Derivative instruments involve an agreement to exchange a benefit at a future date. This introduces counterparty risk where an agreement is bilateral (between two parties) and concentration risk where a clearing broker operates on an exchange. Where the counterparty or clearing broker is not solvent the market exposure obtained would be lost.

Exposure is reduced by the exchange of margin on a daily basis for cleared derivatives and by the collateral held/pledged on a bilateral transaction.

	2018			2017		
	Collateral (held) / pledged	Margin at clearing broker	Market value of derivatives	Collateral (held) / pledged	Margin at clearing broker	Market value of derivatives
	£'000	£'000	£'000	£'000	£'000	£'000
Counterparty or clearer						
Bank of America Merrill Lynch	650	0	(460)	0	0	25
Barclays	0	0	8	0	0	(5)
BNP Paribas	20	0	(17)	(307)	0	388
Citigroup	0	0	(5)	(139)	0	284
Credit Agricole	(244)	0	368	0	0	0
Deutsche Bank	0	0	(22)	(157)	0	296
Goldman Sachs	0	0	13	0	0	(2)
HSBC	0	0	(100)	(258)	0	268
JP Morgan	650	0	(513)	(243)	0	389
Lloyds Bank	0	0	43	0	0	0
Morgan Stanley	(110)	0	43	(10)	0	59
NatWest	(1,380)	0	1,504	0	0	0
Nomura	0	0	72	0	0	0
Royal Bank of Canada	780	0	(693)	0	0	(19)
Royal Bank of Scotland	0	0	0	(111)	0	239
Societe Generale	0	0	(91)	(105)	0	18
State Street	620	0	(559)	(220)	0	219
UBS	0	0	2	0	0	(11)
Total	986	0	(407)	(1,550)	0	2,148

Margin exchanged or collateral held or pledged is in the form of high quality liquid assets e.g. cash/gilts. Positions are fully collateralised at all times. Restrictions are placed on the right of either party to reuse collateral assets.

(f) Liquidity risk

The Sub-fund's assets comprise mainly readily realisable securities. The main liabilities of the Sub-fund are the redemption of any shares that investors wish to sell and the settlement of stock purchases. The Fund Manager reviews the cash and liability position continuously, and should an increase in liquidity be required, the Fund Manager will sell securities.

Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Distribution Tables

for the three months ended 31 January 2018

Group 1 – shares purchased prior to 1 November 2017

Group 2 – shares purchased between 1 November 2017 and 31 January 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.2338	–	0.2338*	0.2758
Group 2	0.1093	0.1245	0.2338*	0.2758
Institutional accumulation				
Group 1	0.2464	–	0.2464*	0.2945
Group 2	0.1970	0.0494	0.2464*	0.2945
Retail income				
Group 1	0.1837	–	0.1837**	0.2211
Group 2	0.0343	0.1494	0.1837**	0.2211
Institutional income				
Group 1	0.1914	–	0.1914**	0.2336
Group 2	0.1660	0.0254	0.1914**	0.2336
Standard Life income				
Group 1	0.1966	–	0.1966**	0.2462
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	0.2537	–	0.2537*	0.3085
Group 2	0.1297	0.1240	0.2537*	0.3085
Institutional regulated accumulation				
Group 1	0.2555	–	0.2555*	0.3145
Group 2	–	–	–	–
Platform 1 accumulation				
Group 1	0.3667	–	0.3667*	0.4339
Group 2	0.1519	0.2148	0.3667*	0.4339
Platform 1 income				
Group 1	0.3273	–	0.3273**	0.3963
Group 2	0.1145	0.2128	0.3273**	0.3963

* Distribution accumulated on 31 January 2018

** Distribution paid on 31 March 2018

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Global REIT Fund

Distribution Tables

(Continued)

for the three months ended 30 April 2018

Group 1 – shares purchased prior to 1 February 2018

Group 2 – shares purchased between 1 February 2018 and 30 April 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.3451	–	0.3451*	0.2799
Group 2	0.1479	0.1972	0.3451*	0.2799
Institutional accumulation				
Group 1	0.3511	–	0.3511*	0.2920
Group 2	0.2048	0.1463	0.3511*	0.2920
Retail income				
Group 1	0.2708	–	0.2708**	0.2245
Group 2	0.0863	0.1845	0.2708**	0.2245
Institutional income				
Group 1	0.2716	–	0.2716**	0.2586
Group 2	0.2526	0.0190	0.2716**	0.2586
Standard Life income				
Group 1	0.2743	–	0.2743**	0.2583
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	0.3552	–	0.3552*	0.3440
Group 2	0.1218	0.2334	0.3552*	0.3440
Institutional regulated accumulation				
Group 1	0.3504	–	0.3504*	0.3006
Group 2	0.1733	0.1771	0.3504*	0.3006
Platform 1 accumulation				
Group 1	0.5223	–	0.5223*	0.4500
Group 2	0.2792	0.2431	0.5223*	0.4500
Platform 1 income				
Group 1	0.4639	–	0.4639**	0.4006
Group 2	0.3581	0.1058	0.4639**	0.4006

* Distribution accumulated on 30 April 2018

** Distribution paid on 30 June 2018

Standard Life Investment Company II Annual Report & Financial Statements

Global REIT Fund

Distribution Tables

(Continued)

for the three months ended 31 July 2018

Group 1 – shares purchased prior to 1 May 2018

Group 2 – shares purchased between 1 May 2018 and 31 July 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.3522	–	0.3522*	0.3013
Group 2	0.0803	0.2719	0.3522*	0.3013
Institutional accumulation				
Group 1	0.4013	–	0.4013*	0.3015
Group 2	0.1532	0.2481	0.4013*	0.3015
Retail income				
Group 1	0.2710	–	0.2710**	0.2339
Group 2	0.0120	0.2590	0.2710**	–
Institutional income				
Group 1	0.3084	–	0.3084**	0.2487
Group 2	0.1162	0.1922	0.3084**	0.2487
Standard Life income				
Group 1	0.3196	–	0.3196**	0.2463
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	0.3931	–	0.3931*	0.3133
Group 2	0.1993	0.1938	0.3931*	0.3133
Institutional regulated accumulation				
Group 1	0.4095	–	0.4095*	0.3212
Group 2	0.1978	0.2117	0.4095*	–
Platform 1 accumulation				
Group 1	0.5861	–	0.5861*	0.4755
Group 2	0.4192	0.1669	0.5861*	0.4755
Platform 1 income				
Group 1	0.5175	–	0.5175**	0.4240
Group 2	0.3055	0.2120	0.5175**	0.4240

* Distribution accumulated on 31 July 2018

** Distribution paid on 30 September 2018

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Global REIT Fund

Distribution Tables

(Continued)

for the three months ended 31 October 2018

Group 1 – shares purchased prior to 1 August 2018

Group 2 – shares purchased between 1 August 2018 and 31 October 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution payable 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.2277	–	0.2277*	0.3231
Group 2	0.0878	0.1399	0.2277*	0.3231
Institutional accumulation				
Group 1	0.2467	–	0.2467*	0.3022
Group 2	0.1256	0.1211	0.2467*	0.3022
Retail income				
Group 1	0.1744	–	0.1744**	0.2649
Group 2	0.0494	0.1250	0.1744**	0.2649
Institutional income				
Group 1	0.1936	–	0.1936**	0.1981
Group 2	0.0890	0.1046	0.1936**	0.1981
Standard Life income				
Group 1	0.1608	–	0.1608**	0.1952
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	0.2372	–	0.2372*	0.3326
Group 2	0.1219	0.1153	0.2372*	0.3326
Institutional regulated accumulation				
Group 1	0.2155	–	0.2155*	0.2622
Group 2	0.0930	0.1225	0.2155*	0.2622
Platform 1 accumulation				
Group 1	0.3194	–	0.3194*	0.4118
Group 2	0.1575	0.1619	0.3194*	0.4118
Platform 1 income				
Group 1	0.2788	–	0.2788**	0.3734
Group 2	0.1260	0.1528	0.2788**	0.3734

* Distribution accumulated on 31 October 2018

** Distribution payable on 31 December 2018

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Global REIT Fund

Distribution Tables

(Continued)

Treatment by Corporate Shareholders (unaudited)

Corporate shareholders should account for the current year's dividends shown in the distribution table as follows:

	1st Interim Dividend Distribution	2nd Interim Dividend Distribution	3rd Interim Dividend Distribution	Final Dividend Distribution
Treat as a UK corporate dividend	21.55%	31.86%	49.44%	24.66%
Treat as an annual payment net of Income tax at 20%	78.45%	68.14%	50.56%	75.34%

Standard Life Investment Company II Annual Report & Financial Statements

Japanese Equity Index Tracker Fund

Investment Report

Fund Information	
Fund Manager	–
Launch Date	11 April 2005
Benchmark	–

All the shares in this Sub-fund were redeemed and cancelled on 20 June 2012. The Sub-fund will formally terminate at a later date.

Standard Life Investment Company II Annual Report & Financial Statements

Japanese Equity Index Tracker Fund

Portfolio Statement
as at 31 October 2018

Holding	Investment	Market value £'000	Percentage of total net assets
The Sub-fund has not held any investments since 20 June 2012.			

Standard Life Investment Company II Annual Report & Financial Statements

Japanese Equity Index Tracker Fund

Financial Statements

Statement of Total Return

for the year ended 31 October 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Income:					
Net capital gains	2		0		0
Revenue	4	0		0	
Expenses	5	0		(1)	
Net revenue before taxation		0		(1)	
Taxation	6	0		0	
Net revenue after taxation			0		(1)
Total return before distributions			0		(1)
Distributions	7		0		0
Change in net assets attributable to shareholders from investment activities			0		(1)

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2018

		2018		2017	
		£'000	£'000	£'000	£'000
Opening net assets			0		0
Amounts receivable on the issue of shares		0		0	
Amounts payable on the cancellation of shares		0		0	
			0		0
Change in net assets attributable to shareholders from investment activities (see above)			0		(1)
Change in provision for Sub-fund closure			0		1
Closing net assets			0		0

Standard Life Investment Company II Annual Report & Financial Statements

Japanese Equity Index Tracker Fund

Financial Statements

(Continued)

Balance Sheet

as at 31 October 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Assets:					
Fixed assets:					
Investment assets			0		0
Current assets:					
Debtors	8	0		2	
Cash and bank balances		0		0	
			0		2
Total assets			0		2
Liabilities:					
Creditors	9	0		(2)	
			0		(2)
Total liabilities			0		(2)
Net assets			0		0

Standard Life Investment Company II Annual Report & Financial Statements

Japanese Equity Index Tracker Fund

Notes to the Financial Statements

1 Accounting Policies

Please refer to pages 11 and 12 for note on accounting policies.

2 Net Capital Gains

	2018 £'000	2017 £'000
Net capital gains	0	0

3 Purchases, Sales and Transaction Costs

There are no transaction costs associated with the purchases or sales of bonds, collective investment schemes and derivatives during the year, or in the prior year.

4 Revenue

	2018 £'000	2017 £'000
Total revenue	0	0

5 Expenses

	2018 £'000	2017 £'000
Other:		
Audit fee	0	1
Total expenses	0	1

6 Taxation

	2018 £'000	2017 £'000
(a) Analysis of charge in year		
Total current tax	0	0

(b) Factors affecting current tax charge for the year

The tax assessed for the year is the same as the standard rate of corporation tax in the UK for Funds of authorised Open-Ended Investment Companies (20%). The differences are explained below:

Net expense before taxation	0	(1)
Corporation tax at 20% (2017: 20%)	0	0
Current tax charge for year (note 6a)	0	0

Authorised Open-Ended Investment Companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included in the above reconciliation.

Standard Life Investment Company II Annual Report & Financial Statements

Japanese Equity Index Tracker Fund

Notes to the Financial Statements

(Continued)

7 Distributions

(a) The distributions takes account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	2018 £'000	2017 £'000
Distribution	0	0
Add: Income deducted on cancellation of shares	0	0
Deduct: Income received on issue of shares	0	0
Net distribution for the year	0	0

(b) Difference between net revenue and distribution

Net expense after taxation	0	(1)
Add: Capital transferrred to revebue	0	1
	0	0

8 Debtors

	2018 £'000	2017 £'000
Residual payment from ACD in respect of ongoing Sub-fund closure	0	2
Total creditors	0	2

9 Creditors

	2018 £'000	2017 £'000
Other accrued expenses	0	2
Total creditors	0	2

Standard Life Investment Company II Annual Report & Financial Statements

Pacific Basin Equity Index Tracker Fund

Investment Report

Fund Information	
Fund Manager	–
Launch Date	11 April 2005
Benchmark	–

All the shares in this Sub-fund were redeemed and cancelled on 7 June 2012. The Sub-fund will formally terminate at a later date.

Standard Life Investment Company II

Annual Report & Financial Statements

Pacific Basin Equity Index Tracker Fund

Portfolio Statement

as at 31 October 2018

Holding	Investment	Market value £'000	Percentage of total net assets
The Sub-fund has not held any investments since 7 June 2012.			

Standard Life Investment Company II Annual Report & Financial Statements

Pacific Basin Equity Index Tracker Fund

Financial Statements

Statement of Total Return

for the year ended 31 October 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Income:					
Net capital gains	2		0		1
Revenue	4	4		10	
Expenses	5	(2)		(1)	
Net revenue before taxation		2		9	
Taxation	6	0		0	
Net revenue after taxation			2		9
Total return before distributions			2		10
Distributions	7		0		0
Change in net assets attributable to shareholders from investment activities			2		10

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2018

	2018		2017	
	£'000	£'000	£'000	£'000
Opening net assets		0		0
Amounts receivable on the issue of shares	0		0	
Amounts payable on the cancellation of shares	0		0	
		0		0
Change in net assets attributable to shareholders from investment activities (see above)		2		10
Change in provision for Sub-fund closure		(2)		(10)
Closing net assets		0		0

Standard Life Investment Company II Annual Report & Financial Statements

Pacific Basin Equity Index Tracker Fund

Financial Statements

(Continued)

Balance Sheet

as at 31 October 2018

	Notes	2018 £'000	2017 £'000
Assets:			
Fixed assets:			
Investment assets		0	0
Current assets:			
Debtors		0	0
Cash and bank balances		102	101
Total assets		102	101
Liabilities:			
Creditors	8	(102)	(101)
Total liabilities		(102)	(101)
Net assets		0	0

Standard Life Investment Company II Annual Report & Financial Statements

Pacific Basin Equity Index Tracker Fund

Notes to the Financial Statements

1 Accounting Policies

Please refer to pages 11 and 12 for note on accounting policies.

2 Net Capital Gains

	2018 £'000	2017 £'000
Non-derivative securities	0	1
Net capital gains	0	1

3 Purchases, Sales and Transaction Costs

There are no transaction costs associated with the purchases or sales of bonds, collective investment schemes and derivatives during the year, or in the prior year.

4 Revenue

	2018 £'000	2017 £'000
Overseas dividends	4	10
Total revenue	4	10

5 Expenses

	2018 £'000	2017 £'000
Other:		
Audit fee	2	1
Total expenses	2	1

6 Taxation

	2018 £'000	2017 £'000
(a) Analysis of charge in year		
Total current tax	0	0

(b) Factors affecting current tax charge for the year

The tax assessed for the year is the same as the standard rate of corporation tax in the UK for Funds of authorised Open-Ended Investment Companies (20%). The differences are explained below:

Net revenue before taxation	2	9
Corporation tax at 20% (2017: 20%)	1	2
Effects of:		
Dividends not subject to taxation	(1)	(2)
Current tax charge for year (note 6a)	0	0

Authorised Open-Ended Investment Companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included in the above reconciliation.

Standard Life Investment Company II Annual Report & Financial Statements

Pacific Basin Equity Index Tracker Fund

Notes to the Financial Statements

(Continued)

7 Distributions

(a) The distributions takes account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	2018 £'000	2017 £'000
Distribution	0	0
Add: Income deducted on cancellation of shares	0	0
Deduct: Income received on issue of shares	0	0
Net distribution for the year	0	0

(b) Difference between net revenue and distribution

Net revenue after taxation	2	9
Deduct: Revenue transferred to capital	(2)	(9)
	0	0

8 Creditors

	2018 £'000	2017 £'000
Other accrued expenses	2	2
Residual payment due in respect of ongoing Sub-fund closure	100	99
Total creditors	102	101

Standard Life Investment Company II Annual Report & Financial Statements

Short Dated Corporate Bond

Investment Report

Fund Information	
Fund Manager	Daniel McKernan
Launch Date	27 October 2016
Benchmark	BofA Merrill Lynch Sterling Non-Gilt exSubordinated Financials

Investment objective

The investment objective of the Sub-fund is to provide a return from income and capital appreciation.

Investment policy

The investment policy of the Sub-fund is to invest primarily in investment grade fixed interest securities issued by corporations with a maturity of up to 5 years. The Sub-fund may also invest in government and public securities, sub investment grade securities and other interest bearing securities anywhere in the world. Additionally, the Sub-fund may invest in other forms of transferable securities, money-market instruments, deposits, cash and near cash, derivatives and collective investment schemes.

Risk

This Sub-fund is intended for investors who wish to participate in the potential return afforded by investing in an actively managed portfolio of primarily investment grade corporate assets with a maturity of up to 5 years, with some exposure to higher yielding securities. The diversified nature of the portfolio makes it suitable for investors wishing to achieve a broad spread of mainly corporate bond exposure, which provides a degree of protection from default risk, and who do not desire a high degree of stock specific risk. Whilst the income generated should remain relatively stable, the investor must be able to accept some fluctuations in the income due to the higher risk nature of some of the securities held in the Sub-fund. The investor must also be able to accept temporary capital losses due to the volatile nature of bond markets, and should therefore have an investment time horizon of at least 5 years.

Performance

During the period under review, the Short-Dated Corporate Bond Fund Corporate Debt Fund returned -0.02% (net of fees) compared to the ICE BofAML Sterling Non-Gilt ex Subordinated financials (1-5yr) index return of 0.62%. (Fund return source: BIG, benchmark return source: Factset).

The Fund underperformed the benchmark on a net basis over the review period. In terms of individual securities, the Fund's lack of exposure to the UK sub-prime lender Provident Financial was the single biggest relative return detractor. This was owing to growing optimism that the door-step lender's earnings would improve sharply in 2019, following a very challenging 2018 in which it undertook a rights issue to shore up its balance sheet. The second biggest detractor was an overweight in the Italian infrastructure giant Atlantia, whose stock and bonds were severely impacted by the Genoa bridge tragedy in August. Other leading detractors included the Fund's off-benchmark exposure to Iceland's Arion Banki and an overweight in German auto giant Volkswagen International Finance.

On the positive side, among the biggest relative return contributors in the review period was the Fund's overweight in the UK communications infrastructure Arqiva, which in October signed a deal to sell its entire portfolio of indoor networks to Wireless Infrastructure Group. The Fund also benefited from zero exposure to turnaround specialist Melrose Industries, which in September reported a loss for the first half of the year, the same period in which it completed a hostile takeover of the UK engineering business GKN. Other leading contributors included off-benchmark positions in CVS Health and Teva Pharmaceutical.

Investment Activity

In the primary market, we took part in a euro-denominated deal from Bayer maturing in 2022. The deal was used to help finance the acquisition of Monsanto and we viewed the spread on the bonds as an attractive entry point to Bayer. We also participated in sterling-denominated deals from Close Brothers and BASF, and some new mortgage-backed security bonds.

Turning to sales, we trimmed our exposure to German autos by selling BMW given the increased concerns around trade wars. Well ahead of its downgrade we began selling down our General Electric exposure, based on our concerns about the various long-term challenges facing the company. Further examples of sales towards the end of the reporting period included Jaguar Land Rover, CVS Health and the real estate investment company Kennedy Wilson.

Standard Life Investment Company II Annual Report & Financial Statements

Short Dated Corporate Bond

Investment Report (Continued)

Outlook

On the macroeconomic front, the market consensus appears to be for a global economic downturn in 2020. However, history suggests that consensus macro views are often inaccurate.

Spreads around the end of the reporting period were around a fifth wider on year-to-date basis. If the next recession proves to be later than-expected, then we think spreads are approaching fair value and will soon begin to look attractive. However, Brexit, Italian politics and a further increase in trade tensions between the U.S. and China remain key risk factors for investors and are likely to ensure the markets remain more fragile than in the previous several years. We therefore remain cautious on the market and are not actively adding risk. The Fund has relatively little exposure to subordinated debt, of which some is in corporate hybrids, with the remaining exposure to subordinated financials. Aside from subordinated debt, the Fund's high yield exposure is also low and we have been trimming this, for example by selling Jaguar Land Rover.

Synthetic Risk & Reward Indicator



This indicator reflects the volatility of the Sub-fund's share price over the last five years which in turn reflects the volatility of the underlying assets in which the Sub-fund invests. Historical data may not be a reliable indication of the future. As the Sub-fund does not have a five year price history, we have used an internally produced bespoke blended benchmark to show how the Sub-fund price may have behaved over the period prior to the launch of the Sub-fund.

The current rating, which is the same for all share classes, is not guaranteed and may change if the volatility of the assets in which the Sub-fund invests changes. The lowest rating does not mean risk free.

All investment involves risk. This Sub-fund offers no guarantee against loss or that the Sub-fund's objective will be attained.

For further information on the risks that may not be fully captured by the risk and reward indicator, please refer to the current Key Investor Information Document (KIID).

Cautionary note

It should be remembered that past performance is not a guide to future performance. The value of investments may go down as well as up and, therefore, investors may not get back the amount originally invested.

Standard Life Investment Company II Annual Report & Financial Statements

Short Dated Corporate Bond

Comparative Tables

	2018 pence per share	2017 pence per share	2016 pence per share
Retail accumulation			
Change in net assets per share			
Opening net asset value per share	50.37	49.91	50.00 ++
Return before operating charges*	0.34	0.98	(0.08)
Operating charges**	(0.51)	(0.52)	(0.01)
Return after operating charges*	(0.17)	0.46	(0.09)
Distributions	(0.25)	(0.11)	0.00
Retained distributions on accumulation share	0.25	0.11	0.00
Closing net asset value per share	50.20	50.37	49.91
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.33%	0.92%	-0.18%
Other information			
Closing net asset value (£'000)	88	1	1
Closing number of shares	174,470	2,200	2,200
Operating charges****	1.03%	1.03%	1.06%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	50.58	50.73	50.13
Lowest share price	50.05	49.88	49.91

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

++ From the launch of the Sub-fund on 27 October 2016.

Standard Life Investment Company II Annual Report & Financial Statements

Short Dated Corporate Bond

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional accumulation			
Change in net assets per share			
Opening net asset value per share	50.57	49.91	50.00 ++
Return before operating charges*	0.35	0.98	(0.09)
Operating charges**	(0.31)	(0.31)	0.00
Return after operating charges*	0.04	0.67	(0.09)
Distributions	(0.46)	(0.32)	0.00
Retained distributions on accumulation share	0.46	0.31	0.00
Closing net asset value per share	50.61	50.57	49.91
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	0.07%	1.34%	-0.18%
Other information			
Closing net asset value (£'000)	100,151	100,121	31,048
Closing number of shares	197,872,120	197,965,425	62,202,200
Operating charges****	0.62%	0.62%	0.64%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	50.82	50.90	50.14
Lowest share price	50.34	49.90	49.91

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++ From the launch of the Sub-fund on 27 October 2016.

Standard Life Investment Company II Annual Report & Financial Statements

Short Dated Corporate Bond

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Retail income			
Change in net assets per share			
Opening net asset value per share	50.25	49.91	50.00 ++
Return before operating charges*	0.34	0.97	(0.08)
Operating charges**	(0.51)	(0.52)	(0.01)
Return after operating charges*	(0.17)	0.45	(0.09)
Distributions	(0.22)	(0.11)	0.00
Closing net asset value per share	49.86	50.25	49.91
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.34%	0.90%	-0.18%
Other information			
Closing net asset value (£'000)	0	1	1
Closing number of shares	200	2,200	2,200
Operating charges****	1.02%	1.03%	1.06%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	50.45	50.64	50.13
Lowest share price	49.83	49.88	49.91

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

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**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

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++ From the launch of the Sub-fund on 27 October 2016.

Standard Life Investment Company II Annual Report & Financial Statements

Short Dated Corporate Bond

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional income			
Change in net assets per share			
Opening net asset value per share	50.25	49.91	50.00 ++
Return before operating charges*	0.35	0.97	(0.09)
Operating charges**	(0.31)	(0.32)	0.00
Return after operating charges*	0.04	0.65	(0.09)
Distributions	(0.44)	(0.31)	0.00
Closing net asset value per share	49.85	50.25	49.91
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	0.08%	1.30%	-0.18%
Other information			
Closing net asset value (£'000)	0	1	1
Closing number of shares	200	2,200	2,200
Operating charges****	0.62%	0.64%	0.64%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	50.48	50.68	50.14
Lowest share price	49.85	49.89	49.91

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

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++ From the launch of the Sub-fund on 27 October 2016.

Standard Life Investment Company II Annual Report & Financial Statements

Short Dated Corporate Bond

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share
Standard Life income		
Change in net assets per share		
Opening net asset value per share	49.91	50.00 ++
Return before operating charges*	0.36	0.26
Operating charges**	(0.02)	(0.01)
Return after operating charges*	0.34	0.25
Distributions	(0.75)	(0.34)
Closing net asset value per share	49.50	49.91
* after direct transaction costs of:***	0.00	0.00
Performance+		
Return after charges	0.68%	0.50%
Other information		
Closing net asset value (£'000)	2,661	2,684
Closing number of shares	5,375,474	5,377,474
Operating charges****	0.04%	0.04%
Direct transaction costs***	0.00%	0.00%
Prices		
Highest share price	50.19	50.35
Lowest share price	49.50	49.90

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

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++ Share class launched on 16 March 2017.

Standard Life Investment Company II Annual Report & Financial Statements

Short Dated Corporate Bond

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share
Standard Life accumulation		
Change in net assets per share		
Opening net asset value per share	50.66	50.00 ++
Return before operating charges*	0.36	0.72
Operating charges**	(0.06)	(0.05)
Return after operating charges*	0.30	0.67
Distributions	(0.72)	(0.49)
Retained distributions on accumulation share	0.72	0.48
Closing net asset value per share	50.96	50.66
* after direct transaction costs of:***	0.00	0.00
Performance+		
Return after charges	0.59%	1.34%
Other information		
Closing net asset value (£'000)	1,012	492
Closing number of shares	1,985,155	971,251
Operating charges****	0.12%	0.14%
Direct transaction costs***	0.00%	0.00%
Prices		
Highest share price	51.09	50.95
Lowest share price	50.52	49.96

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

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++ Share class launched on 11 January 2017.

Standard Life Investment Company II Annual Report & Financial Statements

Short Dated Corporate Bond

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Platform 1 accumulation			
Change in net assets per share			
Opening net asset value per share	50.55	49.91	50.00 ++
Return before operating charges*	0.35	0.99	(0.09)
Operating charges**	(0.34)	(0.34)	0.00
Return after operating charges*	0.01	0.65	(0.09)
Distributions	(0.44)	(0.30)	0.00
Retained distributions on accumulation share	0.44	0.29	0.00
Closing net asset value per share	50.56	50.55	49.91
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	0.02%	1.30%	-0.18%
Other information			
Closing net asset value (£'000)	13,012	13,419	1
Closing number of shares	25,733,303	26,545,990	2,200
Operating charges****	0.67%	0.67%	0.69%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	50.79	50.88	50.14
Lowest share price	50.30	49.89	49.91

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

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**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

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++ From the launch of the Sub-fund on 27 October 2016.

Standard Life Investment Company II

Annual Report & Financial Statements

Short Dated Corporate Bond

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Platform 1 income			
Change in net assets per share			
Opening net asset value per share	50.27	49.91	50.00 ++
Return before operating charges*	0.34	1.00	(0.09)
Operating charges**	(0.33)	(0.34)	0.00
Return after operating charges*	0.01	0.66	(0.09)
Distributions	(0.43)	(0.30)	0.00
Closing net asset value per share	49.85	50.27	49.91
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	0.02%	1.32%	-0.18%
Other information			
Closing net asset value (£'000)	11,285	11,160	1
Closing number of shares	22,640,433	22,202,498	2,200
Operating charges****	0.67%	0.67%	0.69%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	50.49	50.67	50.13
Lowest share price	49.83	49.90	49.91

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

++ From the launch of the Sub-fund on 27 October 2016.

Standard Life Investment Company II Annual Report & Financial Statements

Short Dated Corporate Bond

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional S accumulation			
Change in net assets per share			
Opening net asset value per share	50.69	49.92	50.00 ++
Return before operating charges*	0.35	0.99	(0.08)
Operating charges**	(0.20)	(0.20)	0.00
Return after operating charges*	0.15	0.79	(0.08)
Distributions	(0.58)	(0.43)	0.00
Retained distributions on accumulation share	0.58	0.41	0.00
Closing net asset value per share	50.84	50.69	49.92
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	0.30%	1.58%	-0.16%
Other information			
Closing net asset value (£'000)	6,277	5,134	1
Closing number of shares	12,347,607	10,128,994	2,200
Operating charges****	0.40%	0.40%	0.42%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	50.97	51.00	50.14
Lowest share price	50.49	49.90	49.92

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++ From the launch of the Sub-fund on 27 October 2016.

Standard Life Investment Company II Annual Report & Financial Statements

Short Dated Corporate Bond

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional S income			
Change in net assets per share			
Opening net asset value per share	50.27	49.92	50.00 ++
Return before operating charges*	0.35	0.98	(0.08)
Operating charges**	(0.20)	(0.20)	0.00
Return after operating charges*	0.15	0.78	(0.08)
Distributions	(0.57)	(0.43)	0.00
Closing net asset value per share	49.85	50.27	49.92
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	0.30%	1.56%	-0.16%
Other information			
Closing net asset value (£'000)	57,823	58,770	1,917
Closing number of shares	116,005,936	116,918,834	3,839,915
Operating charges****	0.40%	0.40%	0.42%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	50.51	50.68	50.14
Lowest share price	49.84	49.90	49.92

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

++ From the launch of the Sub-fund on 27 October 2016.

Standard Life Investment Company II

Annual Report & Financial Statements

Short Dated Corporate Bond

Portfolio Statement

as at 31 October 2018

Holding	Investment	Market value £'000	Percentage of total net assets
Bonds (97.18%)		187,924	97.72
Australian Dollar Denominated Bonds (0.11%)		206	0.11
Corporate Bonds (0.11%)		206	0.11
less than 5 years to maturity			
370,000	Anglo American Capital 5.75% 2018	206	0.11
Euro Denominated Bonds (4.78%)		9,440	4.91
Corporate Bonds (4.78%)		9,440	4.91
less than 5 years to maturity			
1,000,000	Arion Banki 0.75% 2020	891	0.46
974,000	Arion Banki 1% 2023	842	0.44
700,000	BBVA 0.75% 2022	612	0.32
700,000	CaixaBank 1.125% 2023	607	0.32
445,000	Crown European 2.25% 2023	401	0.21
1,100,000	Danske Bank 0.875% 2023	944	0.49
350,000	Landsbankinn 1.375% 2022	312	0.16
1,105,000	Teva Pharmaceutical 0.375% 2020	963	0.50
700,000	Volkswagen International Finance 0.5% 2021	621	0.32
between 5 and 10 years to maturity			
1,000,000	CaixaBank 5% 2023	888	0.46
between 10 and 15 years to maturity			
462,000	Taurus 2018-1 IT SRL FRN 2030	406	0.21
Perpetual			
600,000	ABN Amro 5.75% Perpetual	557	0.29
600,000	BNP Paribas 4.875% Perpetual	548	0.29
1,000,000	Telefonica FRN Perpetual	848	0.44
Sterling Denominated Bonds (87.75%)		172,653	89.78
Corporate Bonds (76.70%)		155,498	80.86
less than 5 years to maturity			
750,000	AA Bond 2.75% 2023	691	0.36
375,000	AA Bond 2.875% 2022	361	0.19
530,000	Aareal Bank 1% 2020	527	0.27
1,252,000	Abbey National 1.875% 2020	1,256	0.65
900,000	Abbey National 5.125% 2021	982	0.51
1,600,000	ABN Amro 1% 2020	1,588	0.83

Standard Life Investment Company II

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Short Dated Corporate Bond

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
850,000	AIG 5% 2023	947	0.49
772,000	Atlantia 6.25% 2022	820	0.43
800,000	Banco Santander 2.75% 2023	796	0.41
1,460,000	Bank Nederlandse Gemeenten 1% 2022	1,448	0.75
500,000	Bank Nederlandse Gemeenten 1.375% 2019	502	0.26
700,000	Bank of America 5.5% 2019	731	0.38
1,000,000	Bank of America 6.125% 2021	1,121	0.58
820,000	Bank of Montreal 1.375% 2021	814	0.42
1,180,000	Bank of Nova Scotia 1.25% 2022	1,160	0.60
700,000	Banque Federative du Credit Mutuel 0.875% 2020	693	0.36
700,000	Banque Federative du Credit Mutuel 1.375% 2021	692	0.36
350,000	Barclays 10% 2021	412	0.21
2,845,000	Barclays 2.375% 2023	2,793	1.45
600,000	Barclays 4.25% 2022	653	0.34
577,000	BASF 1.375% 2022	576	0.30
232,000	Birmingham Airport 6.25% 2021	254	0.13
950,000	BMW 1% 2021	926	0.48
767,000	BMW 1.75% 2022	762	0.40
778,000	BMW 1.875% 2023	765	0.40
1,924,000	British American Tobacco 1.75% 2021	1,924	1.00
1,700,000	British American Tobacco 6% 2022	1,937	1.01
650,000	British Sky Broadcasting 2.875% 2020	668	0.35
1,110,000	BUPA 3.375% 2021	1,161	0.60
350,000	Close Brothers 2.75% 2023	349	0.18
500,000	Close Brothers 3.875% 2021	524	0.27
800,000	Commonwealth Bank of Australia 1.125% 2021	794	0.41
348,000	Co-Operative Bank 4.75% 2021	372	0.19
470,000	Coventry Building Society 1% 2020	467	0.24
600,000	Coventry Building Society 6% 2019	627	0.33
915,000	CPUK 2.666% 2020	925	0.48
1,380,000	Credit Suisse 3% 2022	1,420	0.74
690,000	Daimler 1% 2019	685	0.36
1,231,000	Daimler 1.5% 2022	1,210	0.63
900,000	Daimler 2.125% 2022	901	0.47
680,000	Daimler 2.75% 2020	693	0.36
1,600,000	Deutsche Bank 1.875% 2020	1,590	0.83
1,900,000	Dexia Credit 1.125% 2022	1,879	0.98
1,317,000	Digital Stout 4.75% 2023	1,447	0.75
200,000	DNB Bank 4.25% 2020	207	0.11
650,000	Dwr Cymru Financing 6.907% 2021	734	0.38

Standard Life Investment Company II

Annual Report & Financial Statements

Short Dated Corporate Bond

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
1,300,000	E.ON Finance 6% 2019	1,358	0.71
750,000	EDF 6.875% 2022	903	0.47
864,000	EE Finance 4.375% 2019	874	0.45
584,000	EI Group 6.5% 2018	585	0.30
650,000	Electricity Supply Board 6.5% 2020	692	0.36
700,000	Enel 6.25% 2019	720	0.37
1,270,000	Eversholt 5.831% 2020	1,376	0.72
100,000	Fidelity International 6.75% 2020	109	0.06
1,650,000	First Hydro 9% 2021	1,959	1.02
600,000	FirstGroup 5.25% 2022	648	0.34
600,000	FirstGroup 8.75% 2021	684	0.36
1,200,000	FMS Wertmanagement 0.875% 2021	1,195	0.62
1,000,000	FMS Wertmanagement 0.875% 2022	991	0.52
600,000	FMS Wertmanagement 1.125% 2019	601	0.31
785,000	Friends Life 8.25% 2022	932	0.48
935,000	G4S 7.75% fixed to floating 2019	964	0.50
568,000	GE Capital 4.375% 2019	579	0.30
700,000	GE Capital 5.875% 2020	753	0.39
976,000	Glencore 6% 2022	1,087	0.57
1,050,000	Global Switch 4.375% 2022	1,144	0.59
800,000	Great Rolling Stock Co 6.25% 2020	861	0.45
1,151,000	Heathrow Funding 5.225% 2023	1,309	0.68
2,423,000	Heathrow Funding 6% 2020	2,568	1.34
1,650,000	HSBC 2.175% 2023	1,640	0.85
800,000	Iberdrola 6% 2022	917	0.48
1,676,000	Innogy 6.5% 2021	1,871	0.97
100,000	International Business Machines 2.75% 2020	103	0.05
1,100,000	Intesa Sanpaolo 5.25% 2022	1,162	0.60
1,681,000	John Lewis 8.375% 2019	1,727	0.90
1,413,000	JPMorgan Chase 1.875% 2020	1,422	0.74
4,470,000	KFW 0.875% 2022	4,425	2.30
2,500,000	KFW 5.55% 2021	2,785	1.45
665,000	Leeds Building Society 4.875% 2020	714	0.37
823,000	Lend Lease Europe 6.125% 2021	912	0.47
1,050,000	Lloyds Bank 1.75% 2022	1,062	0.55
800,000	Lloyds Bank 2.5% 2022	823	0.43
200,000	London Stock Exchange 9.125% 2019	215	0.11
1,290,000	LVMH 1% 2022	1,275	0.66
900,000	McDonald's 6.375% 2020	955	0.50
400,000	Metlife 5.25% 2020	424	0.22

Standard Life Investment Company II

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Short Dated Corporate Bond

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
1,400,000	MetLife Global Funding I 1.125% 2021	1,383	0.72
400,000	MetLife Global Funding I 2.625% 2022	415	0.22
730,000	Motability Operations 6.625% 2019	772	0.40
1,000,000	National Australia Bank 0.875% 2020	990	0.52
900,000	National Australia Bank 1.125% 2021	893	0.46
800,000	National Australia Bank 1.375% 2022	790	0.41
400,000	National Express 6.625% 2020	431	0.22
1,635,000	National Grid 1.125% 2021	1,616	0.84
100,000	National Grid 6.375% 2020	107	0.06
1,100,000	NatWest 6.5% 2021	1,224	0.64
1,176,000	Network Rail 4.625% 2020	1,249	0.65
800,000	New York Life Global Funding 1% 2021	788	0.41
1,330,000	Orange 7.25% fixed to floating 2020	1,482	0.77
700,000	PCL Funding II FRN 2022	700	0.36
750,000	Porterbrook Rail 6.5% 2020	817	0.42
1,182,000	Royal Bank of Canada 1.125% 2021	1,174	0.61
1,350,000	RWE 5.5% 2022	1,527	0.79
1,021,000	Santander UK 1.625% 2021	1,016	0.53
900,000	Scania 1.875% 2022	890	0.46
480,000	Scentre 2.375% 2022	490	0.25
200,000	Segro 5.625% 2020	216	0.11
1,380,000	Severn Trent 1.125% 2021	1,364	0.71
548,000	Severn Trent 1.625% 2022	545	0.28
400,000	South East Water 5.6577% 2019	414	0.22
300,000	Southern Gas Networks 4.875% 2020	321	0.17
850,000	Southern Water 5% 2021	918	0.48
750,000	SPI Australia Assets 5.125% 2021	807	0.42
1,200,000	SSE 4.25% 2021	1,291	0.67
720,000	Swedbank 1.25% 2021	708	0.37
476,000	Swedbank 1.625% 2019	477	0.25
600,000	Swedbank Hypotek 1.125% 2021	596	0.31
900,000	Telecom Italia 6.375% 2019	923	0.48
650,000	Telefonica Emisiones 5.289% 2022	732	0.38
1,400,000	Temasek Financial 4.625% 2022	1,560	0.81
900,000	Thames Water 2.375% 2023	878	0.46
1,310,000	Thames Water 7.75% 2019	1,337	0.70
1,676,000	Total Capital 2.25% 2022	1,724	0.90
640,000	Toyota Motor 1.125% 2021	633	0.33
1,500,000	Transport for London 2.25% 2022	1,544	0.80
2,000,000	Turbo Finance FRN 2023	2,016	1.05

Standard Life Investment Company II

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Short Dated Corporate Bond

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
587,000	UBS 1.25% 2020	583	0.30
700,000	Unite (USAF) II 3.374% 2023	744	0.39
770,000	Volkswagen Financial Services 1.5% 2021	760	0.40
800,000	Volkswagen Financial Services 1.625% 2022	785	0.41
810,000	Volkswagen Financial Services 1.75% 2022	794	0.41
1,000,000	Volkswagen Financial Services 1.875% 2021	992	0.52
180,000	Volkswagen Financial Services 2.75% 2020	183	0.10
200,000	Wellcome Trust 4.75% 2021	218	0.11
110,000	Western Power 9.25% 2020	127	0.07
600,000	WPP Finance 6.375% 2020	655	0.34
between 5 and 10 years to maturity			
450,000	Anheuser-Busch InBev 9.75% 2024	626	0.33
338,000	Citigroup 5.875% 2024	391	0.20
1,300,000	CYBG 5% 2026	1,326	0.69
713,000	Inter-American Development Bank 1.25% 2023	709	0.37
900,000	Intu (SGS) Finance 4.125% 2023	951	0.49
1,000,000	KFW 1.25% 2023	994	0.52
1,300,000	Land Securities 1.974% 2024	1,299	0.67
285,000	Newday Funding 2018 FRN 2026	285	0.15
355,000	Principality Building Society 2.375% 2023	348	0.18
830,000	Virgin Media 6% 2025	933	0.48
550,000	Western Power Distribution 3.625% 2023	574	0.30
598,000	Yorkshire Building Society 4.125% 2024	609	0.32
between 10 and 15 years to maturity			
900,000	BL Superstore 5.27% 2030	225	0.12
between 15 and 25 years to maturity			
1,123,000	Arqiva 4.04% 2035	1,157	0.60
720,000	Direct Line 9.25% 2042	861	0.45
150,000	Marston's 5.641% 2035	129	0.07
600,000	Munich Re 6.625% fixed to floating 2042	679	0.35
750,000	QBE Insurance 6.115% 2042	801	0.42
850,000	Southern Water 4.5% 2038	906	0.47
320,000	Wales & West Utilities 6.75% 2036	321	0.17
greater than 25 years to maturity			
300,000	America Movil 6.375% fixed to floating 2073	317	0.16
831,000	Paragon 1.43044% 2050	822	0.43

Standard Life Investment Company II

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Short Dated Corporate Bond

Portfolio Statement

(Continued)

			Market value £'000	Percentage of total net assets
Holding	Investment			
Corporate Bonds (Continued)				
836,000	RMAC 1.54306% 2046		784	0.41
680,000	SSE 3.625% 2077		676	0.35
650,000	Tolkien Funding Sukuk 1.43283% 2052		597	0.31
Perpetual				
700,000	ELM 6.3024% fixed to floating Perpetual		705	0.37
530,000	HBOS 6.461% Perpetual		532	0.28
1,500,000	National Capital Trust I 5.62% Perpetual		1,506	0.78
650,000	Nationwide Building Society 6.875% Perpetual		660	0.34
975,000	Orange 5.875% Perpetual		1,037	0.54
710,000	Pennon 2.875% Perpetual		706	0.37
600,000	RWE 7% fixed to floating Perpetual		607	0.32
230,000	SSE 3.875% fixed to floating Perpetual		231	0.12
480,000	Virgin Money FRN Perpetual		487	0.25
Government Bonds (11.05%)			17,155	8.92
less than 5 years to maturity				
750,000	European Investment Bank 0.625% 2020		748	0.39
2,852,000	European Investment Bank 1.125% 2021		2,853	1.48
1,400,000	European Investment Bank 2.25% 2020		1,425	0.74
3,700,000	European Investment Bank 2.5% 2022		3,879	2.02
4,213,000	European Investment Bank 5.375% 2021		4,676	2.43
500,000	International Bank for Reconstruction & Development 0.375% 2021		492	0.26
450,000	International Bank for Reconstruction & Development 1.375% 2020		453	0.24
1,000,000	Landwirtschaftliche Rentenbank 1.375% 2020		1,007	0.52
680,000	Province of Alberta Canada 1% 2021		673	0.35
920,000	UK (Govt of) 1.75% 2022		949	0.49
US Dollar Denominated Bonds (4.54%)			5,625	2.92
Corporate Bonds (4.54%)			5,625	2.92
less than 5 years to maturity				
152,000	Anadarko Petroleum 8.7% 2019		121	0.06
380,000	Anheuser-Busch InBev 3.3% 2023		290	0.15
1,073,000	Braskem 3.5% 2023		788	0.41
200,000	CNPC 2.7% 2019		155	0.08
630,000	CVS Health 3.7% 2023		487	0.25
413,793	IHO Verwaltungs 4.125% 2021		314	0.16
430,000	Jaguar Land Rover 4.25% 2019		335	0.18

Standard Life Investment Company II

Annual Report & Financial Statements

Short Dated Corporate Bond

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Corporate Bonds (Continued)			
410,000	Kinder Morgan 3.05% 2019	320	0.17
515,000	Kinder Morgan 3.15% 2023	389	0.20
830,000	Syngenta Finance 4.441% 2023	637	0.33
280,000	Time Warner 2.1% 2019	218	0.11
708,000	UBS 2.45% 2020	542	0.28
between 5 and 10 years to maturity			
1,000,000	Bayer 3.875% 2023	770	0.40
Perpetual			
320,000	HSBC 6.875% Perpetual	259	0.14
Collective Investment Schemes (0.13%)		1,656	0.86
0	Aberdeen Liquidity Fund - Euro	0	0.00
1,656	Aberdeen Liquidity Fund - Sterling	1,656	0.86
Derivatives (0.19%)		(107)	(0.05)
Forward Currency Contracts (0.18%)		(116)	(0.06)
Buy AUD 10,760 Sell GBP 6,080 30/11/2018		0	0.00
Buy EUR 306,618 Sell GBP 272,432 09/11/2018		0	0.00
Buy EUR 760,657 Sell GBP 672,410 09/11/2018		2	0.00
Buy GBP 216,806 Sell AUD 385,971 09/11/2018		3	0.00
Buy GBP 944,287 Sell EUR 1,069,052 09/11/2018		(4)	0.00
Buy GBP 9,593,588 Sell EUR 10,755,751 09/11/2018		53	0.03
Buy GBP 318,656 Sell USD 408,120 09/11/2018		(1)	0.00
Buy GBP 777,776 Sell USD 1,006,898 09/11/2018		(10)	(0.01)
Buy GBP 6,417,123 Sell USD 8,430,027 09/11/2018		(178)	(0.09)
Buy USD 736,773 Sell GBP 573,346 09/11/2018		3	0.00
Buy USD 765,950 Sell GBP 589,441 09/11/2018		10	0.01
Buy USD 1,003,951 Sell GBP 779,174 09/11/2018		6	0.00
Futures (0.01%)		12	0.01
8	Long Gilt Future 27/12/2018	0	0.00
(16)	Short US 5YR Note Future 31/12/2018	12	0.01

Standard Life Investment Company II

Annual Report & Financial Statements

Short Dated Corporate Bond

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Interest Rate Swaps (0.00%)		(3)	0.00
GBP 1,500,000	Pay floating GBP-LIBOR receive fixed 0.746% 09/12/2019	(5)	0.00
GBP 1,750,000	Pay floating GBP-LIBOR receive fixed 0.8125% 09/01/2021	(13)	(0.01)
GBP 5,000,000	Pay floating GBP-LIBOR receive fixed 1.3683% 25/04/2022	15	0.01
Total investment assets and liabilities		189,473	98.53
Net other assets		2,836	1.47
Total Net Assets		192,309	100.00

All investments are listed on recognised stock exchanges and are approved securities, regulated collective investment schemes or approved derivatives within the meaning of the FCA rules unless otherwise stated.

The percentage figures in brackets show the comparative holding as at 31 October 2017.

	Market value £'000
Reconciliation of assets and liabilities to the balance sheet	
Investment assets as per the Balance Sheet	189,684
Investment liabilities	(211)
Net investment assets	189,473
Net other assets	2,836
Total Net Assets	192,309

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Statement of Total Return

for the year ended 31 October 2018

		2018	2017
	Notes	£'000	£'000
Income:			
Net capital (losses)/gains	2	(1,607)	85
Revenue	4	2,967	1,831
Expenses	5	(1,019)	(758)
Interest payable and similar charges	6	(40)	(24)
Net revenue before taxation		1,908	1,049
Taxation	7	0	0
Net revenue after taxation		1,908	1,049
Total return before distributions		301	1,134
Distributions	8	(1,908)	(1,049)
Change in net assets attributable to shareholders from investment activities		(1,607)	85

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2018

	2018	2017
	£'000	£'000
Opening net assets attributable to shareholders	191,783	32,971
Amounts receivable on the issue of shares	15,859	163,011
Amounts payable on the cancellation of shares	(14,830)	(5,181)
	1,029	157,830
Dilution adjustment	3	347
Change in net assets attributable to shareholders from investment activities (see above)	(1,607)	85
Retained distribution on accumulation shares	1,101	550
Closing net assets attributable to shareholders	192,309	191,783

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Balance Sheet

as at 31 October 2018

	Notes	2018 £'000	2017 £'000
Assets:			
Fixed assets:			
Investment assets		189,684	187,026
Current assets:			
Debtors	9	3,879	3,993
Cash and bank balances	10	673	1,845
		4,552	5,838
Total assets		194,236	192,864
Liabilities:			
Investment liabilities		(211)	(46)
Creditors	11	(1,503)	(872)
Distribution payable		(213)	(163)
		(1,716)	(1,035)
Total liabilities		(1,927)	(1,081)
Net assets attributable to shareholders		192,309	191,783

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Notes to the Financial Statements

1 Accounting Policies

Please refer to pages 11 and 12 for note on accounting policies.

2 Net Capital (Losses)/Gains

	2018 £'000	2017 £'000
Non-derivative securities	(1,255)	(494)
Derivative contracts	67	3
Forward currency contracts	(395)	632
Other losses	(15)	(44)
Handling charges taken from the capital account	(9)	(12)
Net capital (losses)/gains	(1,607)	85

3 Purchases, Sales and Transaction Costs

There are no transaction costs associated with the purchases or sales of bonds, collective investment schemes and derivatives during the year, or in the prior year.

Collective investments operate within the terms of the offer document or prospectus. Typically we do not invest into Funds that require an initial charge to be made. The underlying price contains an estimation of cost known as a dilution levy which is applied from time to time.

Bonds are dealt on a spread agreed between buyer and seller with reference to the expected cashflows and current credit profiles.

Derivatives are dealt on a spread agreed between buyer and seller with reference to the underlying investment.

During the year the total purchases and sales across different major asset classes are as per below table.

	2018 £'000	2017 £'000
Purchase		
Bonds	73,224	201,308
Collective investment schemes	48,622	67,196
Sales		
Bonds	66,804	41,813
Collective investment schemes	47,228	65,941

The Sub-fund suffers a number of explicit costs as disclosed in the notes and Sub-fund history. The Sub-fund also suffers implicit costs an example is market spread, the spread represents the costs of providing liquidity in a market. It therefore is subject to change based on volume, active markets have a lower spread the difference between; bid the price you receive and offer the price you pay.

At the balance sheet date the average portfolio dealing spread (i.e. the spread between bid and offer prices expressed as a percentage of the offer price) was 0.28% (2017: 0.26%), this is representative of the average spread on the assets held during the year.

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Notes to the Financial Statements

(Continued)

4 Revenue

	2018	2017
	£'000	£'000
Interest on debt securities	2,892	1,810
Derivative revenue	18	8
Bank interest	57	13
Total revenue	2,967	1,831

5 Expenses

	2018	2017
	£'000	£'000
Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:		
Authorised Corporate Director's periodic charge	777	574
Dealing charge	32	26
Registration fees	151	114
	960	714
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Depositary's fees	33	23
Safe custody fee	15	10
	48	33
Other:		
Audit fee	11	11
Total expenses	1,019	758

6 Interest Payable and Similar Charges

	2018	2017
	£'000	£'000
Interest payable	40	24
Total interest payable & similar charges	40	24

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Notes to the Financial Statements

(Continued)

7 Taxation

	2018 £'000	2017 £'000
(a) Analysis of charge in year		
Total current tax	0	0
(b) Factors affecting current tax charge for the year		
The tax assessed for the year is less than the standard rate of corporation tax in the UK for Funds of authorised Open-Ended Investment Companies (20%). The differences are explained below:		
Net revenue before taxation	1,908	1,049
Corporation tax at 20% (2017: 20%)	382	210
Effects of:		
Distributions treated as tax deductible	(382)	(210)
Total tax charge for year (note 7a)	0	0

8 Distributions

The distributions takes account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	2018 £'000	2017 £'000
First interim distribution	409	153
Second interim distribution	458	292
Third interim distribution	527	289
Final distribution	514	371
	1,908	1,105
Add: Income deducted on cancellation of shares	14	4
Deduct: Income received on issue of shares	(14)	(60)
Net distribution for the year	1,908	1,049

Details of the distribution per share are set out in this Sub-fund's distribution tables.

9 Debtors

	2018 £'000	2017 £'000
Amounts receivable from the ACD for the issue of shares	1	102
Sales awaiting settlement	1,153	825
Accrued revenue	2,725	3,066
Total debtors	3,879	3,993

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Notes to the Financial Statements

(Continued)

10 Cash and Bank Balances

	2018 £'000	2017 £'000
Amounts held at futures clearing houses and brokers	3	0
Cash and bank balances	670	1,997
	<hr/> 673	<hr/> 1,997
Collateral cash	0	(152)
Total cash and bank balances	<hr/> 673	<hr/> 1,845

11 Creditors

	2018 £'000	2017 £'000
Amounts payable to the ACD for cancellation of shares	122	51
Purchases awaiting settlement	1,286	736
Accrued expenses payable to ACD	80	81
Accrued expenses payable to the Depositary or associates of the Depositary	3	4
Other accrued expenses	12	0
Total creditors	<hr/> 1,503	<hr/> 872

12 Related Party Transactions

Standard Life Investments (Mutual Funds) Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal in respect of all transactions of shares in the Sub-fund.

The fees received by the ACD are set out in note 5.

The ACD is involved in all transactions in shares of the Sub-fund, the aggregate values of which are set out in the Statement of Change in Net Assets Attributable to Shareholders on page 209. £201,000 was due to the ACD at the year end.

13 Shares in issue reconciliation

	Opening shares 2017	Creations during the year	Cancellations during the year	Conversions during the year	Closing shares 2018
Retail accumulation	2,200	174,270	(2,000)	0	174,470
Institutional accumulation	197,965,425	12,015,874	(12,109,179)	0	197,872,120
Retail income	2,200	0	(2,000)	0	200
Institutional income	2,200	0	(2,000)	0	200
Standard Life income	5,377,474	0	(2,000)	0	5,375,474
Standard Life accumulation	971,251	1,015,904	(2,000)	0	1,985,155
Platform 1 accumulation	26,545,990	4,755,423	(5,568,110)	0	25,733,303
Platform 1 income	22,202,498	3,193,686	(1,896,961)	(858,790)	22,640,433
Institutional S accumulation	10,128,994	2,950,600	(731,987)	0	12,347,607
Institutional S income	116,918,834	6,479,943	(8,251,381)	858,540	116,005,936

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Notes to the Financial Statements

(Continued)

14 Fair Value Hierarchy

	2018 £'000	2018 £'000	2018 £'000	2017 £'000	2017 £'000	2017 £'000
Fair value of investment assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Bonds	2,629	185,295	0	5,908	180,470	0
Collective Investment Schemes	0	1,656	0	0	254	0
Derivatives	12	92	0	12	382	0
Total investment assets	2,641	187,043	0	5,920	181,106	0
Derivatives	0	(211)	0	0	(46)	0
Total investment liabilities	0	(211)	0	0	(46)	0

The three levels of the fair value hierarchy under FRS 102 are described below:

Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for the identical unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

15 Risk Management Policies & Numerical Disclosures

In accordance with the investment objectives, the Sub-fund may hold certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policies;
- cash and short-term debtors and creditors arising directly from operations; and
- derivatives.

The main risks arising from the Sub-fund's financial instruments are market price, foreign currency, interest rate, credit and liquidity risk.

The policies for managing these risks are summarised below and have been applied consistently throughout the year, and prior year.

(a) Market price risk

Each Sub-fund's investment portfolio is exposed to market price fluctuation which are monitored by the Fund Manager in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers mitigate the risk of excessive exposure to any particular type of security or issuer.

Value at Risk (VaR) is a measure of the maximum potential loss to the Sub-fund due to market risk. More particularly, VaR measures the maximum potential loss at a given confidence level (probability) over a specific time period under normal market conditions.

2018	Minimum	Maximum	Average
VaR 99% 1 Month	0.71%	0.88%	0.78%
2017	Minimum	Maximum	Average
VaR 99% 1 Month	1.56%	1.92%	1.72%

At the year end date, there was a 1% chance of the portfolio value falling (or rising) more than 0.71%, £1,365,000 (2017: 0.88%, £1,688,000) in one month period.

This calculation is generally determined by the use of an industry recognised medium term risk model, typically based on 3-5 year history. The method assumes normal market conditions and that the portfolio remains unchanged.

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Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

(b) Foreign currency risk

A proportion of the net assets of the Sub-fund are denominated in currencies other than Sterling, therefore the balance sheet and total returns can be affected by currency movements. In certain circumstances, the Fund Manager may seek to manage exposure to currency movements by using forward currency contracts.

The Sub-fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

Income received in foreign currencies is converted into Sterling at the exchange rates ruling when the income is received.

Currency exposure

The net foreign currency monetary exposure comprises:

	Net foreign currency monetary assets	
	2018 £'000	2017 £'000
Australian Dollar	26	15
Euro	220	435
US Dollar	374	299

(c) Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuations in interest rates. The Fund Manager continuously reviews interest rates and inflation expectations. The assessment of this may result in a change in investment strategy.

Bond yields are affected by market and economic conditions, including inflation rates and government policy. An analysis of the interest rates and maturity of bond listings is detailed below.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In general, if interest rates rise, the income potential of the Sub-fund also rises but the value of fixed rate securities will decline (along with certain expenses calculated by reference to the assets of the Sub-fund). A decline in interest rates will, in general, have the opposite effect.

The interest rate risk profile of the Sub-fund's financial assets and liabilities is:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets/ (liabilities) not carrying interest £'000	Total £'000
2018				
Currency				
UK Sterling	25,326	148,983	17,380	191,689
Australian Dollar	24	205	(203)	26
Euro	2,931	6,741	(9,452)	220
US Dollar	674	5,366	(5,666)	374
2017				
Currency				
UK Sterling	17,795	150,637	22,602	191,034
Australian Dollar	12	220	(217)	15
Euro	3,109	6,414	(9,088)	435
US Dollar	1,850	8,440	(9,991)	299

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Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

(d) Credit risk

All cash exposures are carefully managed to ensure that money is placed on deposit with counterparties that meet the minimum credit rating deemed appropriate for this Sub-fund. In certain circumstances, the Fund Manager may deliberately invest in securities (e.g. corporate bonds) with a well defined and published credit rating. In this case the Sub-fund would be deliberately taking credit risk in order to seek additional rewards.

	Bid market value 2018 £'000	Bid market value 2017 £'000
Credit Rating Analysis		
Investment Grade Bonds	168,900	170,702
Below Investment Grade Bonds	13,238	10,312
Unrated Bonds	5,786	5,364
Total Value of Bonds	187,924	186,378

(e) Financial Derivatives Instrument Risk

At the year end the Sub-fund held derivatives for the purposes of efficient portfolio management or to meet the Sub-fund's investment objectives. These types of transaction can introduce market exposure greater than the market value of the instrument. These transactions exchange benefits with a third party at a future date creating both counterparty and concentration risk. The Investment Adviser's policies for managing these risks are outlined in the Sub-fund's prospectus.

At the balance sheet date the Sub-fund had the following exposures:

	2018 £'000	2017 £'000
Market Exposure		
Forward Currency Contracts	21,319	23,151
Futures	2,386	1,412
Interest Rate Swaps	8,250	3,250
Total Market Exposure	31,955	27,813

The total market exposure is the sum of the notional derivative contracts on a gross basis with no offsetting.

Counterparty Exposure

Derivative instruments involve an agreement to exchange a benefit at a future date. This introduces counterparty risk where an agreement is bilateral (between two parties) and concentration risk where a clearing broker operates on an exchange. Where the counterparty or clearing broker is not solvent the market exposure obtained would be lost.

Exposure is reduced by the exchange of margin on a daily basis for cleared derivatives and by the collateral held/pledged on a bilateral transaction.

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Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

	Collateral (held) /pledged £'000	2018 Margin at clearing broker £'000	Market value of derivatives £'000	Collateral (held) /pledged £'000	2017 Margin at clearing broker £'000	Market value of derivatives £'000
Counterparty or clearer						
Barclays	0	0	15	0	0	0
BNP Paribas	0	0	12	0	0	(2)
Goldman Sachs	87	8	12	0	0	12
HSBC	109	0	(183)	0	0	18
JP Morgan	0	0	3	(42)	0	104
Llyods Bank	0	0	(1)	0	0	130
Merrill Lynch	0	0	(4)	0	0	3
Royal Bank of Canada	0	0	0	0	0	43
StateStreet	0	0	52	(110)	0	47
UBS	0	0	(13)	0	0	(7)
Total	196	8	(107)	(152)	0	348

Margin exchanged or collateral held or pledged is in the form of high quality liquid assets e.g. cash/gilts. Positions are fully collateralised at all times. Restrictions are placed on the right of either party to reuse collateral assets.

(f) Liquidity risk

The Sub-fund's assets comprise mainly readily realisable securities. The main liabilities of the Sub-fund are the redemption of any shares that investors wish to sell and the settlement of stock purchases. The Fund Manager reviews the cash and liability position continuously, and should an increase in liquidity be required, the Fund Manager will sell securities.

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Distribution Tables

for the three months ended 31 January 2018

Group 1 – shares purchased prior to 1 November 2017

Group 2 – shares purchased between 1 November 2017 and 31 January 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.0472	–	0.0472*	–
Group 2	–	–	–	–
Institutional accumulation				
Group 1	0.0999	–	0.0999*	0.0418
Group 2	0.0366	0.0633	0.0999*	0.0418
Retail income				
Group 1	0.0463	–	0.0463**	–
Group 2	–	–	–	–
Institutional income				
Group 1	0.0900	–	0.0900**	0.0400
Group 2	–	–	–	–
Standard Life income				
Group 1	0.1719	–	0.1719**	–
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	0.1641	–	0.1641*	0.0222
Group 2	0.0799	0.0842	0.1641*	0.0222
Platform 1 accumulation				
Group 1	0.0934	–	0.0934*	0.0400
Group 2	0.0440	0.0494	0.0934*	0.0400
Platform 1 income				
Group 1	0.0929	–	0.0929**	0.0400
Group 2	0.0421	0.0508	0.0929**	0.0400
Institutional S accumulation				
Group 1	0.1283	–	0.1283*	0.0560
Group 2	0.0608	0.0675	0.1283*	0.0560
Institutional S income				
Group 1	0.1272	–	0.1272**	0.0632
Group 2	0.0733	0.0539	0.1272**	0.0632

* Distribution accumulated on 31 January 2018

** Distribution paid on 31 March 2018

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Distribution Tables

(Continued)

for the three months ended 30 April 2018

Group 1 – shares purchased prior to 1 February 2018

Group 2 – shares purchased between 1 February 2018 and 30 April 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.0604	–	0.0604*	0.0440
Group 2	–	–	–	–
Institutional accumulation				
Group 1	0.1112	–	0.1112*	0.0983
Group 2	0.0943	0.0169	0.1112*	0.0983
Retail income				
Group 1	0.0613	–	0.0613**	0.0440
Group 2	–	–	–	–
Institutional income				
Group 1	0.1363	–	0.1363**	0.0890
Group 2	–	–	–	–
Standard Life income				
Group 1	0.1800	–	0.1800**	0.0854
Group 2	–	–	–	0.0854
Standard Life accumulation				
Group 1	0.1734	–	0.1734*	0.1593
Group 2	0.1671	0.0063	0.1734*	–
Platform 1 accumulation				
Group 1	0.1051	–	0.1051*	0.0924
Group 2	0.0528	0.0523	0.1051*	0.0924
Platform 1 income				
Group 1	0.1042	–	0.1042**	0.0911
Group 2	0.0569	0.0473	0.1042**	0.0911
Institutional S accumulation				
Group 1	0.1387	–	0.1387*	0.1259
Group 2	0.0869	0.0518	0.1387*	0.1259
Institutional S income				
Group 1	0.1372	–	0.1372**	0.1244
Group 2	0.0681	0.0691	0.1372**	0.1244

* Distribution accumulated on 30 April 2018

** Distribution paid on 30 June 2018

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Distribution Tables

(Continued)

for the three months ended 31 July 2018

Group 1 – shares purchased prior to 1 May 2018

Group 2 – shares purchased between 1 May 2018 and 31 July 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.0750	–	0.0750*	0.0309
Group 2	–	–	–	–
Institutional accumulation				
Group 1	0.1276	–	0.1276*	0.0836
Group 2	0.1114	0.0162	0.1276*	0.0836
Retail income				
Group 1	0.0745	–	0.0745**	0.0309
Group 2	–	–	–	–
Institutional income				
Group 1	0.1122	–	0.1122**	0.0727
Group 2	–	–	–	–
Standard Life income				
Group 1	0.1984	–	0.1984**	0.1550
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	0.1925	–	0.1925*	0.1465
Group 2	–	–	–	–
Platform 1 accumulation				
Group 1	0.1213	–	0.1213*	0.0777
Group 2	0.0423	0.0790	0.1213*	0.0777
Platform 1 income				
Group 1	0.1201	–	0.1201**	0.0767
Group 2	0.0528	0.0673	0.1201**	0.0767
Institutional S accumulation				
Group 1	0.1563	–	0.1563*	0.1157
Group 2	0.0871	0.0692	0.1563*	0.1157
Institutional S income				
Group 1	0.1543	–	0.1543**	0.1105
Group 2	0.0897	0.0646	0.1543**	0.1105

* Distribution accumulated on 31 July 2018

** Distribution paid on 30 September 2018

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Distribution Tables

(Continued)

for the three months ended 31 October 2018

Group 1 – shares purchased prior to 1 August 2018

Group 2 – shares purchased between 1 August 2018 and 31 October 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution payable 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.0626	–	0.0626*	0.0372
Group 2	0.0271	0.0355	0.0626*	–
Institutional accumulation				
Group 1	0.1252	–	0.1252*	0.0873
Group 2	–	–	–	0.0873
Retail income				
Group 1	0.0400	–	0.0400**	0.0359
Group 2	–	–	–	–
Institutional income				
Group 1	0.1000	–	0.1000**	0.0954
Group 2	–	–	–	–
Standard Life income				
Group 1	0.1954	–	0.1954**	0.1547
Group 2	–	–	–	0.1547
Standard Life accumulation				
Group 1	0.1902	–	0.1902*	0.1538
Group 2	–	–	–	0.1538
Platform 1 accumulation				
Group 1	0.1190	–	0.1190*	0.0827
Group 2	0.0499	0.0691	0.1190*	0.0827
Platform 1 income				
Group 1	0.1173	–	0.1173**	0.0828
Group 2	0.0650	0.0523	0.1173**	0.0828
Institutional S accumulation				
Group 1	0.1539	–	0.1539*	0.1153
Group 2	0.0508	0.1031	0.1539*	0.1153
Institutional S income				
Group 1	0.1513	–	0.1513**	0.1168
Group 2	0.1067	0.0446	0.1513**	0.1168

* Distribution accumulated on 31 October 2018

** Distribution payable on 31 December 2018

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Short Duration Global Index Linked Bond Fund

Investment Report

Fund Information	
Fund Manager	Adam Skerry & Tom Walker
Launch Date	16 September 2014
Benchmark	70% Barclays World Government Inflation-Linked Bond ex UK 1-10 year (GBP Hedged)/30% Barclays UK Inflation-Linked Bond 1-10 year

Investment objective

The investment objective of the Sub-fund is to provide a return from income and capital appreciation.

Investment policy

The investment policy of the Sub-fund is to invest primarily in government and corporate inflation-linked debt with a maturity of up to 10 years. The Sub-fund may also invest in longer dated government and corporate inflation-linked bonds, conventional government bonds, investment grade corporate entities and other interest bearing securities issued anywhere in the world.

The Sub-fund may also invest in other transferable securities, money-market instruments, deposits, cash and near cash and collective investment schemes.

Risk

A substantial portion of the scheme property of the Sub-fund may, in exceptional circumstances, be invested in deposits or money-market instruments.

Non-sterling denominated assets will generally be hedged back to sterling however from time to time depending on market conditions and at the ACD's discretion, may be unhedged.

The Sub-fund is intended for investors seeking to limit the impact of inflation on the value of their investments over the longer term, particularly those investors looking to meet future liabilities which are linked to inflation. Income will be generated from a portfolio of global bonds, the majority of which will make payments linked to the prevailing level of inflation in the country of issue. Investors must be able to accept some fluctuation in the income generated and accept some losses in the capital value of their investment due to the volatile nature of the assets held and they should, therefore, have an investment time horizon of at least 5 years.

Performance

Over the period under review, the Fund returned -0.77%. This was in comparison to the 70% Barclays WGILB ex UK 1-10 yr (GBP hedged)/30% Barclays UK ILB 1-10 yr Index return of -0.40%. (Fund return source: Morningstar, Index return source: Factset).

In the first half of the period, being short in French and German real yields detracted from performance as investors chose to focus on Mario Draghi's dovish messaging on Eurozone inflation rather than the European Central Bank's (ECB) comments on Quantitative Easing (QE) tapering. On the other hand, being long of 10-year US inflation 10-years forward versus equivalent European inflation contributed positively, as European inflation data disappointed while US numbers remained strong. Our underweight positioning in UK real yields also added to returns, as these were impacted by a sell-off in core government bonds early in the year.

In the second half, our long position in 10-year US inflation relative to 10-year European inflation performed strongly as the former rallied and the latter sold off. Similarly being long of 25-year US CPI inflation 5-years forward also added to returns. Right towards the end of the second half, a tactical overweight in 30-year UK real yields contributed positively as risk markets faltered and demand from liability driven investment strategies picked up. On the negative side however, despite the fall back in UK inflation, the Fund's short position on UK (3-year) inflation detracted as negative Brexit headlines and real yield strength adversely affected the position. A long position in 30-year US Treasury Inflation Protected Securities (TIPS) also detracted as real yields rose despite risk markets faltering.

Investment Activity

Towards the end of the reporting period, we opened a cross-market Swedish/European rates position, which should profit if Sweden's Riksbank normalises/tightens monetary policy faster than the European Central Bank. We closed our long Canadian inflation position as we saw potential for weakness following a run of positive sentiment indicators and consistently strong data. We also opened a long position in French inflation-linked bonds relative to European inflation-linked bonds, since we expect the spread between these two to compress. Finally, we closed our tactical position in 30-year UK real yields, following a sustained rally since we entered the trade.

Standard Life Investment Company II Annual Report & Financial Statements

Short Duration Global Index Linked Bond Fund

Investment Report (Continued)

Outlook

We remain long on US inflation both on a standalone basis and versus Europe since we see further upside pressures on US inflation over the coming months, while remaining more pessimistic on the outlook for European inflation.

The ECB continues to reaffirm its commitment to continuing policy normalisation through the removal of QE, referencing what it sees as strength in inflation and the output gap apparently closing. However, we feel that the lack of underlying inflationary pressures leaves headline inflation vulnerable to energy and food price moderation.

In the case of the UK, the market continues to price a persistent overshooting of inflation but we oppose this via our three-year inflation short position. Brexit continues to dominate the political agenda, and will no doubt cause further volatility in financial markets before the final outcome becomes clearer. We have moved the portfolio to a neutral view on UK interest rates following the rally near the end of the reporting period and we will remain pragmatic in our positioning as we look to navigate the critical stages of the Brexit negotiations.

Synthetic Risk & Reward Indicator



This indicator reflects the volatility of the Sub-fund's share price over the last five years which in turn reflects the volatility of the underlying assets in which the Sub-fund invests. Historical data may not be a reliable indication of the future. As the Sub-fund does not have a five year price history, we have used an internally produced bespoke blended benchmark to show how the Sub-fund price may have behaved over the period prior to the launch of the Sub-fund.

The current rating, which is the same for all share classes, is not guaranteed and may change if the volatility of the assets in which the Sub-Fund invests changes. The lowest rating does not mean risk free.

All investment involves risk. This Sub-fund offers no guarantee against loss or that the Sub-fund's objective will be attained.

For further information on the risks that may not be fully captured by the risk and reward indicator, please refer to the current Key Investor Information Document (KIID).

Cautionary note

It should be remembered that past performance is not a guide to future performance. The value of investments may go down as well as up and, therefore, investors may not get back the amount originally invested.

Standard Life Investment Company II Annual Report & Financial Statements

Short Duration Global Index Linked Bond Fund

Comparative Tables

	2018 pence per share	2017 pence per share	2016 pence per share
Retail accumulation			
Change in net assets per share			
Opening net asset value per share	51.16	51.48	49.38
Return before operating charges*	(0.15)	0.22	2.63
Operating charges**	(0.52)	(0.53)	(0.52)
Return after operating charges*	(0.67)	(0.31)	2.11
Distributions	(0.34)	(0.13)	(0.05)
Retained distributions on accumulation share	0.34	0.12	0.04
Closing net asset value per share	50.49	51.16	51.48
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-1.31%	-0.60%	4.27%
Other information			
Closing net asset value (£'000)	167	159	161
Closing number of shares	331,400	311,883	312,880
Operating charges****	1.03%	1.03%	1.03%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	51.40	51.66	51.82
Lowest share price	50.38	50.57	48.98

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**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

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Standard Life Investment Company II Annual Report & Financial Statements

Short Duration Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional accumulation			
Change in net assets per share			
Opening net asset value per share	51.68	51.90	49.61
Return before operating charges*	(0.15)	0.12	2.65
Operating charges**	(0.32)	(0.32)	(0.31)
Return after operating charges*	(0.47)	(0.20)	2.34
Distributions	(0.57)	(0.34)	(0.27)
Retained distributions on accumulation share	0.57	0.32	0.22
Closing net asset value per share	51.21	51.68	51.90
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.90%	-0.39%	4.72%
Other information			
Closing net asset value (£'000)	2,638	1,110	3,401
Closing number of shares	5,151,017	2,147,609	6,553,625
Operating charges****	0.61%	0.61%	0.61%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	51.93	52.16	52.23
Lowest share price	51.08	51.00	49.23

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Standard Life Investment Company II Annual Report & Financial Statements

Short Duration Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Retail income			
Change in net assets per share			
Opening net asset value per share	51.02	51.41	49.35
Return before operating charges*	(0.15)	0.27	2.62
Operating charges**	(0.52)	(0.52)	(0.52)
Return after operating charges*	(0.67)	(0.25)	2.10
Distributions	(0.34)	(0.14)	(0.04)
Closing net asset value per share	50.01	51.02	51.41
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-1.31%	-0.49%	4.26%
Other information			
Closing net asset value (£'000)	33	21	1
Closing number of shares	65,185	42,200	2,200
Operating charges****	1.03%	1.02%	1.03%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	51.26	51.52	51.77
Lowest share price	50.02	50.51	48.95

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Standard Life Investment Company II Annual Report & Financial Statements

Short Duration Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional income			
Change in net assets per share			
Opening net asset value per share	50.95	51.38	49.33
Return before operating charges*	(0.15)	0.22	2.63
Operating charges**	(0.31)	(0.31)	(0.31)
Return after operating charges*	(0.46)	(0.09)	2.32
Distributions	(0.55)	(0.34)	(0.27)
Closing net asset value per share	49.94	50.95	51.38
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.90%	-0.18%	4.70%
Other information			
Closing net asset value (£'000)	20,821	39,471	42,787
Closing number of shares	41,691,131	77,469,782	83,271,317
Operating charges****	0.61%	0.61%	0.61%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	51.20	51.51	51.77
Lowest share price	49.94	50.50	48.95

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Standard Life Investment Company II Annual Report & Financial Statements

Short Duration Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life income++			
Change in net assets per share			
Opening net asset value per share	50.98	51.42	49.35
Return before operating charges*	0.10	0.22	2.64
Operating charges**	(0.01)	(0.02)	(0.02)
Return after operating charges*	0.09	0.20	2.62
Distributions	(0.37)	(0.64)	(0.55)
Redemption value of shares at 21 June 2018	(50.70)	0.00	0.00
Closing net asset value per share	0.00	50.98	51.42
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	0.18%	0.39%	5.31%
Other information			
Closing net asset value (£'000)	0	1	1
Closing number of shares	0	2,200	2,200
Operating charges****	0.03%	0.03%	0.03%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	51.23	51.60	51.85
Lowest share price	50.30	50.57	49.02

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++ Share class closed on 21 June 2018.

Standard Life Investment Company II Annual Report & Financial Statements

Short Duration Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life accumulation			
Change in net assets per share			
Opening net asset value per share	52.48	52.35	49.83
Return before operating charges*	(0.15)	0.23	2.69
Operating charges**	(0.06)	(0.06)	(0.06)
Return after operating charges*	(0.21)	0.17	2.63
Distributions	(0.84)	(0.62)	(0.53)
Retained distributions on accumulation share	0.84	0.58	0.42
Closing net asset value per share	52.27	52.48	52.35
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.39%	0.32%	5.28%
Other information			
Closing net asset value (£'000)	44	19	24
Closing number of shares	85,295	35,595	46,740
Operating charges****	0.11%	0.11%	0.11%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	52.78	52.92	52.67
Lowest share price	51.94	51.48	49.49

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Standard Life Investment Company II Annual Report & Financial Statements

Short Duration Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Platform 1 accumulation			
Change in net assets per share			
Opening net asset value per share	51.74	51.86	49.59
Return before operating charges*	(0.15)	0.24	2.65
Operating charges**	(0.34)	(0.34)	(0.33)
Return after operating charges*	(0.49)	(0.10)	2.32
Distributions	(0.54)	(0.32)	(0.25)
Retained distributions on accumulation share	0.54	0.30	0.20
Closing net asset value per share	51.25	51.74	51.86
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.94%	-0.19%	4.68%
Other information			
Closing net asset value (£'000)	20,105	20,130	9,734
Closing number of shares	39,230,737	38,906,068	18,770,378
Operating charges****	0.66%	0.66%	0.66%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	51.99	52.22	52.19
Lowest share price	51.13	50.96	49.21

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Standard Life Investment Company II Annual Report & Financial Statements

Short Duration Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Platform 1 income			
Change in net assets per share			
Opening net asset value per share	51.00	51.41	49.34
Return before operating charges*	(0.15)	0.25	2.64
Operating charges**	(0.33)	(0.34)	(0.33)
Return after operating charges*	(0.48)	(0.09)	2.31
Distributions	(0.53)	(0.32)	(0.24)
Closing net asset value per share	49.99	51.00	51.41
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.94%	-0.18%	4.68%
Other information			
Closing net asset value (£'000)	46,817	50,695	24,328
Closing number of shares	93,654,833	99,404,147	47,325,222
Operating charges****	0.66%	0.66%	0.66%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	51.25	51.53	51.79
Lowest share price	49.99	50.52	48.97

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Standard Life Investment Company II Annual Report & Financial Statements

Short Duration Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional S accumulation			
Change in net assets per share			
Opening net asset value per share	52.08	52.09	49.70
Return before operating charges*	(0.16)	0.22	2.66
Operating charges**	(0.20)	(0.20)	(0.20)
Return after operating charges*	(0.36)	0.02	2.46
Distributions	(0.68)	(0.46)	(0.38)
Retained distributions on accumulation share	0.68	0.43	0.31
Closing net asset value per share	51.72	52.08	52.09
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.69%	0.03%	4.95%
Other information			
Closing net asset value (£'000)	187,142	173,876	181,911
Closing number of shares	361,805,519	333,856,333	349,219,560
Operating charges****	0.39%	0.39%	0.39%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	52.34	52.54	52.41
Lowest share price	51.51	51.20	49.34

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Standard Life Investment Company II Annual Report & Financial Statements

Short Duration Global Index Linked Bond Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional S income			
Change in net assets per share			
Opening net asset value per share	50.97	51.39	49.33
Return before operating charges*	(0.15)	0.23	2.64
Operating charges**	(0.20)	(0.20)	(0.20)
Return after operating charges*	(0.35)	0.03	2.44
Distributions	(0.66)	(0.45)	(0.38)
Closing net asset value per share	49.96	50.97	51.39
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	-0.69%	0.06%	4.95%
Other information			
Closing net asset value (£'000)	153,876	118,507	94,722
Closing number of shares	308,004,620	232,507,719	184,309,396
Operating charges****	0.39%	0.39%	0.39%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	51.22	51.54	51.80
Lowest share price	49.96	50.52	48.98

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Standard Life Investment Company II Annual Report & Financial Statements

Short Duration Global Index Linked Bond Fund

Portfolio Statement

as at 31 October 2018

Holding	Investment	Market value £'000	Percentage of total net assets
Bonds (97.73%)		426,068	98.70
Australian Dollar Denominated Bonds (3.44%)		8,095	1.87
Government Bonds (3.44%)		8,095	1.87
less than 5 years to maturity			
1,520,000	Australia (Commonwealth of) 1% Index-Linked 2018	919	0.21
6,837,000	Australia (Commonwealth of) 1.25% Index-Linked 2022	4,409	1.02
1,458,000	Australia (Commonwealth of) 4% Index-Linked 2020	1,473	0.34
between 5 and 10 years to maturity			
1,655,000	Australia (Commonwealth of) 3% Index-Linked 2025	1,294	0.30
Canadian Dollar Denominated Bonds (1.81%)		2,747	0.64
Government Bonds (1.81%)		2,747	0.64
less than 5 years to maturity			
876,000	Canada (Govt of) 4.25% Index-Linked 2021	932	0.22
between 5 and 10 years to maturity			
1,565,000	Canada (Govt of) 4.25% Index-Linked 2026	1,815	0.42
Danish Krone Denominated Bonds (0.31%)		1,252	0.29
Government Bonds (0.31%)		1,252	0.29
between 5 and 10 years to maturity			
9,184,000	Denmark (Govt of) 0.1% Index-Linked 2023	1,252	0.29
Euro Denominated Bonds (13.93%)		62,541	14.49
Government Bonds (13.93%)		62,541	14.49
less than 5 years to maturity			
817,000	France (Govt of) 0.1% Index-Linked 2021	783	0.18
8,086,000	France (Govt of) 2.1% Index-Linked 2023	9,460	2.19
2,260,000	France (Govt of) 2.25% Index-Linked 2020	2,722	0.63
953,000	Italy (Govt of) 0.1% Index-Linked 2022	845	0.20
3,522,000	Italy (Govt of) 2.1% Index-Linked 2021	3,617	0.84
1,980,000	Italy (Govt of) 2.35% Index-Linked 2019	2,071	0.48
6,783,000	Italy (Govt of) 2.6% Index-Linked 2023	7,439	1.72
800,000	Spain (Govt of) 0.3% Index-Linked 2021	770	0.18
1,279,000	Spain (Govt of) 0.55% Index-Linked 2019	1,205	0.28

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Short Duration Global Index Linked Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Government Bonds (Continued)			
between 5 and 10 years to maturity			
5,763,000	France (Govt of) 0.1% Index-Linked 2025	5,641	1.31
7,525,000	France (Govt of) 1.85% Index-Linked 2027	9,202	2.13
1,574,000	Germany (Fed Rep of) 0.1% Index-Linked 2026	1,606	0.37
5,043,000	Italy (Govt of) 3.1% Index-Linked 2026	5,269	1.22
2,445,000	Italy (Govt of) 1.3% Index-Linked 2028	2,049	0.48
1,336,000	Italy (Govt of) 2.35% Index-Linked 2024	1,266	0.29
1,993,000	Spain (Govt of) 0.65% Index-Linked Bond 2027	1,916	0.44
4,833,000	Spain (Govt of) 1.8% Index-Linked 2024	5,079	1.18
greater than 25 years to maturity			
1,400,000	Germany (Fed Rep of) 0.1% Index-Linked 2046	1,601	0.37
Japanese Yen Denominated Bonds (2.82%)		14,249	3.30
Government Bonds (2.82%)		14,249	3.30
less than 5 years to maturity			
33,700,000	Japan (Govt of) 0.1% Index-Linked 2023	252	0.06
between 5 and 10 years to maturity			
60,400,000	Japan (Govt of) 0.1% Index-Linked 2024	449	0.10
113,400,000	Japan (Govt of) 0.1% Index-Linked 2024	823	0.19
507,800,000	Japan (Govt of) 0.1% Index-Linked 2025	3,692	0.86
913,900,000	Japan (Govt of) 0.1% Index-Linked 2026	6,661	1.54
327,000,000	Japan (Govt of) 0.1% Index-Linked 2028	2,372	0.55
New Zealand Dollar Denominated Bonds (2.11%)		771	0.18
Government Bonds (2.11%)		771	0.18
between 10 and 15 years to maturity			
1,206,000	New Zealand (Govt of) 3% Index-Linked 2030	771	0.18
Sterling Denominated Bonds (30.78%)		127,722	29.59
Corporate Bonds (0.11%)		444	0.10
less than 5 years to maturity			
154,000	National Grid 3.806% Index-Linked 2020	270	0.06
85,000	National Grid Gas 4.1875% Index-Linked 2022	174	0.04

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Short Duration Global Index Linked Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Government Bonds (30.67%)		127,278	29.49
less than 5 years to maturity			
13,018,000	UK (Govt of) 1.875% Index-Linked 2022	21,075	4.88
7,378,000	UK (Govt of) 2.5% Index-Linked 2020	26,613	6.17
between 5 and 10 years to maturity			
13,137,000	UK (Govt of) 0.125% Index-Linked 2024	17,222	3.99
12,960,000	UK (Govt of) 0.125% Index-Linked 2026	16,490	3.82
1,460,000	UK (Govt of) 0.125% Index-Linked 2028	1,795	0.42
12,304,000	UK (Govt of) 1.25% Index-Linked 2027	23,532	5.45
5,657,000	UK (Govt of) 2.5% Index-Linked 2024	20,549	4.76
greater than 25 years to maturity			
1,000	UK (Govt of) 0.125% Index-Linked 2048	2	0.00
Swedish Krone Denominated Bonds (0.00%)		2,637	0.61
Government Bonds (0.00%)		2,637	0.61
between 5 and 10 years to maturity			
24,500,000	Sweden (Kingdom of) Inflation Linked Bond 1% 2025	2,637	0.61
US Dollar Denominated Bonds (42.53%)		206,054	47.73
Government Bonds (42.53%)		206,054	47.73
less than 5 years to maturity			
7,578,400	US Treasury 0.125% Index-Linked 2020	6,277	1.45
10,867,800	US Treasury 0.125% Index-Linked 2021	8,818	2.04
10,097,500	US Treasury 0.125% Index-Linked 2022	8,546	1.98
10,869,000	US Treasury 0.125% Index-Linked 2022	8,524	1.98
10,029,700	US Treasury 0.125% Index-Linked 2022	8,353	1.94
10,028,900	US Treasury 0.125% Index-Linked 2023	8,254	1.91
11,088,800	US Treasury 0.375% Index-Linked 2023	9,161	2.12
9,916,000	US Treasury 0.625% Index-Linked 2021	8,609	1.99
2,983,500	US Treasury 0.625% Index-Linked 2023	2,325	0.54
20,034,700	US Treasury 1.125% Index-Linked 2021	18,088	4.19
7,075,400	US Treasury 1.25% Index-Linked 2020	6,437	1.49
6,584,900	US Treasury 1.375% Index-Linked 2020	6,024	1.40

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Short Duration Global Index Linked Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Government Bonds (Continued)			
between 5 and 10 years to maturity			
12,033,100	US Treasury 0.125% Index-Linked 2024	9,528	2.21
6,437,800	US Treasury 0.125% Index-Linked 2026	4,934	1.14
18,878,300	US Treasury 0.25% Index-Linked 2025	14,952	3.46
8,932,800	US Treasury 0.375% Index-Linked 2025	7,119	1.65
8,000,000	US Treasury 0.375% Index-Linked 2027	6,074	1.41
9,737,200	US Treasury 0.375% Index-Linked 2027	7,489	1.73
8,707,600	US Treasury 0.5% Index-Linked 2028	6,583	1.53
12,196,100	US Treasury 0.625% Index-Linked 2024	10,098	2.34
11,066,100	US Treasury 0.625% Index-Linked 2026	8,883	2.06
5,175,000	US Treasury 0.75% Index-Linked 2028	3,939	0.91
1,599,700	US Treasury 1.75% Index-Linked 2028	1,588	0.37
9,955,700	US Treasury 2% Index-Linked 2026	10,513	2.43
5,340,400	US Treasury 2.375% Index-Linked 2027	5,737	1.33
4,635,000	US Treasury 3.625% Index-Linked 2028	6,901	1.60
greater than 25 years to maturity			
2,978,800	US Treasury 1% Index-Linked 2046	2,300	0.53
Collective Investment Schemes (2.61%)		9,896	2.29
305	Aberdeen Liquidity Fund - Euro	271	0.06
9,625	Aberdeen Liquidity Fund - Sterling	9,625	2.23
Derivatives (0.89%)		(5,237)	(1.20)
Forward Currency Contracts (0.85%)		(5,239)	(1.22)
	Buy EUR 771,568 Sell GBP 692,681 09/11/2018	(8)	0.00
	Buy EUR 827,326 Sell GBP 727,472 09/11/2018	6	0.00
	Buy EUR 2,273,704 Sell GBP 2,018,144 09/11/2018	(1)	0.00
	Buy GBP 8,233,295 Sell AUD 14,657,379 09/11/2018	105	0.02
	Buy GBP 2,762,261 Sell CAD 4,716,393 09/11/2018	(48)	(0.01)
	Buy GBP 1,268,748 Sell DKK 10,596,667 09/11/2018	9	0.00
	Buy GBP 1,634,291 Sell EUR 1,820,032 09/11/2018	20	0.00
	Buy GBP 64,836,872 Sell EUR 72,689,342 09/11/2018	359	0.08
	Buy GBP 2,393,808 Sell JPY 341,547,777 09/11/2018	25	0.01
	Buy GBP 11,789,027 Sell JPY 1,717,070,799 09/11/2018	(122)	(0.03)
	Buy GBP 41,198 Sell NZD 80,672 09/11/2018	0	0.00
	Buy GBP 56,035 Sell NZD 108,933 09/11/2018	0	0.00

Standard Life Investment Company II

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Short Duration Global Index Linked Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Forward Currency Contracts (Continued)			
	Buy GBP 5,186,469 Sell NZD 10,066,809 09/11/2018	43	0.01
	Buy GBP 31,630 Sell SEK 369,898 09/11/2018	0	0.00
	Buy GBP 2,683,758 Sell SEK 30,929,920 09/11/2018	34	0.01
	Buy GBP 1,630,227 Sell USD 2,130,212 09/11/2018	(36)	(0.01)
	Buy GBP 1,803,660 Sell USD 2,382,604 09/11/2018	(60)	(0.01)
	Buy GBP 2,883,696 Sell USD 3,784,713 09/11/2018	(77)	(0.02)
	Buy GBP 4,562,377 Sell USD 6,009,814 09/11/2018	(139)	(0.03)
	Buy GBP 193,965,096 Sell USD 254,830,956 09/11/2018	(5,399)	(1.25)
	Buy NZD 58,065 Sell GBP 29,624 09/11/2018	0	0.00
	Buy NZD 1,227,723 Sell GBP 634,784 09/11/2018	(8)	0.00
	Buy NZD 1,628,878 Sell GBP 838,031 09/11/2018	(6)	0.00
	Buy NZD 5,837,200 Sell GBP 2,980,391 09/11/2018	2	0.00
	Buy SEK 320,605 Sell GBP 27,033 09/11/2018	1	0.00
	Buy USD 2,382,624 Sell GBP 1,850,000 09/11/2018	14	0.00
	Buy USD 2,841,130 Sell GBP 2,176,209 09/11/2018	47	0.01
Inflation Swaps (0.03%)		(27)	0.01
EUR 8,600,000	Pay fixed 1.38% receive floating CPTFEMUY 15/07/2027	119	0.03
USD 10,750,000	Pay fixed 2.16% receive floating USDCPI 25/07/2037	260	0.06
USD 4,420,000	Pay fixed 2.33% receive floating USDCPI 23/03/2047	(13)	0.00
USD 6,240,000	Pay fixed 2.36% receive floating USDCPI 14/02/2038	(35)	(0.01)
GBP 240,000	Pay fixed 3.16% receive floating UKRPI 15/05/2046	50	0.01
GBP 1,960,000	Pay fixed 3.17% receive floating UKRPI 15/05/2046	398	0.09
GBP 1,030,000	Pay fixed 3.19% receive floating UKRPI 15/05/2046	198	0.05
GBP 17,640,000	Pay fixed 3.5% receive floating UKRPI 15/05/2020	(59)	(0.01)
GBP 11,050,000	Pay fixed 3.64% receive floating UKRPI 15/02/2020	(61)	(0.01)
GBP 16,980,000	Pay fixed 3.71% receive floating UKRPI 15/01/2020	(116)	(0.03)
EUR 8,600,000	Pay floating CPTFEMUY receive fixed 1.71% 15/07/2037	(88)	(0.02)
GBP 240,000	Pay floating UKRPI receive fixed 3.18% 15/05/2041	(38)	(0.01)
GBP 1,960,000	Pay floating UKRPI receive fixed 3.19% 15/05/2041	(304)	(0.07)
GBP 2,090,000	Pay floating UKRPI receive fixed 3.21% 15/05/2041	(309)	(0.07)
GBP 17,640,000	Pay floating UKRPI receive fixed 3.45% 15/05/2023	(59)	(0.01)
GBP 11,050,000	Pay floating UKRPI receive fixed 3.62% 15/02/2023	69	0.02
GBP 16,980,000	Pay floating UKRPI receive fixed 3.66% 15/01/2023	109	0.03
USD 10,750,000	Pay floating USDCPI receive fixed 2.07% 25/07/2027	(167)	(0.04)
USD 4,420,000	Pay floating USDCPI receive fixed 2.16% 23/03/2022	6	0.00
USD 6,240,000	Pay floating USDCPI receive fixed 2.29% 14/02/2028	13	0.00

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Short Duration Global Index Linked Bond Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Interest rate swaps (0.01%)		29	0.01
SEK 52,992,000	Pay fixed 1.515% receive floating SEK-STIBOR 04/10/2029	(10)	0.00
SEK 79,488,000	Pay fixed 1.579% receive floating SEK-STIBOR 08/10/2029	(54)	(0.01)
EUR 5,032,000	Pay floating EURIBOR receive fixed 1.2% 04/10/2029	17	0.00
EUR 7,548,000	Pay floating EURIBOR receive fixed 1.279% 08/10/2029	76	0.02
Total investment assets and liabilities		430,727	99.79
Net other assets		916	0.21
Total Net Assets		431,643	100.00

All investments are listed on recognised stock exchanges and are approved securities, regulated collective investment schemes or approved derivatives within the meaning of the FCA rules unless otherwise stated.

The percentage figures in brackets show the comparative holding as at 31 October 2017.

	Market value £'000
Reconciliation of assets and liabilities to the balance sheet	
Investment assets as per the Balance Sheet	437,944
Investment liabilities	(7,217)
Net investment assets	430,727
Net other assets	916
Total Net Assets	431,643

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Short Duration Global Index Linked Bond Fund

Financial Statements

Statement of Total Return

for the year ended 31 October 2018

		2018	2017
	Notes	£'000	£'000
Income:			
Net capital losses	2	(8,500)	(3,175)
Revenue	4	7,219	5,166
Expenses	5	(1,875)	(1,825)
Interest payable and similar charges	6	(53)	(3)
Net revenue before taxation		5,291	3,338
Taxation	7	0	0
Net revenue after taxation		5,291	3,338
Total return before distributions		(3,209)	163
Distributions	8	(5,290)	(3,338)
Change in net assets attributable to shareholders from investment activities		(8,499)	(3,175)

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2018

	2018	2017
	£'000	£'000
Opening net assets attributable to shareholders	403,989	357,070
Amounts receivable on the issue of shares	85,359	142,042
Amounts payable on the cancellation of shares	(51,864)	(93,740)
	33,495	48,302
Dilution adjustment	23	98
Change in net assets attributable to shareholders from investment activities (see above)	(8,499)	(3,175)
Retained distribution on accumulation shares	2,635	1,694
Closing net assets attributable to shareholders	431,643	403,989

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Short Duration Global Index Linked Bond Fund

Financial Statements

(Continued)

Balance Sheet

as at 31 October 2018

	Notes	2018 £'000	2017 £'000
Assets:			
Fixed assets:			
Investment assets		437,944	411,079
Current assets:			
Debtors	9	2,721	1,729
Cash and bank balances	10	(231)	(1,080)
		2,490	649
Total assets		440,434	411,728
Liabilities:			
Investment liabilities		(7,217)	(2,106)
Creditors	11	(720)	(5,364)
Distribution payable		(854)	(269)
		(1,574)	(5,633)
Total liabilities		(8,791)	(7,739)
Net assets attributable to shareholders		431,643	403,989

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Short Duration Global Index Linked Bond Fund

Notes to the Financial Statements

1 Accounting Policies

Please refer to pages 11 and 12 for note on accounting policies.

2 Net Capital Losses

	2018 £'000	2017 £'000
Non-derivative securities	3,170	(22,220)
Derivative contracts	34	(42)
Forward currency contracts	(11,423)	18,830
Other (losses)/gains	(269)	277
Handling charges taken from the capital account	(12)	(20)
Net capital losses	(8,500)	(3,175)

3 Purchases, Sales and Transaction Costs

There are no transaction costs associated with the purchases or sales of bonds, collective investment schemes and derivatives during the year, or in the prior year.

Collective investments operate within the terms of the offer document or prospectus. Typically we do not invest into Funds that require an initial charge to be made. The underlying price contains an estimation of cost known as a dilution levy which is applied from time to time.

Bonds are dealt on a spread agreed between buyer and seller with reference to the expected cashflows and current credit profiles.

Derivatives are dealt on a spread agreed between buyer and seller with reference to the underlying investment.

During the year the total purchases and sales across different major asset classes are as per below table.

	2018 £'000	2017 £'000
Purchase		
Bonds	228,846	441,079
Collective investment schemes	19,981	199,736
Sales		
Bonds	203,416	381,281
Collective investment schemes	10,092	202,853

The Sub-fund suffers a number of explicit costs as disclosed in the notes and Sub-fund history. The Sub-fund also suffers implicit costs an example is market spread, the spread represents the costs of providing liquidity in a market. It therefore is subject to change based on volume, active markets have a lower spread the difference between; bid the price you receive and offer the price you pay.

At the balance sheet date the average portfolio dealing spread (i.e. the spread between bid and offer prices expressed as a percentage of the offer price) was 0.13% (2017: 0.16%), this is representative of the average spread on the assets held during the year.

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Short Duration Global Index Linked Bond Fund

Notes to the Financial Statements

(Continued)

4 Revenue

	2018	2017
	£'000	£'000
Interest on debt securities	7,156	5,107
Derivative revenue	0	7
Bank interest	63	52
Total revenue	7,219	5,166

5 Expenses

	2018	2017
	£'000	£'000
Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:		
Authorised Corporate Director's periodic charge	1,303	1,276
Dealing charge	131	120
Registration fees	337	325
	1,771	1,721
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Depositary's fees	72	72
Safe custody fee	20	18
	92	90
Other:		
Audit fee	12	14
Total expenses	1,875	1,825

6 Interest Payable and Similar Charges

	2018	2017
	£'000	£'000
Interest payable	3	3
Derivative expense	50	0
Total interest payable & similar charges	53	3

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Notes to the Financial Statements

(Continued)

7 Taxation

(a) Analysis of charge in year

	2018 £'000	2017 £'000
Total current tax	0	0

(b) Factors affecting current tax charge for the year

The tax assessed for the year is less than the standard rate of corporation tax in the UK for Funds of authorised Open-Ended Investment Companies (20%). The differences are explained below:

Net revenue before taxation	5,291	3,338
Corporation tax at 20% (2017: 20%)	1,058	668
Effects of:		
Distributions treated as tax deductible	(170)	(668)
UK Indexation relief	(888)	0
Total tax charge for year (note 7a)	0	0

8 Distributions

The distributions takes account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	2018 £'000	2017 £'000
First interim distribution	897	847
Second interim distribution	1,280	840
Third interim distribution	1,486	927
Final distribution	1,687	754
	5,350	3,368
Add: Income deducted on cancellation of shares	60	106
Deduct: Income received on issue of shares	(120)	(136)
Net distribution for the year	5,290	3,338

Details of the distribution per share are set out in this Sub-fund's distribution tables.

Net revenue after taxation	5,291	3,338
Undistributed revenue carried forward	(1)	0
Total distributions	5,290	3,338

9 Debtors

	2018 £'000	2017 £'000
Amounts receivable from the ACD for the issue of shares	90	709
Sales awaiting settlement	1,516	0
Accrued revenue	1,115	1,020
Total debtors	2,721	1,729

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Notes to the Financial Statements

(Continued)

10 Cash and Bank Balances

	2018 £'000	2017 £'000
Amounts held at futures clearing houses and brokers	(14)	(49)
Cash and bank balances	174	368
	160	319
Collateral Cash	(391)	(1,399)
Total cash and bank balances	(231)	(1,080)

11 Creditors

	2018 £'000	2017 £'000
Amounts payable to the ACD for cancellation of shares	543	305
Purchases awaiting settlement	0	4,887
Accrued expenses payable to ACD	143	140
Accrued expenses payable to the Depositary or associates of the Depositary	6	12
Other accrued expenses	28	20
Total creditors	720	5,364

12 Related Party Transactions

Standard Life Investments (Mutual Funds) Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal in respect of all transactions of shares in the Sub-fund.

The fees received by the ACD are set out in note 5.

The ACD is involved in all transactions in shares of the Sub-fund, the aggregate values of which are set out in the Statement of Change in Net Assets Attributable to Shareholders on page 241. £596,000 was due to the ACD at the year end.

13 Shares in issue reconciliation

	Opening shares 2017	Creations during the year	Cancellations during the year	Conversions during the year	Closing shares 2018
Retail accumulation	311,883	40	(2,040)	21,517	331,400
Institutional accumulation	2,147,609	3,759,022	(819,861)	64,247	5,151,017
Retail income	42,200	24,985	(21,996)	19,996	65,185
Institutional income	77,469,782	4,226,198	(37,746,641)	(2,258,208)	41,691,131
Standard Life income	2,200	0	(2,200)	0	0
Standard Life accumulation	35,595	51,700	(2,000)	0	85,295
Platform 1 accumulation	38,906,068	8,810,107	(7,511,063)	(974,375)	39,230,737
Platform 1 income	99,404,147	10,961,491	(16,888,846)	178,041	93,654,833
Institutional S accumulation	333,856,333	43,437,670	(16,476,550)	988,066	361,805,519
Institutional S income	232,507,719	90,585,870	(17,038,177)	1,949,208	308,004,620

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Notes to the Financial Statements

(Continued)

14 Fair Value Hierarchy

	2018 £'000	2018 £'000	2018 £'000	2017 £'000	2017 £'000	2017 £'000
Fair value of investment assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Bonds	403,899	22,169	0	364,930	29,896	0
Collective Investment Schemes	0	9,896	0	0	10,532	0
Derivatives	0	1,980	0	0	5,723	0
Total investment assets	403,899	34,045	0	364,930	46,151	0
Derivatives	0	(7,217)	0	0	(2,108)	0
Total investment liabilities	0	(7,217)	0	0	(2,108)	0

The three levels of the fair value hierarchy under FRS 102 are described below:

Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for the identical unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

15 Risk Management Policies & Numerical Disclosures

In accordance with the investment objectives, the Sub-fund may hold certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policies;
- cash and short-term debtors and creditors arising directly from operations; and
- derivatives.

The main risks arising from the Sub-fund's financial instruments are market price, foreign currency, interest rate, credit and liquidity risk.

The policies for managing these risks are summarised on the next page and have been applied consistently throughout the year, and prior year.

(a) Market price risk

Each Sub-fund's investment portfolio is exposed to market price fluctuation which are monitored by the Fund Manager in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers mitigate the risk of excessive exposure to any particular type of security or issuer.

In the current market conditions certain securities have become difficult to price. For these securities, reliance has therefore been placed on single broker prices. This has not resulted in any adjustment to the financial statements.

Value at Risk (VaR) is a measure of the maximum potential loss to the Sub-fund due to market risk. More particularly, VaR measures the maximum potential loss at a given confidence level (probability) over a specific time period under normal market conditions.

2018	Minimum	Maximum	Average
VaR 99% 1 Month	1.34%	1.57%	1.48%
2017	Minimum	Maximum	Average
VaR 99% 1 Month	1.56%	1.92%	1.72%

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Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

At the year end date, there was a 1% chance of the portfolio value falling (or rising) more than 1.34%, £5,772,000 (2017: 1.60%, £6,460,022) in one month period.

This calculation is generally determined by the use of an industry recognised medium term risk model, typically based on 3-5 year history. The method assumes normal market conditions and that the portfolio remains unchanged.

(b) Foreign currency risk

A proportion of the net assets of the Sub-fund are denominated in currencies other than Sterling, therefore the balance sheet and total returns can be affected by currency movements. In certain circumstances, the Fund Manager may seek to manage exposure to currency movements by using forward currency contracts.

The Sub-fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

Income received in foreign currencies is converted into Sterling at the exchange rates ruling when the income is received.

Currency exposure

The net foreign currency monetary exposure comprises:

	Net foreign currency monetary assets/(liabilities)	
	2018	2017
	£'000	£'000
Australian Dollar	(6)	113
Canadian Dollar	(8)	59
Danish Krone	(7)	(3)
Euro	411	150
Japanese Yen	(29)	46
New Zealand Dollar	5	14
Swedish Krona	(71)	25
US Dollar	33	68

(c) Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuations in interest rates. The Fund Manager continuously reviews interest rates and inflation expectations. The assessment of this may result in a change in investment strategy.

Bond yields are affected by market and economic conditions, including inflation rates and government policy. An analysis of the interest rates and maturity of bond listings is detailed below.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In general, if interest rates rise, the income potential of the Sub-fund also rises but the value of fixed rate securities will decline (along with certain expenses calculated by reference to the assets of the Sub-fund). A decline in interest rates will, in general, have the opposite effect.

Standard Life Investment Company II

Annual Report & Financial Statements

Short Duration Global Index Linked Bond Fund

Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

The interest rate risk profile of the Sub-fund's financial assets and liabilities is:

	Floating rate financial assets/ (liabilities) £'000	Fixed rate financial assets/ (liabilities) £'000	Financial assets/ (liabilities) not carrying interest £'000	Total £'000
2018				
Currency				
Sterling	136,679	410	294,226	431,315
Australian Dollar	8,095	0	(8,101)	(6)
Canadian Dollar	2,762	0	(2,770)	(8)
Danish Krone	1,252	0	(1,259)	(7)
Euro	62,678	119	(62,386)	411
Japanese Yen	14,249	0	(14,278)	(29)
New Zealand Dollar	771	0	(766)	5
Swedish Krona	2,637	(64)	(2,644)	(71)
US Dollar	205,934	212	(206,113)	33
2017				
Currency				
Sterling	133,642	0	269,875	403,517
Australian Dollar	13,911	0	(13,798)	113
Canadian Dollar	7,307	0	(7,248)	59
Danish Krone	1,233	0	(1,236)	(3)
Euro	56,444	0	(56,294)	150
Japanese Yen	11,380	0	(11,334)	46
New Zealand Dollar	7,781	742	(8,509)	14
Swedish Krona	0	0	25	25
US Dollar	171,838	0	(171,770)	68

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Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

(d) Credit risk

All cash exposures are carefully managed to ensure that money is placed on deposit with counterparties that meet the minimum credit rating deemed appropriate for this Sub-fund. In certain circumstances, the Fund Manager may deliberately invest in securities (e.g. corporate bonds) with a well defined and published credit rating. In this case the Sub-fund would be deliberately taking credit risk in order to seek additional rewards.

	Bid market value 2018 £'000	Bid market value 2017 £'000
Credit Rating Analysis		
Investment Grade Bonds	426,068	394,826
Total Value of Bonds	426,068	394,826

(e) Financial Derivatives Instrument Risk

At the year end the Sub-fund held derivatives for the purposes of efficient portfolio management or to meet the Sub-fund's investment objectives. These types of transaction can introduce market exposure greater than the market value of the instrument. These transactions exchange benefits with a third party at a future date creating both counterparty and concentration risk. The Investment Adviser's policies for managing these risks are outlined in the Sub-fund's prospectus.

At the balance sheet date the Sub-fund had the following exposures:

	2018 £'000	2017 £'000
Market Exposure		
Forward Currency Contracts	323,069	388,107
Inflation Swaps	147,624	137,224
Interest Rate Swaps	22,500	143,954
Total Market Exposure	493,193	669,285

The total market exposure is the sum of the notional derivative contracts on a gross basis with no offsetting.

Counterparty Exposure

Derivative instruments involve an agreement to exchange a benefit at a future date. This introduces counterparty risk where an agreement is bilateral (between two parties) and concentration risk where a clearing broker operates on an exchange. Where the counterparty or clearing broker is not solvent the market exposure obtained would be lost.

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Short Duration Global Index Linked Bond Fund

Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

Exposure is reduced by the exchange of margin on a daily basis for cleared derivatives and by the collateral held/pledged on a bilateral transaction.

	2018			2017		
	Collateral (held)/ pledged £'000	Margin at clearing broker £'000	Market value of derivatives £'000	Collateral (held)/ pledged £'000	Margin at clearing broker £'000	Market value of derivatives £'000
Counterparty or clearer						
Bank of America Merrill Lynch	5,713	0	(5,378)	0	0	32
Barclays	0	0	29	0	0	16
BNP Paribas	0	0	34	(680)	0	1,193
Citigroup	(115)	0	108	(176)	0	24
Credit Agricole	0	0	0	0	0	1
Deutsche Bank	0	0	2	0	0	0
Goldman Sachs	1,318	0	0	1,214	0	0
HSBC	358	0	(265)	0	0	(11)
JP Morgan	(69)	0	173	(426)	0	591
Lloyds	0	0	0	(954)	0	1,465
Morgan Stanley	(268)	0	171	(96)	0	79
Natwest	249	0	(264)	0	0	0
Nomura	(110)	0	106	(110)	0	81
Royal Bank of Canada	0	0	48	0		(15)
Royal Bank of Scotland	0	0	0	(33)	0	73
Societe Generale	0	0	0	0	0	(91)
StateStreet	0	0	0	(130)	0	94
UBS	0	0	(1)	2,122	0	83
Total	7,076	0	(5,237)	731	0	3,615

Margin exchanged or collateral held or pledged is in the form of high quality liquid assets e.g. cash/gilts. Positions are fully collateralised at all times. Restrictions are placed on the right of either party to reuse collateral assets.

(f) Liquidity risk

The Sub-fund's assets comprise mainly readily realisable securities. The main liabilities of the Sub-fund are the redemption of any shares that investors wish to sell and the settlement of stock purchases. The Fund Manager reviews the cash and liability position continuously, and should an increase in liquidity be required, the Fund Manager will sell securities.

Standard Life Investment Company II Annual Report & Financial Statements

Short Duration Global Index Linked Bond Fund

Distribution Tables

for the three months ended 31 January 2018

Group 1 – shares purchased prior to 1 November 2017

Group 2 – shares purchased between 1 November 2017 and 31 January 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.0367	–	0.0367*	0.0454
Group 2	0.0119	0.0248	0.0367*	–
Institutional accumulation				
Group 1	0.0919	–	0.0919*	0.0899
Group 2	–	–	–	0.0899
Retail income				
Group 1	0.0367	–	0.0367**	0.0480
Group 2	–	–	–	–
Institutional income				
Group 1	0.0905	–	0.0905**	0.0888
Group 2	0.0519	0.0386	0.0905**	0.0888
Standard Life income				
Group 1	0.1677	–	0.1677**	0.1480
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	0.1601	–	0.1601*	0.1443
Group 2	0.1046	0.0555	0.1601*	0.1443
Platform 1 accumulation				
Group 1	0.0854	–	0.0854*	0.0846
Group 2	0.0420	0.0434	0.0854*	0.0846
Platform 1 income				
Group 1	0.0843	–	0.0843**	0.0831
Group 2	0.0439	0.0404	0.0843**	0.0831
Institutional S accumulation				
Group 1	0.1215	–	0.1215*	0.1129
Group 2	0.0658	0.0557	0.1215*	0.1129
Institutional S income				
Group 1	0.1189	–	0.1189**	0.1111
Group 2	0.0545	0.0644	0.1189**	0.1111

* Distribution accumulated on 31 January 2018

** Distribution paid on 31 March 2018

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Short Duration Global Index Linked Bond Fund

Distribution Tables

(Continued)

for the three months ended 30 April 2018

Group 1 – shares purchased prior to 1 February 2018

Group 2 – shares purchased between 1 February 2018 and 30 April 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.0815	–	0.0815*	0.0273
Group 2	–	–	–	–
Institutional accumulation				
Group 1	0.1350	–	0.1350*	0.0802
Group 2	0.0752	0.0598	0.1350*	0.0802
Retail income				
Group 1	0.0810	–	0.0810**	0.0289
Group 2	0.0768	0.0042	0.0810**	0.0289
Institutional income				
Group 1	0.1329	–	0.1329**	0.0795
Group 2	0.0677	0.0652	0.1329**	0.0795
Standard Life income				
Group 1	0.2054	–	0.2054**	0.1461
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	0.2015	–	0.2015*	0.1462
Group 2	0.1321	0.0694	0.2015*	0.1462
Platform 1 accumulation				
Group 1	0.1289	–	0.1289*	0.0742
Group 2	0.0563	0.0726	0.1289*	0.0742
Platform 1 income				
Group 1	0.1268	–	0.1268**	0.0736
Group 2	0.0593	0.0675	0.1268**	0.0736
Institutional S accumulation				
Group 1	0.1640	–	0.1640*	0.1088
Group 2	0.0964	0.0676	0.1640*	0.1088
Institutional S income				
Group 1	0.1600	–	0.1600**	0.1073
Group 2	0.0895	0.0705	0.1600**	0.1073

* Distribution accumulated on 30 April 2018

** Distribution paid on 30 June 2018

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Short Duration Global Index Linked Bond Fund

Distribution Tables

(Continued)

for the three months ended 31 July 2018

Group 1 – shares purchased prior to 1 May 2018

Group 2 – shares purchased between 1 May 2018 and 31 July 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.1009	–	0.1009*	0.0469
Group 2	–	–	–	–
Institutional accumulation				
Group 1	0.1568	–	0.1568*	0.1007
Group 2	0.0201	0.1367	0.1568*	0.1007
Retail income				
Group 1	0.1008	–	0.1008**	0.0473
Group 2	0.0082	0.0926	0.1008**	–
Institutional income				
Group 1	0.1528	–	0.1528**	0.1008
Group 2	0.0768	0.0760	0.1528**	0.1008
Standard Life income				
Group 1	–	–	0.0000**	0.1800
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	0.2265	–	0.2265*	0.1700
Group 2	0.1437	0.0828	0.2265*	0.1700
Platform 1 accumulation				
Group 1	0.1504	–	0.1504*	0.0956
Group 2	0.0785	0.0719	0.1504*	0.0956
Platform 1 income				
Group 1	0.1471	–	0.1471**	0.0944
Group 2	0.0765	0.0706	0.1471**	0.0944
Institutional S accumulation				
Group 1	0.1871	–	0.1871*	0.1309
Group 2	0.1046	0.0825	0.1871*	0.1309
Institutional S income				
Group 1	0.1824	–	0.1824**	0.1292
Group 2	0.1000	0.0824	0.1824**	0.1292

* Distribution accumulated on 31 July 2018

** Distribution paid on 30 September 2018

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Short Duration Global Index Linked Bond Fund

Distribution Tables

(Continued)

for the three months ended 31 October 2018

Group 1 – shares purchased prior to 1 August 2018

Group 2 – shares purchased between 1 August 2018 and 31 October 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution payable 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.1190	–	0.1190*	–
Group 2	–	–	–	–
Institutional accumulation				
Group 1	0.1813	–	0.1813*	0.0507
Group 2	0.0726	0.1087	0.1813*	0.0507
Retail income				
Group 1	0.1211	–	0.1211**	–
Group 2	–	–	–	–
Institutional income				
Group 1	0.1736	–	0.1736**	0.0510
Group 2	0.0831	0.0905	0.1736**	0.0510
Standard Life income				
Group 1	–	–	0.0000**	0.1268
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	0.2479	–	0.2479*	0.1200
Group 2	0.0659	0.1820	0.2479*	0.1200
Platform 1 accumulation				
Group 1	0.1719	–	0.1719*	0.0451
Group 2	0.0921	0.0798	0.1719*	0.0451
Platform 1 income				
Group 1	0.1682	–	0.1682**	0.0446
Group 2	0.0724	0.0958	0.1682**	0.0446
Institutional S accumulation				
Group 1	0.2088	–	0.2088*	0.0810
Group 2	0.1133	0.0955	0.2088*	0.0810
Institutional S income				
Group 1	0.2026	–	0.2026**	0.0796
Group 2	0.1154	0.0872	0.2026**	0.0796

* Distribution accumulated on 31 October 2018

** Distribution payable on 31 December 2018

Standard Life Investment Company II Annual Report & Financial Statements

Short Term Money Market Fund

Investment Report

Fund Information	
Fund Manager	
Launch Date	15 September 2004
Benchmark	

All the shares in the Sub-fund were redeemed and cancelled on 27 September 2018. The Sub-fund will formally terminate at a later date.

Standard Life Investment Company II Annual Report & Financial Statements

Short Term Money Market Fund

Comparative Tables

	2018 pence per share	2017 pence per share	2016 pence per share
Retail accumulation++			
Change in net assets per share			
Opening net asset value per share	57.80	57.83	57.78
Return before operating charges*	0.30	0.23	0.33
Operating charges**	(0.29)	(0.26)	(0.26)
Return after operating charges*	0.01	(0.03)	0.07
Distributions	0.00	0.00	(0.09)
Retained distributions on accumulation share	0.00	0.00	0.07
Redemption value of shares at 27 September 2018	(57.81)	0.00	0.00
Closing net asset value per share	0.00	57.80	57.83
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	0.02%	-0.05%	0.12%
Other information			
Closing net asset value (£'000)	0	5,651	7,580
Closing number of shares	0	9,777,539	13,106,744
Operating charges****	0.50%	0.45%	0.45%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	57.81	57.84	57.85
Lowest share price	57.76	57.80	57.78

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

++ Share class closed on 27 September 2018.

Standard Life Investment Company II Annual Report & Financial Statements

Short Term Money Market Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life accumulation++			
Change in net assets per share			
Opening net asset value per share	59.85	59.77	59.57
Return before operating charges*	0.32	0.22	0.39
Operating charges**	(0.18)	(0.14)	(0.14)
Return after operating charges*	0.14	0.08	0.25
Distributions	(0.13)	(0.10)	(0.26)
Retained distributions on accumulation share	0.13	0.10	0.21
Redemption value of shares at 27 September 2018	(59.99)	0.00	0.00
Closing net asset value per share	0.00	59.85	59.77
* after direct transaction costs of:***	0.00	0.00	0.00
Performance+			
Return after charges	0.23%	0.13%	0.42%
Other information			
Closing net asset value (£'000)	0	893	1,265
Closing number of shares	0	1,492,000	2,116,726
Operating charges****	0.30%	0.23%	0.23%
Direct transaction costs***	0.00%	0.00%	0.00%
Prices			
Highest share price	59.99	59.85	59.79
Lowest share price	59.85	59.77	59.57

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

++ Share class closed on 27 September 2018.

Standard Life Investment Company II Annual Report & Financial Statements

Short Term Money Market Fund

Portfolio Statement

as at 31 October 2018

Holding	Investment	Market value £'000	Percentage of total net assets
The Sub-fund has not held any investments since 27 September 2018.			

Standard Life Investment Company II

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Short Term Money Market Fund

Financial Statements

Statement of Total Return

for the year ended 31 October 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Income:					
Net capital losses	2		0		(1)
Revenue	4	24		26	
Expenses	5	(24)		(28)	
Net expense before taxation		0		(2)	
Taxation	6	0		0	
Net expense after taxation			0		(2)
Total return before distributions			0		(3)
Distributions	7		0		(1)
Change in net assets attributable to shareholders from investment activities			0		(4)

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2018

		2018		2017	
		£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders			6,544		8,845
Amounts receivable on the issue of shares		1,061		3,365	
Amounts payable on the cancellation of shares		(7,605)		(5,664)	
			(6,544)		(2,299)
Dilution adjustment			0		1
Change in net assets attributable to shareholders from investment activities (see above)			0		(4)
Retained distribution on accumulation shares			0		1
Closing net assets attributable to shareholders			0		6,544

Standard Life Investment Company II Annual Report & Financial Statements

Short Term Money Market Fund

Financial Statements

(Continued)

Balance Sheet

as at 31 October 2018

	Notes	£'000	2018 £'000	2017 £'000
Assets:				
Fixed assets:				
Investment assets			0	6,554
Current assets:				
Debtors	8	0		2
Cash and bank balances	9	5		2
			5	4
Total assets			5	6,558
Liabilities:				
Creditors	10	(5)		(14)
			(5)	(14)
Total liabilities			(5)	(14)
Net assets attributable to shareholders			0	6,544

Standard Life Investment Company II

Annual Report & Financial Statements

Short Term Money Market Fund

Notes to the Financial Statements

1 Accounting Policies

Please refer to pages 11 and 12 for note on accounting policies.

2 Net Capital Losses

	2018 £'000	2017 £'000
Non-derivative securities	2	2
Handling charges taken from the capital account	(2)	(3)
Net capital losses	0	(1)

3 Purchases, Sales and Transaction Costs

There are no transaction costs associated with the purchases or sales of bonds, money market instruments and collective investment schemes during the year, or in the prior year.

Collective investments operate within the terms of the offer document or prospectus. Typically we do not invest into Sub-funds that require an initial charge to be made. The underlying price contains an estimation of cost known as a dilution levy which is applied from time to time.

Bonds are dealt on a spread agreed between buyer and seller with reference to the expected cashflows and current credit profiles.

During the year the total purchases and sales across different major asset classes are as per table below:

	2018 £'000	2017 £'000
Purchase		
Bonds	5,199	600
Money Market Instruments	0	8,197
Sales		
Bonds	8,000	1,400
Money Market Instruments	0	9,800

The Sub-fund suffers a number of explicit costs as disclosed in the notes and Sub-fund history. The Sub-fund also suffers implicit costs an example is market spread, the spread represents the costs of providing liquidity in a market. It therefore is subject to change based on volume, active markets have a lower spread the difference between; bid the price you receive and offer the price you pay.

At the balance sheet date the average portfolio dealing spread (i.e. the spread between bid and offer prices expressed as a percentage of the offer price) was 0.00% (2017: 0.04%), this is representative of the average spread on the assets held during the year.

4 Revenue

	2018 £'000	2017 £'000
Interest on debt securities	1	7
Interest on money market instruments	9	13
Bank interest	14	6
Total revenue	24	26

Standard Life Investment Company II

Annual Report & Financial Statements

Short Term Money Market Fund

Notes to the Financial Statements

(Continued)

5 Expenses

	2018 £'000	2017 £'000
Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:		
Authorised Corporate Director's periodic charge	14	19
Registration fees	0	1
	<u>14</u>	<u>20</u>
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Depositary's fees	1	1
Safe custody fees	1	0
	<u>2</u>	<u>1</u>
Other:		
Audit fee	8	7
Total expenses	<u>24</u>	<u>28</u>

6 Taxation

	2018 £'000	2017 £'000
(a) Analysis of charge in year		
Total current tax	<u>0</u>	<u>0</u>
(b) Factors affecting current tax charge for the year		
The tax assessed for the year is the same as the standard rate of corporation tax in the UK for Funds of authorised Open-Ended Investment Companies (20%). The differences are explained below:		
	0	(2)
Corporation tax at 20% (2017: 20%)	<u>0</u>	<u>0</u>
Effects of:		
Total tax charge for year (note 6a)	<u>0</u>	<u>0</u>

Standard Life Investment Company II Annual Report & Financial Statements

Short Term Money Market Fund

Notes to the Financial Statements

(Continued)

7 Distributions

The distributions takes account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	2018 £'000	2017 £'000
Distribution	0	1
Add: Income deducted on cancellation of shares	0	1
Deduct: Income received on issue of shares	0	(1)
Net distribution for the year	0	1
Details of the distribution per share are set out in this Fund's distribution tables.		
Net revenue after taxation	0	(2)
Shortfall transfer from capital to revenue	0	3
Total distributions	0	1

8 Debtors

	2018 £'000	2017 £'000
Accrued revenue	0	2
Total debtors	0	2

9 Cash and Bank Balances

	2018 £'000	2017 £'000
Cash and bank balances	5	2
Total cash and bank balances	5	2

10 Creditors

	2018 £'000	2017 £'000
Amounts payable to the ACD for cancellation of shares	0	7
Accrued expenses payable to ACD	0	1
Other accrued expenses	5	6
Total creditors	5	14

11 Related Party Transactions

Standard Life Investments (Mutual Funds) Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal in respect of all transactions of shares in the Sub-fund.

The fees received by the ACD are set out in note 5.

The ACD is involved in all transactions in shares of the Sub-fund, the aggregate values of which are set out in the Statement of Change in Net Assets Attributable to Shareholders on page 260.

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Short Term Money Market Fund

Notes to the Financial Statements

(Continued)

12 Shares in issue reconciliation

	Opening shares 2017	Creations during the year	Cancellations during the year	Closing shares 2018
Retail accumulation	9,777,539	1,607,559	(11,385,098)	0
Standard Life accumulation	1,492,000	220,414	(1,712,414)	0

13 Fair Value Hierarchy

	2018 £'000	2018 £'000	2018 £'000	2017 £'000	2017 £'000	2017 £'000
Fair value of investment assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Bonds	0	0	0	0	600	0
Money Market Instruments	0	0	0	0	5,627	0
Collective Investment Schemes	0	0	0	0	327	0
Total investment assets	0	0	0	0	6,554	0

The three levels of the fair value hierarchy under FRS 102 are described below:

Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for the identical unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

14 Risk Management Policies & Numerical Disclosures

In accordance with the investment objectives, the Sub-fund may hold certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policies;
- cash and short-term debtors and creditors arising directly from operations; and
- derivatives.

The main risks arising from the Sub-fund's financial instruments are market price, foreign currency, interest rate, credit and liquidity risk.

The policies for managing these risks are summarised below and have been applied consistently throughout the year, and prior year.

(a) Market price risk

Each Sub-fund's investment portfolio is exposed to market price fluctuation which are monitored by the Fund Manager in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers mitigate the risk of excessive exposure to any particular type of security or issuer.

In the current market conditions certain securities have become difficult to price. For these securities, reliance has therefore been placed on single broker prices. This has not resulted in any adjustment to the financial statements.

An increase or decrease in market values will therefore have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the Sub-fund.

Standard Life Investment Company II

Annual Report & Financial Statements

Short Term Money Market Fund

Notes to the Financial Statements

(Continued)

14 Risk Management Policies & Numerical Disclosures (Continued)

(b) Foreign currency risk

A proportion of the net assets of the Sub-fund are denominated in currencies other than Sterling, therefore the balance sheet and total returns can be affected by currency movements. In certain circumstances, the Fund Manager may seek to manage exposure to currency movements by using forward currency contracts.

The Sub-fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

Income received in foreign currencies is converted into Sterling at the exchange rates ruling when the income is received.

Currency exposure

(c) Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuations in interest rates. The Fund Manager continuously reviews interest rates and inflation expectations. The assessment of this may result in a change in investment strategy.

Bond yields are affected by market and economic conditions, including inflation rates and government policy. An analysis of the interest rates and maturity of bond listings is detailed below.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In general, if interest rates rise, the income potential of the Sub-fund also rises but the value of fixed rate securities will decline (along with certain expenses calculated by reference to the assets of the Sub-fund). A decline in interest rates will, in general, have the opposite effect.

The interest rate risk profile of the Fund's financial assets and liabilities is:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets/ (liabilities) not carrying interest £'000	Total £'000
2018				
Currency				
UK Sterling	0	0	0	0
2017				
Currency				
UK Sterling	4,356	2,188	0	6,544

(d) Credit risk

All cash exposures are carefully managed to ensure that money is placed on deposit with counterparties that meet the minimum credit rating deemed appropriate for this Sub-fund. In certain circumstances, the Fund Manager may deliberately invest in securities (e.g. corporate bonds) with a well defined and published credit rating. In this case the Sub-fund would be deliberately taking credit risk in order to seek additional rewards.

	Bid market value 2018 £'000	Bid market value 2017 £'000
Credit Rating Analysis		
Investment Grade Bonds	0	600
Total Value of Bonds	0	600

(e) Liquidity Risk

The Sub-fund's assets comprise mainly readily realisable securities. The main liabilities of the Sub-fund are the redemption of any shares that investors wish to sell and the settlement of stock purchases. The Fund Manager reviews the cash and liability position continuously, and should an increase in liquidity be required, the Fund Manager will sell securities.

Standard Life Investment Company II Annual Report & Financial Statements

Short Term Money Market Fund

Distribution Tables

for the year ended 31 October 2018

Group 1 – shares purchased prior to 1 November 2017

Group 2 – shares purchased between 1 November 2017 and 31 October 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	0.0004	–	0.0004*	–
Group 2	–	0.0004	0.0004*	–
Standard Life accumulation				
Group 1	0.1305	–	0.1305*	0.0999
Group 2	0.1086	0.0219	0.1305*	0.0999

* Distribution accumulated on 31 October 2018

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Investment Report

Fund Information	
Fund Manager	Lesley Duncan
Launch Date	1 February 2018
Benchmark	NA

Investment Objective

The objective of the Sub-fund is to generate a return over the long term by investing primarily in equities and equity-related investments of companies which promote and implement good employment opportunities and practices.

Investment Policy

The investment policy of the Sub-fund is to invest primarily in a concentrated portfolio of equities and equity-related investments of companies incorporated or domiciled in the UK or which have significant assets or derive significant revenues or profits from UK operations which have the potential to generate return over the long term and create a positive measurable impact by the promotion or implementation of good employment opportunities and practices. The impact criteria will typically include paying above average rates, being located in deprived areas, offering training opportunities and / or employing young people with the majority of these being in the UK. "Equity-related investments" will include convertible stocks, stock exchange listed warrants, Depositary Receipts and any other such investments which entitle the holder to subscribe for or convert into the equity of the company and/or where the share price performance is, in the opinion of the ACD, influenced significantly by the stock market performance of the company's ordinary shares. The impact criteria applicable to the Sub-fund are set out in an Impact Policy and may be amended from time to time as considered necessary.

The Sub-fund may also invest in other transferable securities, money-market instruments, deposits, cash and near cash and collective investment schemes that comply, where applicable, with the impact criteria.

Risk

The Sub-fund is intended for investors who wish to participate in the potential capital growth opportunities afforded by investing in an actively managed concentrated portfolio of primarily UK equities of companies that have a positive impact and comply with certain impact criteria. The nature of the portfolio offers investors a focused investment approach as well as diversification across primarily UK equity exposure with an impact focus. The investor must be able to accept significant temporary losses due to both the volatile nature of equity markets, and the potentially restricted investment universe enforced by the impact criteria, and should therefore have an investment time horizon of at least 5 years.

Performance

A positive for the Fund was Fever Tree Drinks. The UK-listed premium mixers company remains popular with the market for its continued long-term growth opportunity. Up to now, the story has largely been about UK gin & tonic but increasingly it is about international growth and mixers for dark spirits, such as whisky and rum. It delivered results that were well ahead of market expectations. Online fashion group Boohoo.com continued to deliver solid expansion across its brands and geographies, which was reflected in interim results that were comfortably ahead of expectations. The firm also upgraded its guidance for revenue growth, and a new CEO has been appointed who has experience in infrastructure development. Our ethical screen came into focus with regards to British American Tobacco. We had no exposure to this tobacco company, which proved positive given concerns about market share being taken by start-ups in the next-generation market. Additional highlights included Ei Group, Gamma Communications and Kainos.

The two major UK listed oil stocks – Royal Dutch Shell and BP – are both stocks that fail our ethical screening process, resulting in exclusion from the Fund's investable universe. During the period under review, the oil price strengthened due to concerns about supply, which led to these companies performing well. Given the Fund's structural underweight to this sector, there was a detrimental impact on its performance. Not owning the GlaxoSmithKline was another drag on performance. The company has a weak pipeline of new drugs, but was rewarded for finally acknowledging this and for highlighting a move to re-focus its R&D effort. In our view, however, the latter is a potential negative as it could drive costs up. Notwithstanding this, what concerns us the most is the level of debt on its balance sheet, the potential for costly corporate activity and the risk the dividend is cut. SuperGroup, a holding in the Fund, also held back performance as its share price weakened when it announced disappointing in-store sales. In our view, this price reaction was overdone; strong online sales and geographical expansion suggest the business is still growing at a considerable rate. As such, we took advantage of its share-price weakness to add to our holding. Ricardo, Just Eat and Spectris also disappointed.

Investment Activity

The Fund launched on 1 February 2018. Its aim is to generate a financial return over the long term by investing in companies which promote and implement good employment opportunities and practises. The Fund's manager will identify companies for their potential to grow and sustain strong long-term financial returns. Companies will then be assessed to determine if they are committed to delivering sustainable employment opportunities.

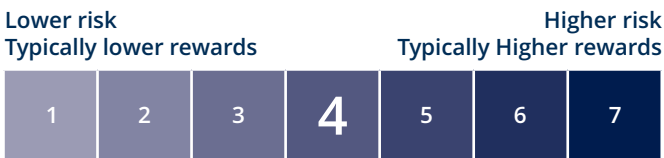
Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Investment Report (Continued)

For example, we recently purchased Clinigen, a beneficiary of the trend by big pharmaceutical companies to outsource sales in non-core regions of the world for unlicensed medicines. We see this as a structural growth opportunity that is not reflected in the company's valuation. Vesuvius develops and manufactures high-technology products and solutions for the steel and castings industries. The company's management is unlocking value across its business and finding ways to mitigate the volatility of the business by 'rightsizing' its manufacturing base in Europe. We expect management to do this in their North America operations. The current valuation does not factor in this potential benefit, and we decided to invest in the business.

Synthetic Risk & Reward Indicator



This indicator reflects the volatility of the Sub-fund's share price over the last five years which in turn reflects the volatility of the underlying assets in which the Sub-fund invests. Historical data may not be a reliable indication of the future. As the Sub-fund does not have a five year price history, we have used an internally produced bespoke blended benchmark to show how the Sub-fund price may have behaved over the period prior to the launch of the Sub-fund.

The current rating, which is the same for all share classes, is not guaranteed and may change if the volatility of the assets in which the Sub-fund invests changes. The lowest rating does not mean risk free.

All investment involves risk. This Sub-fund offers no guarantee against loss or that the Sub-fund's objective will be attained.

For further information on the risks that may not be fully captured by the risk and reward indicator, please refer to the current Key Investor Information Document (KIID).

Cautionary Note

It should be remembered that past performance is not a guide to future performance. The value of investments may go down as well as up and, therefore, investors may not get back the amount originally invested.

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Comparative Tables

	2018 pence per share
Retail accumulation	
Change in net assets per share	
Opening net asset value per share	50.00 ++
Return before operating charges*	(2.30)
Operating charges**	(0.59)
Return after operating charges*	(2.89)
Distributions	(0.59)
Retained distributions on accumulation share	0.59
Closing net asset value per share	47.11
* after direct transaction costs of:***	0.30
Performance+	
Return after charges	-5.78%
Other information	
Closing net asset value (£'000)	39
Closing number of shares	83,205
Operating charges****	1.60%
Direct transaction costs***	0.79%
Prices	
Highest share price	52.12
Lowest share price	45.88

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties. In line with the requirements of the 2014 SORP for authorised funds, direct transaction costs are stated after the proportion of the amounts collected from dilution adjustments in relation to direct transaction costs. Direct transaction costs, where expressed as a percentage of average NAV, reflect an equivalent annual period.

**** The operating charges percentage shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the opening value. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

++ From the launch of the Sub-fund on 1 February 2018.

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Comparative Tables

(Continued)

	2018 pence per share
Institutional accumulation	
Change in net assets per share	
Opening net asset value per share	50.00 ++
Return before operating charges*	(2.24)
Operating charges**	(0.42)
Return after operating charges*	(2.66)
Distributions	(0.79)
Retained distributions on accumulation share	0.79
Closing net asset value per share	47.34
* after direct transaction costs of:***	0.29
Performance+	
Return after charges	-5.32%
Other information	
Closing net asset value (£'000)	0
Closing number of shares	200
Operating charges****	1.12%
Direct transaction costs***	0.79%
Prices	
Highest share price	52.21
Lowest share price	46.06

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++ From the launch of the Sub-fund on 1 February 2018.

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Comparative Tables

(Continued)

	2018 pence per share
Standard Life accumulation	
Change in net assets per share	
Opening net asset value per share	50.00 ++
Return before operating charges*	(2.33)
Operating charges**	(0.14)
Return after operating charges*	(2.47)
Distributions	(1.01)
Retained distributions on accumulation share	1.01
Closing net asset value per share	47.53
* after direct transaction costs of:***	0.29
Performance+	
Return after charges	-4.94%
Other information	
Closing net asset value (£'000)	4,798
Closing number of shares	10,094,529
Operating charges****	0.37%
Direct transaction costs***	0.79%
Prices	
Highest share price	52.16
Lowest share price	45.96
<p>** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.</p> <p>*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties. In line with the requirements of the 2014 SORP for authorised funds, direct transaction costs are stated after the proportion of the amounts collected from dilution adjustments in relation to direct transaction costs. Direct transaction costs, where expressed as a percentage of average NAV, reflect an equivalent annual period.</p> <p>**** The operating charges percentage shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.</p> <p>+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the opening value. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.</p> <p>++ From the launch of the Sub-fund on 1 February 2018.</p>	

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Comparative Tables

(Continued)

	2018 pence per share
Platform 1 accumulation	
Change in net assets per share	
Opening net asset value per share	50.00 ++
Return before operating charges*	(2.27)
Operating charges**	(0.44)
Return after operating charges*	(2.71)
Distributions	(0.74)
Retained distributions on accumulation share	0.74
Closing net asset value per share	47.29
* after direct transaction costs of:***	0.30
Performance+	
Return after charges	-5.42%
Other information	
Closing net asset value (£'000)	23
Closing number of shares	48,533
Operating charges****	1.17%
Direct transaction costs***	0.79%
Prices	
Highest share price	52.12
Lowest share price	45.83
<p>** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.</p> <p>*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties. In line with the requirements of the 2014 SORP for authorised funds, direct transaction costs are stated after the proportion of the amounts collected from dilution adjustments in relation to direct transaction costs. Direct transaction costs, where expressed as a percentage of average NAV, reflect an equivalent annual period.</p> <p>**** The operating charges percentage shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.</p> <p>+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the opening value. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.</p> <p>++ From the launch of the Sub-fund on 1 February 2018.</p>	

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Comparative Tables

(Continued)

	2018 pence per share
Institutional S accumulation	
Change in net assets per share	
Opening net asset value per share	50.00 ++
Return before operating charges*	(2.24)
Operating charges**	(0.33)
Return after operating charges*	(2.57)
Distributions	(0.88)
Retained distributions on accumulation share	0.88
Closing net asset value per share	47.43
* after direct transaction costs of:***	0.29
Performance+	
Return after charges	-5.14%
Other information	
Closing net asset value (£'000)	0
Closing number of shares	200
Operating charges****	0.89%
Direct transaction costs***	0.79%
Prices	
Highest share price	52.03
Lowest share price	45.66

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties. In line with the requirements of the 2014 SORP for authorised funds, direct transaction costs are stated after the proportion of the amounts collected from dilution adjustments in relation to direct transaction costs. Direct transaction costs, where expressed as a percentage of average NAV, reflect an equivalent annual period.

**** The operating charges percentage shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the opening value. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

++ From the launch of the Sub-fund on 1 February 2018.

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Portfolio Statement

as at 31 October 2018

Holding	Investment	Market value £'000	Percentage of total net assets
Equities		4,728	97.28
UK Equities		4,728	97.28
Basic Materials		52	1.07
1,951	Victrex	52	1.07
Consumer Goods		1,195	24.59
4,400	Bellway	126	2.59
61,028	Boohoo.com*	130	2.67
10,094	Bovis Homes	98	2.02
53,574	Countryside Properties	160	3.29
2,905	Cranswick	84	1.73
30,385	Dixons Carphone	51	1.05
4,595	Fever Tree Drinks*	128	2.63
56,549	Greencore	107	2.20
6,544	Greggs	76	1.56
10,108	JD Sports	41	0.85
24,471	Redrow	129	2.66
8,010	SuperGroup	65	1.34
Consumer Services		776	15.97
12,428	CVS*	104	2.14
17,872	Dunelm	107	2.20
82,120	El Group	137	2.82
6,902	Go-Ahead	106	2.18
9,520	Greene King	46	0.95
24,527	Hollywood Bowl	49	1.01
15,385	Joules*	42	0.86
13,879	Just Eat	84	1.73
52,249	Lookers	50	1.03
11,360	Rightmove	51	1.05
Financials		877	18.05
14,524	Aviva	62	1.28
9,640	Close Brothers	142	2.92
48,788	CYBG	131	2.70
38,956	Grainger	105	2.16
7,361	Intermediate Capital	70	1.44

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Portfolio Statement

(Continued)

			Market value £'000	Percentage of total net assets
Holding	Investment			
Financials (Continued)				
23,022	John Laing Group		72	1.48
18,676	OneSavings Bank		70	1.44
9,523	Phoenix		57	1.17
7,279	St James's Place		74	1.52
11,083	Unite		94	1.94
Health Care			80	1.64
8,824	Clinigen*		80	1.64
Industrials			1,182	24.32
1,499	DCC		101	2.08
16,361	Grafton		118	2.43
24,726	Howdens Joinery		116	2.39
10,465	Kier		92	1.89
11,962	Marshalls		51	1.05
12,529	Midwich*		73	1.50
27,748	Mitie Group		40	0.82
38,463	Polypipe		143	2.94
21,307	Porvair		95	1.95
13,532	Ricardo		96	1.98
17,990	RPC		137	2.82
5,054	Sanne Group		28	0.58
4,310	Spectris		92	1.89
Technology			220	4.53
16,322	FDM		140	2.88
20,548	Kainos		80	1.65
Telecommunications			132	2.71
16,496	Gamma Communication*		132	2.71

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Portfolio Statement

(Continued)

			Market value £'000	Percentage of total net assets
	Holding	Investment		
Utilities			214	4.40
	4,680	National Grid	39	0.80
	12,293	Pennon	92	1.89
	4,461	Severn Trent	83	1.71
Total investment assets and liabilities			4,728	97.28
Net other assets			132	2.72
Total Net Assets			4,860	100.00

All investments are listed on recognised stock exchanges and are approved securities within the meaning of the FCA rules unless otherwise stated.

* AIM listed

Standard Life Investment Company II

Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Financial Statements

Statement of Total Return

for the period 1 February 2018 to 31 October 2018

	Notes	£'000	2018 £'000
Income:			
Net capital losses	2		(353)
Revenue	4	118	
Expenses	5	(15)	
Net revenue before taxation		103	
Taxation	6	0	
Net revenue after taxation			103
Total return before distributions			(250)
Distributions	7		(103)
Change in net assets attributable to shareholders from investment activities			(353)

Statement of Change in Net Assets Attributable to Shareholders

for the period 1 February 2018 to 31 October 2018

	£'000	2018 £'000
Opening net assets attributable to shareholders		0
Amounts receivable on the issue of shares	5,114	
Amounts payable on the cancellation of shares	(5)	
		5,109
Dilution adjustment		1
Change in net assets attributable to shareholders from investment activities (see above)		(353)
Retained distribution on accumulation shares		103
Closing net assets attributable to shareholders		4,860

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Financial Statements

(Continued)

Balance Sheet

as at 31 October 2018

	Notes	£'000	2018 £'000
Assets:			
Fixed assets:			
Investment assets			4,728
Current assets:			
Debtors	8	27	
Cash and bank balances	9	120	
			147
Total assets			4,875
Liabilities:			
Creditors	10	(15)	
			(15)
Total liabilities			(15)
Net assets attributable to shareholders			4,860

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Notes to the Financial Statements

1 Accounting Policies

Please refer to pages 11 and 12 for note on accounting policies.

2 Net Capital Losses

	2018*
	£'000
Non-derivative securities	(350)
Handling charges taken from the capital account	(3)
Net capital losses	(353)

3 Equity Purchases, Sales and Transaction Costs

During the period the total purchases and sales across different major assets classes are as per below table.

	2018*
	£'000
Equity Purchases, Sales and Transaction Costs	
Purchases	
Equities	5,323
Commissions	5
Taxes & Other Fees	25
Total purchase transaction costs	30
Purchases including transaction costs	5,353
Sales	
Equities	275
Commissions	0
Taxes & Other Fees	0
Total sale transaction costs	0
Total sales net of transaction costs	275
	2018*
	% Transaction
Equity Transaction Cost as a % of total Purchases & Sales	
Purchases	
Commissions	0.09%
Taxes & Other Fees	0.47%
Sales	
Commissions	0.07%
Taxes & Other Fees	0.00%

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Notes to the Financial Statements

(Continued)

3 Equity Purchases, Sales and Transaction Costs (Continued)

Equity Purchases, Sales Analysis to Average NAV	2018* % Average NAV
Purchases	
Commissions	0.10%
Taxes & Other Fees	0.49%
Sales	
Commissions	0.00%
Taxes & Other Fees	0.00%

During the period the total purchases and sales across different major asset classes are as per below table.

	2018 £'000
Purchase	
Equities	5,323
Sales	
Equities	275

The Sub-fund suffers a number of explicit costs as disclosed in the notes and Sub-fund history. The Sub-fund also suffers implicit costs an example is market spread, the spread represents the costs of providing liquidity in a market. It therefore is subject to change based on volume, active markets have a lower spread the difference between; bid the price you receive and offer the price you pay.

At the balance sheet date the average portfolio dealing spread (i.e. the spread between bid and offer prices expressed as a percentage of the offer price) was 0.92%, this is representative of the average spread on the assets held during the year.

4 Revenue

	2018* £'000
UK dividends	106
Overseas dividends	9
Bank interest	1
Property income distributions	2
Total revenue	118

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Notes to the Financial Statements

(Continued)

5 Expenses

2018*

£'000

Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:

Registration fees	3
-------------------	---

Payable to the Depositary or associates of the Depositary, and agents of either of them:

Depositary's fees	3
-------------------	---

Safe custody fee	1
------------------	---

	4
--	---

Other:

Audit fee	8
-----------	---

Total expenses	15
----------------	----

6 Taxation

2018*

£'000

(a) Analysis of charge in period

Total current tax	0
-------------------	---

(b) Factors affecting current tax charge for the period

The tax assessed for the period is less than the standard rate of corporation tax in the UK for Funds of authorised Open-Ended Investment Companies (20%). The differences are explained below:

Net revenue before taxation	103
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Corporation tax at 20%	21
------------------------	----

Effects of:

Revenue not subject to taxation	(23)
---------------------------------	------

Excess allowable expenses	2
---------------------------	---

Total tax charge for period (note 6a)	0
---------------------------------------	---

(c) Factors that may affect future tax charge

At the period end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £2,000 due to surplus management expenses. It is unlikely that the Sub-fund will generate sufficient taxable profits to utilise these amounts and therefore no deferred tax asset has been recognised in the period.

7 Distributions

The distributions takes account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

2018*

£'000

Interim distribution	32
----------------------	----

Final distribution	71
--------------------	----

Net distribution for the period	103
---------------------------------	-----

Details of the distribution per share are set out in this Sub-fund's distribution tables.

* For the period 1 February 2018 to 31 October 2018.

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Notes to the Financial Statements

(Continued)

8 Debtors

	2018 £'000
Accrued revenue	27
Total debtors	27

9 Cash and Bank Balances

	2018 £'000
Cash and bank balances	120
Total cash and bank balances	120

10 Creditors

	2018 £'000
Accrued expenses payable to the Depositary or associates of the Depositary	1
Other accrued expenses	14
Total creditors	15

11 Related Party Transactions

Standard Life Investments (Mutual Funds) Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal in respect of all transactions of shares in the Sub-fund.

The fees received by the ACD are set out in note 5.

The ACD is involved in all transactions in shares of the Sub-fund, the aggregate values of which are set out in the Statement of Change in Net Assets Attributable to Shareholders on page 278.

12 Shares in issue reconciliation

	Opening shares 2017	Creations during the year	Cancellations during the year	Closing shares 2018
Retail accumulation	0	85,205	(2,000)	83,205
Institutional accumulation	0	2,200	(2,000)	200
Standard Life accumulation	0	10,096,529	(2,000)	10,094,529
Platform 1 accumulation	0	50,533	(2,000)	48,533
Institutional S accumulation	0	2,200	(2,000)	200

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Notes to the Financial Statements

(Continued)

13 Fair Value Hierarchy

	2018 £'000	2018 £'000	2018 £'000
Fair value of investment assets	Level 1	Level 2	Level 3
Equities	4,728	0	0
Total investment assets	4,728	0	0

The three levels of the fair value hierarchy under FRS 102 are described below:

Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for the identical unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

14 Risk Management Policies & Numerical Disclosures

In accordance with the investment objectives, the Sub-fund may hold certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policies;
- cash and short-term debtors and creditors arising directly from operations; and
- derivatives.

The main risks arising from the Sub-fund's financial instruments are market price, interest rate, credit and liquidity risk.

The policies for managing these risks are summarised below and have been applied consistently throughout the period.

(a) Market price risk

Each Sub-fund's investment portfolio is exposed to market price fluctuation which are monitored by the Fund Manager in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers mitigate the risk of excessive exposure to any particular type of security or issuer.

An increase or decrease in market values will therefore have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the Sub-fund.

A five per cent increase in the value of the Sub-fund's portfolio would have the effect of increasing the return and net assets as at 31 October 2018 by £236,000. A five per cent decrease would have an equal and opposite effect.

(b) Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuations in interest rates. The Fund Manager continuously reviews interest rates and inflation expectations. The assessment of this may result in a change in investment strategy.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In general, if interest rates rise, the income potential of the Sub-fund also rises but the value of fixed rate securities will decline (along with certain expenses calculated by reference to the assets of the Sub-fund). A decline in interest rates will, in general, have the opposite effect.

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UK Equity Impact - Employment Opportunities Fund

Notes to the Financial Statements

(Continued)

14 Risk Management Policies & Numerical Disclosures (Continued)

(b) Interest rate risk (Continued)

The interest rate risk profile of the Sub-fund's financial assets and liabilities is:

	Floating rate financial assets	Financial assets not carrying interest	Total
2018	£'000	£'000	£'000
Currency			
UK Sterling	120	4,740	4,860

(c) Liquidity risk

The Sub-fund's assets comprise mainly readily realisable securities. The main liabilities of the Sub-fund are the redemption of any shares that investors wish to sell and the settlement of stock purchases. The Fund Manager reviews the cash and liability position continuously, and should an increase in liquidity be required, the Fund Manager will sell securities.

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Distribution Tables

for the period ended 30 April 2018

Group 1 – shares purchased prior to 1 February 2018

Group 2 – shares purchased between 1 February 2018 and 30 April 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share
Retail accumulation			
Group 1	0.2102	–	0.2102*
Group 2	0.1209	0.0893	0.2102*
Institutional accumulation			
Group 1	0.2422	–	0.2422*
Group 2	–	–	–
Standard Life accumulation			
Group 1	0.3141	–	0.3141*
Group 2	0.3139	0.0002	0.3141*
Platform 1 accumulation			
Group 1	0.2422	–	0.2422*
Group 2	–	–	–
Institutional S accumulation			
Group 1	0.2790	–	0.2790*
Group 2	–	–	–

* Distribution accumulated on 30 April 2018

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Impact - Employment Opportunities Fund

Distribution Tables

(Continued)

for the period ended 31 October 2018

Group 1 – shares purchased prior to 1 May 2018

Group 2 – shares purchased between 1 May 2018 and 31 October 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share
Retail accumulation			
Group 1	0.3824	–	0.3824*
Group 2	–	–	–
Institutional accumulation			
Group 1	0.5500	–	0.5500*
Group 2	–	–	–
Standard Life accumulation			
Group 1	0.6945	–	0.6945*
Group 2	0.6791	0.0154	0.6945*
Platform 1 accumulation			
Group 1	0.4961	–	0.4961*
Group 2	0.3584	0.1377	0.4961*
Institutional S accumulation			
Group 1	0.6000	–	0.6000*
Group 2	–	–	–

* Distribution accumulated on 31 October 2018

Treatment by Corporate Shareholders (unaudited)

Corporate shareholders should account for the current period's dividends shown in the distribution table as follows:

	Interim Dividend Distribution	Final Dividend Distribution
Treat as a UK corporate dividend	100.00%	100.00%
Treat as an annual payment net of Income tax at 20%	0.00%	0.00%

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Investment Report

Fund Information	
Fund Manager	Thomas Moore
Launch Date	22 February 2007
Benchmark	IA UK Equity Income Sector

Investment objective

The investment objective of the Sub-fund is to provide a high level of income with some capital appreciation over the longer term.

Investment policy

The investment policy of the Sub-fund is to invest substantially in high yielding equities and equity type investments of UK companies or companies which, in the opinion of the ACD, carry on a substantial part of their operations in the UK. "Equity type investments" will include convertible stocks, stock exchange listed warrants, Depositary Receipts and any other such investments which entitle the holder to subscribe for or convert into the equity of the company and / or where the share price performance is, in the opinion of the ACD, influenced significantly by the stock market performance of the company's ordinary shares. "UK companies" will include companies incorporated in the UK or companies listed on a UK stock exchange which may not be incorporated in the UK or have the majority of their economic activity in the UK. Additionally, from time to time, the Sub-fund may invest in other forms of transferable securities, deposits, money-market instruments and collective investment schemes in accordance with the FCA Rules. The Sub-fund will not be restricted by index weightings, sector constraints or company size.

Risk

The Sub-fund is intended for investors who wish to participate in the opportunity to achieve a high level of income with some capital appreciation over the longer term afforded by investing in an unconstrained, actively managed portfolio of mainly UK equities. The unconstrained and highly concentrated nature of the portfolio makes it suitable for investors who are willing to accept a relatively high degree of stock specific risk as the Sub-fund is not restricted by index weightings, sector constraints or company size. The investor must be able to accept significant temporary losses due to the volatile nature of equity markets and should therefore have an investment horizon of at least 5 years.

Performance

Over the 12-month period to the end of October, the Fund returned -5.43%, while the IA UK Equity Income sector return was -3.54% (source: Morningstar, basic-rate taxpayer, bid-to-bid basis).

The largest positive contributor to performance was infrastructure business John Laing Group. Its shares were resilient in a falling market. We continue to expect double-digit growth in its net asset value (NAV), and therefore see the current value of around 1x NAV as highly attractive. Cineworld also added to the Fund's return when its share price soared on solid results that appeared to vindicate the recent acquisition of Regal Entertainment. The US business grew revenues and earnings at a double-digit pace, resulting in substantial upgrades to group earnings forecasts. Having initially invested in the company in December 2017, the Fund has already experienced decent share price appreciation. This highlights the potential of our Focus on Change investment process, which aims to identify undervalued companies based on improving cashflow. Another holding to benefit the Fund was GVC, the sports betting and gaming firm. The company's shares reacted positively to the announcement of a US sports betting joint venture with MGM. This puts the company in a strong position to emerge as the market leader in the US. GVC also reported encouraging results. It achieved double-digit revenue growth in its online division, and management increased its guidance in the value created by synergies from the acquisition of Ladbrokes Coral.

A key negative for the Fund's performance was its exposure to mid- and small-cap stocks that were caught up in the market sell-off.

The holding in software and IT business Micro Focus dragged on performance after a profit warning. Management attributed this to one-off transitional effects of the combination with HPE Software, rather than underlying issues with the end market or product portfolios. The share price move appeared aggressive relative to the earnings downgrade, reflecting loss of credibility in management. We see this as a short-term hiccup and continue to believe that Micro Focus has the ability to identify attractively valued legacy software businesses, stabilise profitability and return significant cash to shareholders. The business remains highly cash generative and the valuation prices in no recovery in operational performance. A position in retirement investment provider Just also detracted from performance. Its shares fell on the potential impact that new Prudential Regulation Authority's proposals could have on the company's capital position. This eclipsed the company's better-than-expected results. Further downside to the Fund's return came from the interdealer broker TP ICAP. Its shares tumbled after it fired its chief executive and lowered its cost savings target. While this was unwelcome news, it does not change the logic of the merger between Tullett Prebon and ICAP's voice broking business, which makes ICAP the market leader with a strong potential for cash generation. Having no exposure to AstraZeneca was also detrimental to the Fund's relative return.

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Investment Report

(Continued)

Activity

We started a position in BAE Systems following an encouraging meeting with the CEO. The company is making progress on modernising and increasing innovation. It is also well exposed to improving spending trends on defence. The stock adds a more defensive position to the Fund, given how stretched valuations look in some parts of the market. The Fund also initiated a new holding in GlaxoSmithKline, having last held the pharmaceutical stock back in 2012. After a period of uncertainty over strategic priorities, we believe the new management team has the ability to grow the business from this point, without needing to cut the dividend. We remain positive on the prospects for the mining sector because of its financial discipline in controlling capacity allied with stable commodity prices. We recycled the proceeds of some recent sales back into the sector by adding to our holding in Anglo American and starting a new position in BHP Billiton. Both of these stocks have strong balance sheets and prodigious cashflows that position them to deliver attractive dividends.

Regarding sales, we took profits in Direct Line, whose solid operational performance had led to strong share price performance since initial purchase. While we expect continued strong delivery, the sector backdrop appears less appealing as price competition picks up. We also sold insurance firm Beazley, whose high valuation suggested that there was little cushion for any deterioration in trading. The Fund also reduced its holding in Bellway given the risk its share price could struggle against the backdrop of a stuttering housing market, affordability, rising interest rates and wavering political support for Help-to-Buy. We also took profits in Rio Tinto, one of the world's largest metals and mining corporations, whose heavy reliance on iron ore may put it at risk from any weakening in the outlook for Chinese economic growth.

Outlook & strategy

The Fund uses our *Focus on Change* investment approach to identify mis-priced opportunities, such as companies with the potential to demonstrate improving cashflows and dividends. The Fund is focused on stocks that offer the combination of positive dividend growth surprise and dividend yield compression, which can drive significant total return over time.

The unconstrained nature of the Fund increases the investable universe beyond the large-cap hunting ground of traditional income funds, allowing it to identify attractive income stocks across the UK market. Positions in the Fund are based upon high conviction stock-specific insights, which, in the UK, are currently most abundant within the financials, consumer and resources sectors.

We believe that the key benefits of this approach will be improved diversification of income sources and the potential for improved total return. With this clear focus, we remain positive on the Fund's prospects.

Synthetic Risk & Reward Indicator

Lower risk Typically lower rewards				Higher risk Typically Higher rewards		
1	2	3	4	5	6	7

This indicator reflects the volatility of the Sub-fund's share price over the last five years which in turn reflects the volatility of the underlying assets in which the Sub-fund invests. Historical data may not be a reliable indication of the future. Where the share class does not have a history of five years, an alternative share class or a representative benchmark has been used to show how the Sub-fund price may have behaved over the period.

The current rating, which is the same for all share classes, is not guaranteed and may change if the volatility of the assets in which the Sub-fund invests changes. The lowest rating does not mean risk free.

All investment involves risk. This Sub-fund offers no guarantee against loss or that the Sub-fund's objective will be attained.

For further information on the risks that may not be fully captured by the risk and reward indicator, please refer to the current Key Investor Information Document (KIID).

Cautionary note

It should be remembered that past performance is not a guide to future performance. The value of investments may go down as well as up and, therefore, investors may not get back the amount originally invested.

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UK Equity Income Unconstrained Fund

Comparative Tables

	2018 pence per share	2017 pence per share	2016 pence per share
Retail accumulation			
Change in net assets per share			
Opening net asset value per share	81.90	70.17	71.76
Return before operating charges*	(2.87)	12.88	(0.52)
Operating charges**	(1.24)	(1.15)	(1.07)
Return after operating charges*	(4.11)	11.73	(1.59)
Distributions	(3.33)	(3.11)	(2.78)
Retained distributions on accumulation share	3.33	3.11	2.78
Closing net asset value per share	77.79	81.90	70.17
* after direct transaction costs of:***	0.19	0.22	0.11
Performance+			
Return after charges	-5.02%	16.72%	-2.22%
Other information			
Closing net asset value (£'000)	21,222	23,556	27,806
Closing number of shares	27,280,239	28,762,536	39,625,957
Operating charges****	1.52%	1.52%	1.52%
Direct transaction costs***	0.23%	0.30%	0.16%
Prices			
Highest share price	85.84	81.94	75.10
Lowest share price	75.31	68.39	59.96

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional accumulation			
Change in net assets per share			
Opening net asset value per share	95.30	81.18	82.37
Return before operating charges*	(3.38)	14.92	(0.46)
Operating charges**	(0.85)	(0.80)	(0.73)
Return after operating charges*	(4.23)	14.12	(1.19)
Distributions	(3.89)	(3.61)	(3.21)
Retained distributions on accumulation share	3.89	3.61	3.21
Closing net asset value per share	91.07	95.30	81.18
* after direct transaction costs of:***	0.22	0.26	0.13
Performance+			
Return after charges	-4.44%	17.39%	-1.44%
Other information			
Closing net asset value (£'000)	623,224	510,090	404,587
Closing number of shares	684,320,061	535,257,164	498,407,579
Operating charges****	0.90%	0.90%	0.90%
Direct transaction costs***	0.23%	0.30%	0.16%
Prices			
Highest share price	100.2	95.35	86.35
Lowest share price	87.85	79.12	69.21

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UK Equity Income Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Retail income			
Change in net assets per share			
Opening net asset value per share	54.36	48.45	51.60
Return before operating charges*	(1.85)	8.83	(0.41)
Operating charges**	(0.81)	(0.79)	(0.76)
Return after operating charges*	(2.66)	8.04	(1.17)
Distributions	(2.19)	(2.13)	(1.98)
Closing net asset value per share	49.51	54.36	48.45
* after direct transaction costs of:***	0.12	0.15	0.08
Performance+			
Return after charges	-4.89%	16.59%	-2.27%
Other information			
Closing net asset value (£'000)	3,268	3,972	4,525
Closing number of shares	6,602,547	7,306,914	9,338,942
Operating charges****	1.52%	1.52%	1.52%
Direct transaction costs***	0.23%	0.30%	0.16%
Prices			
Highest share price	56.18	55.24	54.00
Lowest share price	49.34	47.22	42.22

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

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UK Equity Income Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional income			
Change in net assets per share			
Opening net asset value per share	59.18	52.44	55.41
Return before operating charges*	(2.04)	9.56	(0.35)
Operating charges**	(0.52)	(0.51)	(0.48)
Return after operating charges*	(2.56)	9.05	(0.83)
Distributions	(2.39)	(2.31)	(2.14)
Closing net asset value per share	54.23	59.18	52.44
* after direct transaction costs of:***	0.13	0.17	0.08
Performance+			
Return after charges	-4.33%	17.26%	-1.50%
Other information			
Closing net asset value (£'000)	233,984	259,498	266,874
Closing number of shares	431,480,096	438,461,318	508,916,977
Operating charges****	0.90%	0.90%	0.90%
Direct transaction costs***	0.23%	0.30%	0.15%
Prices			
Highest share price	61.24	60.15	58.08
Lowest share price	54.04	51.11	45.60

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

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UK Equity Income Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life income			
Change in net assets per share			
Opening net asset value per share	64.05	56.25	58.91
Return before operating charges*	(2.25)	10.27	(0.38)
Operating charges**	(0.01)	(0.01)	(0.01)
Return after operating charges*	(2.26)	10.26	(0.39)
Distributions	(2.58)	(2.46)	(2.27)
Closing net asset value per share	59.21	64.05	56.25
* after direct transaction costs of:***	0.15	0.18	0.09
Performance+			
Return after charges	-3.53%	18.24%	-0.66%
Other information			
Closing net asset value (£'000)	40,151	43,434	40,716
Closing number of shares	67,814,011	67,816,011	72,387,091
Operating charges****	0.02%	0.02%	0.02%
Direct transaction costs***	0.23%	0.30%	0.16%
Prices			
Highest share price	66.39	65.05	61.84
Lowest share price	58.98	54.83	48.76

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

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Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life accumulation			
Change in net assets per share			
Opening net asset value per share	98.43	83.18	83.73
Return before operating charges*	(3.51)	15.34	(0.47)
Operating charges**	(0.10)	(0.09)	(0.08)
Return after operating charges*	(3.61)	15.25	(0.55)
Distributions	(4.03)	(3.72)	(3.27)
Retained distributions on accumulation share	4.03	3.72	3.27
Closing net asset value per share	94.82	98.43	83.18
* after direct transaction costs of:***	0.23	0.27	0.13
Performance+			
Return after charges	-3.67%	18.33%	-0.66%
Other information			
Closing net asset value (£'000)	2,228	2,886	2,881
Closing number of shares	2,349,634	2,932,370	3,463,299
Operating charges****	0.10%	0.10%	0.10%
Direct transaction costs***	0.23%	0.30%	0.16%
Prices			
Highest share price	104.0	98.49	87.88
Lowest share price	91.03	81.09	70.73

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Standard Life Investment Company II

Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional regulated accumulation			
Change in net assets per share			
Opening net asset value per share	91.64	77.98	79.05
Return before operating charges*	(3.25)	14.34	(0.45)
Operating charges**	(0.73)	(0.68)	(0.62)
Return after operating charges*	(3.98)	13.66	(1.07)
Distributions	(3.74)	(3.47)	(3.08)
Retained distributions on accumulation share	3.74	3.47	3.08
Closing net asset value per share	87.66	91.64	77.98
* after direct transaction costs of:***	0.21	0.25	0.12
Performance+			
Return after charges	-4.34%	17.52%	-1.35%
Other information			
Closing net asset value (£'000)	20,697	24,080	24,745
Closing number of shares	23,610,438	26,277,927	31,734,504
Operating charges****	0.80%	0.80%	0.80%
Direct transaction costs***	0.23%	0.30%	0.15%
Prices			
Highest share price	96.42	91.69	82.87
Lowest share price	84.50	76.00	66.46

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Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Platform 1 accumulation			
Change in net assets per share			
Opening net asset value per share	111.60	95.30	96.95
Return before operating charges*	(3.93)	17.49	(0.56)
Operating charges**	(1.28)	(1.19)	(1.09)
Return after operating charges*	(5.21)	16.30	(1.65)
Distributions	(4.55)	(4.23)	(3.77)
Retained distributions on accumulation share	4.55	4.23	3.77
Closing net asset value per share	106.39	111.60	95.30
* after direct transaction costs of:***	0.25	0.31	0.15
Performance+			
Return after charges	-4.67%	17.10%	-1.70%
Other information			
Closing net asset value (£'000)	362,244	313,400	252,475
Closing number of shares	340,496,764	280,818,994	264,928,519
Operating charges****	1.15%	1.15%	1.15%
Direct transaction costs***	0.23%	0.30%	0.16%
Prices			
Highest share price	117.2	111.7	101.6
Lowest share price	102.8	92.88	81.32

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Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Platform 1 income			
Change in net assets per share			
Opening net asset value per share	90.12	80.05	84.80
Return before operating charges*	(3.11)	14.58	(0.54)
Operating charges**	(1.02)	(0.99)	(0.95)
Return after operating charges*	(4.13)	13.59	(1.49)
Distributions	(3.63)	(3.52)	(3.26)
Closing net asset value per share	82.36	90.12	80.05
* after direct transaction costs of:***	0.20	0.26	0.13
Performance+			
Return after charges	-4.58%	16.98%	-1.76%
Other information			
Closing net asset value (£'000)	107,201	98,630	85,545
Closing number of shares	130,153,280	109,443,884	106,863,128
Operating charges****	1.15%	1.15%	1.15%
Direct transaction costs***	0.23%	0.30%	0.16%
Prices			
Highest share price	93.21	91.59	88.85
Lowest share price	82.08	78.02	69.67

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Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional A accumulation++			
Change in net assets per share			
Opening net asset value per share	59.45	51.12	50.00+++
Return before operating charges*	1.09	9.37	1.84
Operating charges**	(1.12)	(1.04)	(0.72)
Return after operating charges*	(0.03)	8.33	1.12
Distributions	(1.30)	(2.27)	(1.78)
Retained distributions on accumulation share	1.30	2.27	1.78
Redemption value at 21 June 2018	(59.42)	0.00	0.00
Closing net asset value per share	0.00	59.45	51.12
* after direct transaction costs of:***	0.13	0.16	0.08
Performance+			
Return after charges	-0.05%	16.29%	2.24%
Other information			
Closing net asset value (£'000)	0	1	1
Closing number of shares	0	2,200	2,200
Operating charges****	1.90%	1.88%	1.90%
Direct transaction costs***	0.23%	0.30%	0.16%
Prices			
Highest share price	62.20	59.48	53.63
Lowest share price	54.59	49.82	43.75

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++ Share class closed on 21 June 2018.

+++ Share class launched on 27 January 2016.

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional A income++			
Change in net assets per share			
Opening net asset value per share	55.12	49.32	50.00+++
Return before operating charges*	0.97	8.97	1.79
Operating charges**	(1.03)	(1.00)	(0.71)
Return after operating charges*	(0.06)	7.97	1.08
Distributions	(1.20)	(2.17)	(1.76)
Redemption value at 21 June 2018	(53.86)	0.00	0.00
Closing net asset value per share	0.00	55.12	49.32
* after direct transaction costs of:***	0.12	0.16	0.08
Performance+			
Return after charges	-0.11%	16.16%	2.16%
Other information			
Closing net asset value (£'000)	0	1	1
Closing number of shares	0	2,200	2,200
Operating charges****	1.90%	1.90%	1.90%
Direct transaction costs***	0.23%	0.30%	0.16%
Prices			
Highest share price	56.92	56.02	52.80
Lowest share price	50.60	48.07	43.07

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++ Share class closed on 21 June 2018.

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Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Portfolio Statement

as at 31 October 2018

Holding	Investment	Market value £'000	Percentage of total net assets
Equities (99.02%)		1,408,535	99.60
UK Equities (99.02%)		1,408,535	99.60
Basic Materials (5.09%)		102,690	7.26
2,408,773	Anglo American	40,347	2.85
1,218,723	BHP Billiton	19,039	1.35
1,138,693	Rio Tinto	43,304	3.06
Consumer Goods (9.24%)		93,789	6.63
1,045,662	British American Tobacco	35,479	2.51
8,344,079	DFS Furniture	17,314	1.22
3,113,858	Galliford Try	27,200	1.92
3,528,422	Majestic Wine*	13,796	0.98
Consumer Services (10.05%)		158,239	11.19
11,405,974	Cineworld	33,579	2.38
2,903,912	Dunelm	17,307	1.22
4,425,875	GVC	41,449	2.93
10,253,799	Ladbrokes Coral Rights	–	–
9,191,444	National Express	36,766	2.60
24,485,830	Saga	29,138	2.06
Financials (40.91%)		524,464	37.08
7,455,156	Ashmore	26,242	1.86
8,112,805	Aviva	34,755	2.46
1,809,266	Charter Court Financial Services	5,254	0.37
7,716,891	Chesnara	26,508	1.87
2,790,812	Close Brothers	41,053	2.90
7,761,080	CYBG	20,846	1.47
5,157,754	Grainger	13,967	0.99
12,822,187	Hansteen REIT	12,329	0.87
6,038,092	HSBC	38,934	2.75
8,882,597	International Personal Finance	15,793	1.12
17,859,797	John Laing Group	55,723	3.94
18,342,012	Just	16,269	1.15
9,318,291	Legal & General	23,426	1.66
6,602,730	Newriver REIT	16,672	1.18
2,230,640	Phoenix	13,428	0.95

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Portfolio Statement

(Continued)

		Market value £'000	Percentage of total net assets
Holding	Investment		
Financials (Continued)			
2,484,774	Polar Capital	12,921	0.91
1,768,075	Prudential	27,759	1.96
20,202,678	Quilter	23,395	1.65
5,098,797	Randall & Quilter Investment	9,356	0.66
6,851,319	Real Estate Credit Investments	11,373	0.80
4,284,758	River & Mercantile Group	12,383	0.88
5,188,090	Sabre Insurance	13,645	0.97
4,074,659	Standard Chartered	22,386	1.58
6,340,392	Tullett Prebon	18,381	1.30
11,668,796	Urban Exposure	11,666	0.83
Health Care (0.00%)		53,745	3.80
1,379,408	GlaxoSmithKline	20,843	1.47
703,041	Shire	32,902	2.33
Industrials (17.58%)		218,318	15.44
6,230,848	BAE Systems	32,749	2.32
1,933,227	Bodycote	15,369	1.09
10,472,349	Equiniti	22,516	1.59
1,417,320	IMI	14,088	1.00
1,797,412	Kier	15,745	1.11
6,297,308	Mitie Group	9,144	0.65
721,740	Morgan Sindall	8,545	0.60
2,208,669	RPC	16,839	1.19
29,643,006	Speedy Hire	16,541	1.17
1,953,622	Staffline*	23,131	1.64
10,835,661	Tyman	30,015	2.12
7,904,900	Volution	13,636	0.96
Oil & Gas (7.25%)		200,037	14.15
7,907,038	BP	44,849	3.17
21,072,914	Diversified Gas & Oil	24,550	1.74
2,567,798	Royal Dutch Shell 'A'	64,195	4.54
12,256,833	Tullow Oil	27,664	1.96
5,431,257	Wood Group	38,779	2.74

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Technology (6.28%)		33,980	2.40
1,500,486	Micro Focus	18,276	1.29
2,885,753	Sage	15,704	1.11
Telecommunications (1.16%)		10,753	0.76
6,343,848	Manx Telecom*	10,753	0.76
Utilities (1.46%)		12,520	0.89
1,510,114	National Grid	12,520	0.89
Collective Investment Schemes (1.67%)		16,856	1.19
16,856,246	Aberdeen Liquidity Fund - Sterling	16,856	1.19
Total investment assets		1,425,391	100.79
Net other liabilities		(11,172)	(0.79)
Total Net Assets		1,414,219	100.00

All investments are listed on recognised stock exchanges and are approved securities, or regulated collective investment schemes within the meaning of the FCA rules unless otherwise stated.

The percentage figures in brackets show the comparative holding as at 31 October 2017.

* AIM Listed

Standard Life Investment Company II

Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Financial Statements

Statement of Total Return

for the year ended 31 October 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Income:					
Net capital (losses)/gains	2		(115,502)		149,546
Revenue	4	57,389		48,044	
Expenses	5	(13,366)		(11,118)	
Interest payable and similar charges	6	(3)		(3)	
Net revenue before taxation		44,020		36,923	
Taxation	7	(274)		(275)	
Net revenue after taxation			43,746		36,648
Total return before distributions			(71,756)		186,194
Distributions	8		(56,818)		(47,505)
Change in net assets attributable to shareholders from investment activities			(128,574)		138,689

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2018

		2018		2017	
		£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders			1,279,548		1,110,156
Amounts receivable on the issue of shares		323,536		176,940	
Amounts payable on the cancellation of shares		(104,363)		(177,724)	
			219,173		(784)
Dilution adjustment			2,438		(137)
Change in net assets attributable to shareholders from investment activities (see above)			(128,574)		138,689
Retained distribution on accumulation shares			41,634		31,624
Closing net assets attributable to shareholders			1,414,219		1,279,548

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Financial Statements

(Continued)

Balance Sheet

as at 31 October 2018

	Notes	2018 £'000	2017 £'000
Assets:			
Fixed assets:			
Investment assets		1,425,391	1,288,408
Current assets:			
Debtors	9	7,764	13,755
Cash and bank balances	10	669	142
		8,433	13,897
Total assets		1,433,824	1,302,305
Liabilities:			
Creditors	11	(11,832)	(14,988)
Distribution payable		(7,773)	(7,769)
Total liabilities		(19,605)	(22,757)
Net assets attributable to shareholders		1,414,219	1,279,548

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Notes to the Financial Statements

1 Accounting Policies

Please refer to pages 11 and 12 for note on accounting policies.

2 Net Capital (Losses)/Gains

	2018 £'000	2017 £'000
Non-derivative securities	(115,506)	149,534
Other gains	7	15
Handling charges taken from the capital account	(3)	(3)
Net capital (losses)/gains	(115,502)	149,546

3 Equity Purchases, Sales and Transaction Costs

Collective investments operate within the terms of the offer document or prospectus. Typically we do not invest into Sub-funds that require an initial charge to be made. The underlying price contains an estimation of cost known as a dilution levy which is applied from time to time.

During the year the total purchases and sales across different major assets classes are as per below table.

	2018 £'000	2017 £'000
Equity Purchases, Sales and Transaction Costs		
Purchases		
Equities	659,533	567,734
Commissions	402	520
Taxes & Other Fees	2,515	2,377
Total purchase transaction costs	2,917	2,897
Purchases including transaction costs	662,450	570,631
Sales		
Equities	406,378	571,230
Commissions	(247)	(544)
Taxes & Other Fees	0	(1)
Total sale transaction costs	(247)	(545)
Total sales net of transaction costs	406,131	570,685
	2018 % Transaction	2017 % Transaction
Equity Transaction Cost as a % of total Purchases & Sales		
Purchases		
Commissions	0.06%	0.09%
Taxes & Other Fees	0.38%	0.42%
Sales		
Commissions	0.06%	0.10%

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Notes to the Financial Statements

(Continued)

3 Equity Purchases, Sales and Transaction Costs (Continued)

	2018	2017
Equity Purchases, Sales Analysis to Average NAV	% Average NAV	% Average NAV
Purchases		
Commissions	0.03%	0.04%
Taxes & Other Fees	0.18%	0.20%
Sales		
Commissions	0.02%	0.05%
During the year the total purchases and sales across different major asset classes are as per below table.		
	2018	2017
	£'000	£'000
Purchase		
Equities	662,450	570,631
Collective investment schemes	86,991	0
Sales		
Equities	406,131	570,685
Collective investment schemes	70,135	0

The Sub-fund suffers a number of explicit costs as disclosed in the notes and Sub-fund history. The Sub-fund also suffers implicit costs an example is market spread, the spread represents the costs of providing liquidity in a market. It therefore is subject to change based on volume, active markets have a lower spread the difference between; bid the price you receive and offer the price you pay.

At the balance sheet date the average portfolio dealing spread (i.e. the spread between bid and offer prices expressed as a percentage of the offer price) was 0.86% (2017: 1.39%), this is representative of the average spread on the assets held during the year.

4 Revenue

	2018	2017
	£'000	£'000
UK dividends	52,929	41,965
Overseas dividends	4,177	6,041
Bank interest	194	38
Underwriting commission	89	0
Total revenue	57,389	48,044

Standard Life Investment Company II

Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Notes to the Financial Statements

(Continued)

5 Expenses

	2018 £'000	2017 £'000
Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:		
Authorised Corporate Director's periodic charge	11,800	9,827
Dealing charge	234	179
Registration fees	1,051	873
	<u>13,085</u>	<u>10,879</u>
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Depositary's fees	235	201
Safe custody fee	38	30
	<u>273</u>	<u>231</u>
Other:		
Audit fee	8	8
Total expenses	<u>13,366</u>	<u>11,118</u>

6 Interest Payable and Similar Charges

	2018 £'000	2017 £'000
Interest payable	3	3
Total interest payable & similar charges	<u>3</u>	<u>3</u>

7 Taxation

	2018 £'000	2017 £'000
(a) Analysis of charge in year		
Overseas taxes	274	275
Total current tax	<u>274</u>	<u>275</u>

(b) Factors affecting current tax charge for the year

The tax assessed for the year is less than the standard rate of corporation tax in the UK for Funds of authorised Open-Ended Investment Companies (20%). The differences are explained below:

Net revenue before taxation	44,020	36,923
Corporation tax at 20% (2017: 20%)	<u>8,804</u>	<u>7,384</u>
Effects of:		
Revenue not subject to taxation	(10,998)	(8,998)
Overseas taxes	274	275
Excess allowable expenses	<u>2,194</u>	<u>1,614</u>
Total tax charge for year (note 7a)	<u>274</u>	<u>275</u>

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Notes to the Financial Statements

(Continued)

7 Taxation (Continued)

(c) Factors that may affect future tax charge

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £9,896,000 (2017: £7,702,000) due to surplus ACD expenses. It is unlikely that the Sub-fund will generate sufficient taxable profits to utilise these amounts and therefore no deferred tax asset has been recognised in the year or the prior year.

8 Distributions

The distributions takes account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	2018 £'000	2017 £'000
Interim distribution	30,278	23,407
Final distribution	28,221	24,214
	58,499	47,621
Add: Income deducted on cancellation of shares	1,386	1,545
Deduct: Income received on issue of shares	(3,067)	(1,661)
Net distribution for the year	56,818	47,505

Details of the distribution per share are set out in this Sub-fund's distribution tables.

Net revenue after taxation	43,747	36,648
Tax relief on capitalised fees	(13)	(21)
Undistributed revenue brought forward	1	1
Undistributed revenue carried forward	(1)	(1)
Registration fees taken from the capital account	1,051	873
Dealing charges taken from the capital account	233	178
Annual management charge taken from the capital amount	11,800	9,827
Total distributions	56,818	47,505

9 Debtors

	2018 £'000	2017 £'000
Amounts receivable from the ACD for the issue of shares	961	2,256
Sales awaiting settlement	513	4,154
Accrued revenue	6,037	7,080
Foreign withholding tax recoverable	252	265
United Kingdom income tax recoverable	1	0
Total debtors	7,764	13,755

10 Cash and Bank Balances

	2018 £'000	2017 £'000
Cash and bank balances	669	142
Total cash and bank balances	669	142

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Notes to the Financial Statements

(Continued)

11 Creditors

	2018 £'000	2017 £'000
Amounts payable to the ACD for cancellation of shares	9,020	11,127
Purchases awaiting settlement	1,585	2,804
Accrued expenses payable to ACD	1,194	1,023
Accrued expenses payable to the Depositary or associates of the Depositary	19	22
Other accrued expenses	14	12
Total creditors	11,832	14,988

12 Related Party Transactions

Standard Life Investments (Mutual Funds) Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal in respect of all transactions of shares in the Sub-fund.

The fees received by the ACD are set out in note 5.

The ACD is involved in all transactions in shares of the Sub-fund, the aggregate values of which are set out in the Statement of Change in Net Assets Attributable to Shareholders on page 304. £9,253,000 was due to the ACD at the year end.

13 Shares in issue reconciliation

	Opening shares 2017	Creations during the year	Cancellations during the year	Conversions during the year	Closing shares 2018
Retail accumulation	28,762,536	2,974,096	(4,418,085)	(38,308)	27,280,239
Institutional accumulation	535,257,164	172,121,502	(23,050,374)	(8,231)	684,320,061
Retail income	7,306,914	863,691	(1,566,118)	(1,940)	6,602,547
Institutional income	438,461,318	37,605,721	(45,061,573)	474,630	431,480,096
Standard Life income	67,816,011	0	(2,000)	0	67,814,011
Standard Life accumulation	2,932,370	204,257	(786,993)	0	2,349,634
Institutional regulated accumulation	26,277,927	2,693,524	(5,361,013)	0	23,610,438
Platform 1 accumulation	280,818,994	96,642,704	(36,976,319)	11,385	340,496,764
Platform 1 income	109,443,884	31,009,201	(10,022,628)	(277,177)	130,153,280
Institutional A accumulation	2,200	0	(2,200)	0	0
Institutional A income	2,200	0	(2,200)	0	0

14 Fair Value Hierarchy

	2018 £'000	2018 £'000	2018 £'000	2017 £'000	2017 £'000	2017 £'000
Fair value of investment assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Equities	1,408,535	0	0	1,267,087	0	0
Collective Investment Schemes	0	16,856	0	0	21,321	0
Total investment assets	1,408,535	16,856	0	1,267,087	21,321	0

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UK Equity Income Unconstrained Fund

Notes to the Financial Statements

(Continued)

14 Fair Value Hierarchy (Continued)

The three levels of the fair value hierarchy under FRS 102 are described below:

Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for the identical unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

15 Risk Management Policies & Numerical Disclosures

In accordance with the investment objectives, the Sub-fund may hold certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policies;
- cash and short-term debtors and creditors arising directly from operations; and
- derivatives.

The main risks arising from the Sub-fund's financial instruments are market price, foreign currency, interest rate, credit and liquidity risk.

The policies for managing these risks are summarised below and have been applied consistently throughout the year, and prior year.

(a) Market price risk

Each Sub-fund's investment portfolio is exposed to market price fluctuation which are monitored by the Fund Manager in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers mitigate the risk of excessive exposure to any particular type of security or issuer.

In the current market conditions certain securities have become difficult to price. For these securities, reliance has therefore been placed on single broker prices. This has not resulted in any adjustment to the financial statements.

An increase or decrease in market values will therefore have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the Sub-fund.

A five per cent increase in the value of the Sub-fund's portfolio would have the effect of increasing the return and net assets as at 31 October 2018 by £71,270,000 (2017: £64,420,000). A five per cent decrease would have an equal and opposite effect.

(b) Foreign currency risk

A proportion of the net assets of the Sub-fund are denominated in currencies other than Sterling, therefore the balance sheet and total returns can be affected by currency movements. In certain circumstances, the Fund Manager may seek to manage exposure to currency movements by using forward currency contracts.

The Sub-fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

Income received in foreign currencies is converted into Sterling at the exchange rates ruling when the income is received.

A five per cent increase in the value of the Sub-fund's foreign currency exposure would have the effect of increasing the return and net assets as at year end date by £50,000 (2017: £39,000). A five per cent decrease would have an equal and opposite effect.

Currency exposure

An increase or decrease in a particular foreign currency exchange rate will have a proportionate affect on the value of the Sub-fund. The Sub-fund's net foreign currency exposure is shown in the table below.

The net foreign currency monetary exposure comprises:

	Net foreign currency monetary assets	
	2018	2017
	£'000	£'000
Euro	281	399
US Dollar	725	376

Standard Life Investment Company II

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UK Equity Income Unconstrained Fund

Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

(c) Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuations in interest rates. The Fund Manager continuously reviews interest rates and inflation expectations. The assessment of this may result in a change in investment strategy.

In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In general, if interest rates rise, the income potential of the Sub-fund also rises but the value of fixed rate securities will decline (along with certain expenses calculated by reference to the assets of the Sub-fund). A decline in interest rates will, in general, have the opposite effect.

The interest rate risk profile of the Sub-fund's financial assets and liabilities is:

	Floating rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
2018			
Currency			
UK Sterling	17,383	1,396,008	1,413,391
Euro	135	146	281
US Dollar	7	718	725
2017			
Currency			
UK Sterling	21,323	1,257,450	1,278,773
Euro	134	265	399
US Dollar	7	369	376

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UK Equity Income Unconstrained Fund

Distribution Tables

for the six months ended 30 April 2018

Group 1 - shares purchased prior to 1 November 2017

Group 2 - shares purchased between 1 November 2017 and 30 April 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	1.7839	–	1.7839*	1.5685
Group 2	1.0657	0.7182	1.7839*	1.5685
Institutional accumulation				
Group 1	2.0797	–	2.0797*	1.8184
Group 2	1.1727	0.9070	2.0797*	1.8184
Retail income				
Group 1	1.1839	–	1.1839**	1.0831
Group 2	0.6575	0.5264	1.1839**	1.0831
Institutional income				
Group 1	1.2917	–	1.2917**	1.1749
Group 2	0.8596	0.4321	1.2917**	1.1749
Standard Life income				
Group 1	1.3910	–	1.3910**	1.2489
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	2.1539	–	2.1539*	1.8679
Group 2	1.1854	0.9685	2.1539*	1.8679
Institutional regulated accumulation				
Group 1	2.0006	–	2.0006*	1.7476
Group 2	1.2319	0.7687	2.0006*	1.7476
Platform 1 accumulation				
Group 1	2.4331	–	2.4331*	2.1331
Group 2	1.3708	1.0623	2.4331*	2.1331
Platform 1 income				
Group 1	1.9645	–	1.9648**	1.7920
Group 2	1.3743	0.5905	1.9648**	1.7920

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Distribution Tables

(Continued)

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Institutional A accumulation				
Group 1	1.2968	–	1.2968*	1.1464
Group 2	–	–	–	–
Institutional A income				
Group 1	1.2022	–	1.2022**	1.1050
Group 2	–	–	–	–

* Distribution accumulated on 30 April 2018

** Distribution paid on 30 June 2018

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Distribution Tables

(Continued)

for the six months ended 31 October 2018

Group 1 - shares purchased prior to 1 May 2018

Group 2 - shares purchased between 1 May 2018 and 31 October 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution payable 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	1.5454	–	1.5454*	1.5428
Group 2	1.0220	0.5234	1.5454*	1.5428
Institutional accumulation				
Group 1	1.8077	–	1.8077*	1.7926
Group 2	0.8195	0.9882	1.8077*	1.7926
Retail income				
Group 1	1.0028	–	1.0028**	1.0438
Group 2	0.4913	0.5115	1.0028**	1.0438
Institutional income				
Group 1	1.0968	–	1.0968**	1.1360
Group 2	0.5771	0.5197	1.0968**	1.1360
Standard Life income				
Group 1	1.1864	–	1.1864**	1.2101
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	1.8772	–	1.8772*	1.8487
Group 2	0.7235	1.1537	1.8772*	1.8487
Institutional regulated accumulation				
Group 1	1.7383	–	1.7383*	1.7247
Group 2	1.1020	0.6363	1.7383*	1.7247
Platform 1 accumulation				
Group 1	2.1150	–	2.1150*	2.1003
Group 2	1.1976	0.9174	2.1150*	2.1003
Platform 1 income				
Group 1	1.6672	–	1.6672**	1.7284
Group 2	1.0945	0.5727	1.6672**	1.7284

Standard Life Investment Company II

Annual Report & Financial Statements

UK Equity Income Unconstrained Fund

Distribution Tables

(Continued)

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution payable 2018 pence per share	Distribution paid 2017 pence per share
Institutional A accumulation				
Group 1	–	–	–	1.1245
Group 2	–	–	–	–
Institutional A income				
Group 1	–	–	–	1.0640
Group 2	–	–	–	–

* Distribution accumulated on 31 October 2018

** Distribution payable on 31 December 2018

Treatment by Corporate Shareholders (unaudited)

Corporate shareholders should account for the current year's dividends shown in the distribution table as follows:

	Interim Dividend Distribution	Final Dividend Distribution
Treat as a UK corporate dividend	100.00%	100.00%
Treat as an annual payment net of Income tax at 20%	0.00%	0.00%

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Investment Report

Fund Information	
Fund Manager	Wes McCoy
Launch Date	29 September 2005
Benchmark	IA UK All Companies Sector

Investment objective

The investment objective of the Sub-fund is to provide capital appreciation. It is intended that income will not be a prime consideration.

Investment policy

The investment policy of the Sub-fund is to invest primarily in equities and equity type investments of UK companies or companies which, in the opinion of the ACD, carry on a substantial part of their operations in the UK. "Equity type investments" will include convertible stocks, stock exchange listed warrants, Depositary Receipts and any other such investments which entitle the holder to subscribe for or convert into the equity of the company and/or where the share price performance is, in the opinion of the ACD, influenced significantly by the stock market performance of the company's ordinary shares. "UK companies" will include companies incorporated in the UK or companies listed on a UK stock exchange which may not be incorporated in the UK or have the majority of their economic activity in the UK. Additionally, from time to time, the Sub-fund may invest in other forms of transferable securities, deposits, money-market instruments and collective investment schemes in accordance with the FCA rules. The Sub-fund will not be restricted by index weightings, sector constraints or company size.

Risk

The Sub-fund is intended for investors who wish to participate in the potential capital growth opportunities afforded by investing in an unconstrained, actively managed portfolio of mainly UK equities. The concentrated nature of the portfolio makes it suitable for investors who are willing to accept a relatively high degree of stock specific risk. The investor must be able to accept significant temporary losses due to the volatile nature of equity markets and should therefore have an investment horizon of at least five years.

Performance

Over the 12-month period to the end of October, the Fund returned -8.79%, while the IA UK All Companies Sector returned -3.71% (source: Morningstar, basic-rate taxpayer, bid-to-bid basis).

Negative contributors to performance included Bellway and Crest Nicholson, after some housebuilders reported weak trading momentum. Further to this, Crest warned about its ability to meet volume targets, citing the weather and softening conditions in the London area. While noting these dynamics, we continue to see value in the business. UK housebuilders suffered from falling consumer confidence, rising interest rates, ongoing Brexit uncertainty and higher build costs. Provident Financial was another large detractor from performance. The company was hit by worries that potential losses would be higher than expected in its home credit division. Management also stated that liquidity in the business was limited, which led the market to worry about the size of a potential rights issue. This was exacerbated by the prospect of a possible fine from an investigation by the Financial Conduct Authority. Lastly, Keller also had a significant negative impact on the Fund's return. The construction company issued a profits warning that related to increased competition and slowdown in its Asian business.

Despite the Fund falling behind its benchmark, there were a number of holdings that did well. GVC, the sports betting and gaming firm, made the largest positive contribution. Its shares climbed after the announcement of a US sports betting joint venture with MGM. This puts the company in a strong position to emerge as the market leader in the US. The company also reported an encouraging set of results that highlighted double-digit revenue growth in its online division. The plastics and engineering company RPC was another positive for the Fund after it became the subject of takeover activity. Having exposure to the energy sector, in the form of Tullow Oil, during a period of a rising oil price was also beneficial for the Fund's return.

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Investment Report (Continued)

Activity

Activity included starting new positions and adding to holdings in underperforming stocks in order to take advantage of weaker prices. We funded these ideas by selling better performing securities where we believe the market has caught up with our view. In particular, we bought Barclays as the addition of activist shareholder Sherborne has the potential to drive significant value creation. Other examples of where we took advantage of further weakness in many recovery and value stocks, which we believe are trading significantly below their fair value, included Alfa Financial Software and Sophos. The former missed earnings expectations for 2018 as a result of a series of delays in the roll-out of software. This caused a 70% fall in its share price, but we felt confident that the opportunity exists for the company to adapt to the situation and create significant shareholder value. Sophos is also a software company serving small and medium-sized enterprises with cyber security software. While its growth has slowed, we believe the market has overreacted, and therefore saw it as an opportunity to own a world-class company at an attractive valuation. IWG, which owns the Regus franchise of temporary office space, was another purchase. It warned on profits based on a slowdown in its mature centres in London. As the business is moving away from a concentration in these areas, we felt the sell-off was overdone. This was another opportunity to get exposure to a long-term winner in flexible working space.

To fund these purchases, we continued to sell down positions where a turnaround has taken place and been recognised by the market. These included Anglo American, Redrow and Prudential, as well as highly regarded but highly valued stocks NMC Health and Genus. All have performed strongly, allowing us to recycle the proceeds into undervalued stocks with greater upside potential.

Outlook & Strategy

We are looking to take advantage of companies where value is high and the potential for change can be crystallised. As interest rates begin to rise many highly valued companies in both growth areas and safe, stable areas of the market will suffer. The polarised nature of the market means it will shift to favour value companies and those that have missed out on the revaluation of risk in the last decade. This approach will provide a defence for the Fund as our investments are valued at a high discount to their fair value, and are therefore less sensitive to rising interest rates. Companies trading at high valuations are vulnerable in this environment. Opportunities are skewed to UK domestically exposed companies and sectors, and we continue to add to this exposure. Confirmation of our view is the significant pick-up in merger and acquisition activity in the UK. This points to undervaluation in the market and bodes well for the future given the positioning of the Fund.

Synthetic Risk & Reward Indicator



This indicator reflects the volatility of the Sub-fund's share price over the last five years which in turn reflects the volatility of the underlying assets in which the Sub-fund invests. Historical data may not be a reliable indication of the future. Where the share class does not have a history of five years, an alternative share class or a representative benchmark has been used to show how the Sub-fund price may have behaved over the period.

The current rating, which is the same for all share classes, is not guaranteed and may change if the volatility of the assets in which the Sub-fund invests changes. The lowest rating does not mean risk free.

All investment involves risk. This Sub-fund offers no guarantee against loss or that the Sub-fund's objective will be attained.

For further information on the risks that may not be fully captured by the risk and reward indicator, please refer to the current Key Investor Information Document (KIID).

Cautionary note

It should be remembered that past performance is not a guide to future performance. The value of investments may go down as well as up and, therefore, investors may not get back the amount originally invested.

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Comparative Tables

	2018 pence per share	2017 pence per share	2016 pence per share
Retail accumulation			
Change in net assets per share			
Opening net asset value per share	251.74	197.21	217.66
Return before operating charges*	(17.63)	57.91	(17.39)
Operating charges**	(3.90)	(3.38)	(3.06)
Return after operating charges*	(21.53)	54.53	(20.45)
Distributions	(4.49)	(3.52)	(2.18)
Retained distributions on accumulation share	4.49	3.52	2.18
Closing net asset value per share	230.21	251.74	197.21
* after direct transaction costs of:***	0.80	0.71	0.31
Performance+			
Return after charges	-8.55%	27.65%	-9.40%
Other information			
Closing net asset value (£'000)	68,499	82,861	86,318
Closing number of shares	29,754,950	32,915,906	43,768,800
Operating charges****	1.53%	1.52%	1.52%
Direct transaction costs***	0.31%	0.32%	0.15%
Prices			
Highest share price	276.7	251.9	222.5
Lowest share price	223.2	194.7	166.1

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional accumulation			
Change in net assets per share			
Opening net asset value per share	281.85	219.44	240.31
Return before operating charges*	(19.90)	64.65	(18.86)
Operating charges**	(2.60)	(2.24)	(2.01)
Return after operating charges*	(22.50)	62.41	(20.87)
Distributions	(6.82)	(5.47)	(4.50)
Retained distributions on accumulation share	6.82	5.47	4.50
Closing net asset value per share	259.35	281.85	219.44
* after direct transaction costs of:***	0.90	0.79	0.34
Performance+			
Return after charges	-7.98%	28.44%	-8.68%
Other information			
Closing net asset value (£'000)	244,394	271,584	301,526
Closing number of shares	94,234,104	96,358,759	137,408,688
Operating charges****	0.91%	0.90%	0.90%
Direct transaction costs***	0.31%	0.32%	0.15%
Prices			
Highest share price	310.9	282.0	245.8
Lowest share price	251.4	216.6	184.5

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

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UK Equity Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life income			
Change in net assets per share			
Opening net asset value per share	184.74	146.78	164.10
Return before operating charges*	(11.41)	43.11	(12.88)
Operating charges**	(0.05)	(0.04)	(0.03)
Return after operating charges*	(11.46)	43.07	(12.91)
Distributions	(6.20)	(5.11)	(4.41)
Closing net asset value per share	167.08	184.74	146.78
* after direct transaction costs of:***	0.57	0.52	0.23
Performance+			
Return after charges	-6.20%	29.34%	-7.87%
Other information			
Closing net asset value (£'000)	0	7,156	18,964
Closing number of shares	54	3,873,383	12,919,909
Operating charges****	0.03%	0.02%	0.02%
Direct transaction costs***	0.31%	0.32%	0.15%
Prices			
Highest share price	203.0	186.6	168.0
Lowest share price	164.8	144.9	124.6

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

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UK Equity Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life accumulation			
Change in net assets per share			
Opening net asset value per share	310.89	240.12	260.86
Return before operating charges*	(22.18)	71.05	(20.50)
Operating charges**	(0.34)	(0.28)	(0.24)
Return after operating charges*	(22.52)	70.77	(20.74)
Distributions	(10.10)	(8.20)	(6.86)
Retained distributions on accumulation share	10.10	8.20	6.86
Closing net asset value per share	288.37	310.89	240.12
* after direct transaction costs of:***	0.99	0.88	0.37
Performance+			
Return after charges	-7.24%	29.47%	-7.95%
Other information			
Closing net asset value (£'000)	6,897	7,836	6,051
Closing number of shares	2,391,687	2,520,531	2,519,810
Operating charges****	0.11%	0.10%	0.10%
Direct transaction costs***	0.31%	0.32%	0.15%
Prices			
Highest share price	344.4	311.1	267.1
Lowest share price	279.5	237.1	201.3

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional regulated accumulation			
Change in net assets per share			
Opening net asset value per share	294.01	228.06	248.88
Return before operating charges*	(20.76)	67.35	(19.55)
Operating charges**	(1.65)	(1.40)	(1.27)
Return after operating charges*	(22.41)	65.95	(20.82)
Distributions	(8.34)	(6.66)	(5.49)
Retained distributions on accumulation share	8.34	6.66	5.49
Closing net asset value per share	271.60	294.01	228.06
* after direct transaction costs of:***	0.94	0.83	0.35
Performance+			
Return after charges	-7.62%	28.92%	-8.37%
Other information			
Closing net asset value (£'000)	0	6	5
Closing number of shares	34	2,000	2,000
Operating charges****	0.55%	0.54%	0.55%
Direct transaction costs***	0.31%	0.32%	0.15%
Prices			
Highest share price	325.0	294.2	254.7
Lowest share price	263.3	225.2	191.5

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

*** The direct transaction costs are made up of; fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties.

**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Standard Life A accumulation			
Change in net assets per share			
Opening net asset value per share	187.54	144.74	157.11
Return before operating charges*	(13.39)	42.84	(12.34)
Operating charges**	(0.05)	(0.04)	(0.03)
Return after operating charges*	(13.44)	42.80	(12.37)
Distributions	(6.25)	(5.08)	(4.25)
Retained distributions on accumulation share	6.25	5.08	4.25
Closing net asset value per share	174.10	187.54	144.74
* after direct transaction costs of:***	0.60	0.53	0.22
Performance+			
Return after charges	-7.17%	29.57%	-7.87%
Other information			
Closing net asset value (£'000)	144,240	177,504	162,831
Closing number of shares	82,848,930	94,647,414	112,501,039
Operating charges****	0.03%	0.02%	0.02%
Direct transaction costs***	0.31%	0.32%	0.15%
Prices			
Highest share price	207.9	187.7	160.8
Lowest share price	168.8	142.9	121.3

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Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Platform 1 accumulation			
Change in net assets per share			
Opening net asset value per share	120.10	93.74	102.92
Return before operating charges*	(8.45)	27.58	(8.08)
Operating charges**	(1.41)	(1.22)	(1.10)
Return after operating charges*	(9.86)	26.36	(9.18)
Distributions	(2.60)	(2.07)	(1.69)
Retained distributions on accumulation share	2.60	2.07	1.69
Closing net asset value per share	110.24	120.10	93.74
* after direct transaction costs of:***	0.38	0.34	0.14
Performance+			
Return after charges	-8.21%	28.12%	-8.92%
Other information			
Closing net asset value (£'000)	112,602	135,069	166,493
Closing number of shares	102,142,160	112,459,630	177,604,135
Operating charges****	1.16%	1.15%	1.15%
Direct transaction costs***	0.31%	0.32%	0.15%
Prices			
Highest share price	132.3	120.2	105.3
Lowest share price	106.9	92.54	78.87

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Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional S accumulation			
Change in net assets per share			
Opening net asset value per share	73.75	57.38	62.80
Return before operating charges*	(5.19)	16.91	(4.94)
Operating charges**	(0.62)	(0.54)	(0.48)
Return after operating charges*	(5.81)	16.37	(5.42)
Distributions	(1.87)	(1.49)	(1.22)
Retained distributions on accumulation share	1.87	1.49	1.22
Closing net asset value per share	67.94	73.75	57.38
* after direct transaction costs of:***	0.24	0.21	0.09
Performance+			
Return after charges	-7.88%	28.53%	-8.63%
Other information			
Closing net asset value (£'000)	0	1	1
Closing number of shares	134	2,000	2,000
Operating charges****	0.82%	0.82%	0.83%
Direct transaction costs***	0.31%	0.32%	0.15%
Prices			
Highest share price	81.43	73.80	64.25
Lowest share price	65.87	56.65	48.22

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Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Comparative Tables

(Continued)

	2018 pence per share	2017 pence per share	2016 pence per share
Institutional A accumulation			
Change in net assets per share			
Opening net asset value per share	63.01	49.55	50.00++
Return before operating charges*	(4.38)	14.51	0.26
Operating charges**	(1.22)	(1.05)	(0.71)
Return after operating charges*	(5.60)	13.46	(0.45)
Distributions	(0.87)	(0.66)	(0.64)
Retained distributions on accumulation share	0.87	0.66	0.64
Closing net asset value per share	57.41	63.01	49.55
* after direct transaction costs of:***	0.20	0.18	0.07
Performance+			
Return after charges	-8.89%	27.16%	-0.90%
Other information			
Closing net asset value (£'000)	440	735	2,330
Closing number of shares	765,752	1,165,706	4,702,908
Operating charges****	1.91%	1.92%	1.90%
Direct transaction costs***	0.31%	0.32%	0.14%
Prices			
Highest share price	69.12	63.05	52.35
Lowest share price	55.66	48.91	41.80

** The operating charges include all costs borne by the Sub-fund, except for direct transaction costs.

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**** The operating charges percentage is the equivalent of the ongoing charges figure per the prior year accounts. It shows the annualised operating expenses of the share class as a percentage of the average net asset value of the class over the same period.

+ The performance figures are calculated by taking the value of the share class per the financial statements compared to the value per the financial statements in the prior year. This figure may differ from the performance figure quoted in the Investment Report. The Investment Report performance figure is calculated using the last available published price for a given share class in the period compared to the equivalent for the prior period. The published price may contain an adjustment for dilution in accordance with the Sub-fund pricing policy, while the price per the financial statements values the Sub-fund on a bid-price basis. The financial statements share class valuation is based on close of business market prices on the last day of the period, again this may differ from the intra-day pricing point of the Sub-fund which is used in the published share class price.

++ Share class launched on 27 January 2016.

Standard Life Investment Company II

Annual Report & Financial Statements

UK Equity Unconstrained Fund

Portfolio Statement

as at 31 October 2018

Holding	Investment	Market value £'000	Percentage of total net assets
UK Equities (97.90%)		567,034	98.26
Basic Materials (8.79%)		22,022	3.82
740,966	Johnson Matthey	22,022	3.82
Consumer Goods (17.03%)		90,106	15.61
849,737	Bellway	24,388	4.23
1,031,693	Countryside Properties	3,089	0.53
6,741,387	Crest Nicholson	22,961	3.98
9,175,981	Dixons Carphone	15,544	2.69
558,234	Inchcape	3,017	0.52
2,202,767	Redrow	11,631	2.02
1,173,543	SuperGroup	9,476	1.64
Consumer Services (18.13%)		103,150	17.87
5,502,309	888 Holdings	10,190	1.77
2,607,336	Dunelm	15,540	2.69
2,485,203	Greene King	11,991	2.08
2,799,329	GVC	26,216	4.54
8,931,135	ITV	13,299	2.30
472,211	Just Eat	2,868	0.50
15,053,303	Ladbrokes Coral Rights	0	0.00
6,866,668	Marston's	6,822	1.18
2,586,315	Mitchells & Butlers	6,719	1.16
4,524,084	William Hill	9,505	1.65
Financials (13.14%)		104,159	18.05
815,540	Ashmore	2,871	0.50
9,500,577	Barclays	16,387	2.84
419,607	Close Brothers	6,172	1.07
47,915,877	Countrywide	5,012	0.87
8,915,605	International Personal Finance	15,852	2.75
7,143,916	Intu Properties	14,006	2.43
4,790,150	Provident Financial	24,439	4.23
8,000,000	Sherborne Investors Guernsey C	5,980	1.03
2,446,400	Standard Chartered	13,440	2.33

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Portfolio Statement

(Continued)

		Market value £'000	Percentage of total net assets
Holding	Investment		
Health Care (5.45%)		26,080	4.52
5,345,176	Indivior	10,065	1.75
254,217	Shire	11,897	2.06
3,510,413	Spire Healthcare	4,118	0.71
Industrials (29.54%)		152,953	26.51
748,590	Aggreko	6,424	1.11
2,850,318	Bodycote	22,660	3.93
3,448,229	Essentra	13,165	2.28
6,751,569	IWG	15,522	2.69
2,426,714	Keller	15,701	2.72
6,642,785	Mitie Group	9,645	1.67
1,045,079	Rolls-Royce	8,766	1.52
44,513,372	Rolls-Royce (Preference)	0	0.00
3,470,646	RPC	26,460	4.59
2,492,384	Sanne Group	13,933	2.42
6,481,788	Senior	17,682	3.06
551,003	Vesuvius	2,995	0.52
Oil & Gas (3.43%)		33,707	5.84
15,271,478	Ophir Energy	6,261	1.08
2,066,350	Petrofac	11,944	2.07
6,868,337	Tullow Oil	15,502	2.69
Technology (2.39%)		34,857	6.04
11,013,251	Alfa Financial Software	13,877	2.40
5,969,069	IQE*	5,399	0.94
3,560,711	Sophos	15,581	2.70

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Portfolio Statement

(Continued)

Holding	Investment	Market value £'000	Percentage of total net assets
Collective Investment Schemes (0.85%)		9,453	1.64
9,453	Aberdeen Liquidity Fund - Sterling	9,453	1.64
Total investment assets		576,487	99.90
Net other assets		585	0.10
Total Net Assets		577,072	100.00

All investments are listed on recognised stock exchanges and are approved securities or regulated collective investment schemes within the meaning of the FCA rules unless otherwise stated.

The percentage figures in brackets show the comparative holding as at 31 October 2017.

* AIM listed.

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Financial Statements

Statement of Total Return

for the year ended 31 October 2018

		2018	2017
	Notes	£'000	£'000
Income:			
Net capital (losses)/gains	2	(64,861)	159,078
Revenue	4	21,443	21,737
Expenses	5	(5,233)	(5,490)
Interest payable and similar charges	6	(11)	(13)
Net revenue before taxation		16,199	16,234
Taxation	7	0	(233)
Net revenue after taxation		16,199	16,001
Total return before distributions		(48,662)	175,079
Distributions	8	(16,199)	(16,001)
Change in net assets attributable to shareholders from investment activities		(64,861)	159,078

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2018

	2018	2017
	£'000	£'000
Opening net assets attributable to shareholders	682,752	744,519
Amounts receivable on the issue of shares	20,845	6,905
Amounts payable on the cancellation of shares	(77,959)	(243,639)
	(57,114)	(236,734)
Dilution adjustment	228	922
Change in net assets attributable to shareholders from investment activities (see above)	(64,861)	159,078
Retained distribution on accumulation shares	16,067	14,967
Closing net assets attributable to shareholders	577,072	682,752

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Financial Statements

(Continued)

Balance Sheet

as at 31 October 2018

	Notes	2018 £'000	2017 £'000
Assets:			
Fixed assets:			
Investment assets		576,487	674,204
Current assets:			
Debtors	9	2,649	14,352
Cash and bank balances	10	2	1
		<u>2,651</u>	<u>14,353</u>
Total assets		<u>579,138</u>	<u>688,557</u>
Liabilities:			
Creditors	11	(2,066)	(5,714)
Distribution payable		<u>0</u>	<u>(91)</u>
		<u>(2,066)</u>	<u>(5,805)</u>
Total liabilities		<u>(2,066)</u>	<u>(5,805)</u>
Net assets attributable to shareholders		<u>577,072</u>	<u>682,752</u>

Standard Life Investment Company II

Annual Report & Financial Statements

UK Equity Unconstrained Fund

Notes to the Financial Statements

1 Accounting Policies

Please refer to pages 11 and 12 for note on accounting policies.

2 Net Capital (Losses)/Gains

	2018 £'000	2017 £'000
Non-derivative securities	(64,875)	159,070
Other gains	17	11
Handling charges taken from the capital account	(3)	(3)
Net capital (losses)/gains	(64,861)	159,078

3 Equity Purchases, Sales and Transaction Costs

Collective investments operate within the terms of the offer document or prospectus. Typically we do not invest into Funds that require an initial charge to be made. The underlying price contains an estimation of cost known as a dilution levy which is applied from time to time.

During the year the total purchases and sales across different major assets classes are as per below table.

	2018 £'000	2017 £'000
Equity Purchases, Sales and Transaction Costs		
Purchases		
Equities	381,900	354,605
Commissions	234	292
Taxes & Other Fees	1,540	1,384
Total purchase transaction costs	1,774	1,676
Purchases including transaction costs	383,674	356,281
Sales		
Equities	420,437	596,834
Commissions	(263)	(555)
Total sale transaction costs	(263)	(555)
Total sales net of transaction costs	420,174	596,279
Equity Transaction Cost as a % of total Purchases & Sales		
	2018 % Transaction	2017 % Transaction
Purchases		
Commissions	0.06%	0.08%
Taxes & Other Fees	0.40%	0.39%
Sales		
Commissions	0.06%	0.09%

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Notes to the Financial Statements

(Continued)

3 Equity Purchases, Sales and Transaction Costs (Continued)

	2018 % Average NAV	2017 % Average NAV
Equity Purchases, Sales Analysis to Average NAV		
Purchases		
Commissions	0.04%	0.04%
Taxes & Other Fees	0.24%	0.20%
Sales		
Commissions	0.04%	0.08%
Taxes & Other Fees	0	0

During the year the total purchases and sales across different major asset classes are as per below table.

	2018 £'000	2017 £'000
Purchase		
Equities	383,674	356,281
Collective investment schemes	20,473	0
Sales		
Equities	420,174	596,279
Collective investment schemes	11,020	0

The Sub-fund suffers a number of explicit costs as disclosed in the notes and Sub-fund history. The Sub-fund also suffers implicit costs an example is market spread, the spread represents the costs of providing liquidity in a market. It therefore is subject to change based on volume, active markets have a lower spread the difference between; bid the price you receive and offer the price you pay.

At the balance sheet date the average portfolio dealing spread (i.e. the spread between bid and offer prices expressed as a percentage of the offer price) was 0.82% (2017: 1.27%), this is representative of the average spread on the assets held during the year.

4 Revenue

	2018 £'000	2017 £'000
UK dividends	18,750	16,810
Overseas dividends	2,657	4,913
Bank interest	36	14
Total revenue	21,443	21,737

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Notes to the Financial Statements

(Continued)

5 Expenses

	2018 £'000	2017 £'000
Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:		
Authorised Corporate Director's periodic charge	4,666	4,925
Dealing charge	65	72
Registration fees	326	344
	<u>5,057</u>	<u>5,341</u>
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Depositary's fees	114	122
Safe custody fee	54	18
	<u>168</u>	<u>140</u>
Other:		
Audit fee	8	9
Total expenses	<u>5,233</u>	<u>5,490</u>

6 Interest Payable and Similar Charges

	2018 £'000	2017 £'000
Interest payable	11	13
Total interest payable & similar charges	<u>11</u>	<u>13</u>

7 Taxation

	2018 £'000	2017 £'000
(a) Analysis of charge in year		
Overseas taxes	0	233
Total current tax	<u>0</u>	<u>233</u>

(b) Factors affecting current tax charge for the year

The tax assessed for the year is less than the standard rate of corporation tax in the UK for Funds of authorised Open-Ended Investment Companies (20%). The differences are explained below:

Net revenue before taxation	16,199	16,234
Corporation tax at 20% (2017: 20%)	<u>3,240</u>	<u>3,247</u>
Effects of:		
Revenue not subject to taxation	(4,216)	(4,344)
Overseas taxes	0	233
Excess allowable expenses	<u>976</u>	<u>1,097</u>
Total tax charge for year (note 7a)	<u>0</u>	<u>233</u>

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Notes to the Financial Statements

(Continued)

7 Taxation (Continued)

(c) Factors that may affect future tax charge

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £12,165,000 (2017: £11,189,000) due to surplus ACD expenses. It is unlikely that the Sub-fund will generate sufficient taxable profits to utilise these amounts and therefore no deferred tax asset has been recognised in the year or the prior year.

8 Distributions

The distributions takes account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	2018 £'000	2017 £'000
Interim distribution	8,726	9,156
Final distribution	7,341	6,118
	<hr/> 16,067	<hr/> 15,274
Add: Income deducted on cancellation of shares	243	749
Deduct: Income received on issue of shares	(111)	(22)
Net distribution for the year	<hr/> 16,199	<hr/> 16,001

Details of the distribution per share are set out in this Sub-fund's distribution tables.

9 Debtors

	2018 £'000	2017 £'000
Amounts receivable from the ACD for the issue of shares	20	4
Sales awaiting settlement	631	11,608
Accrued revenue	1,834	2,478
Foreign withholding tax recoverable	164	262
Total debtors	<hr/> 2,649	<hr/> 14,352

10 Cash and Bank Balances

	2018 £'000	2017 £'000
Cash and bank balances	2	1
Total cash and bank balances	<hr/> 2	<hr/> 1

11 Creditors

	2018 £'000	2017 £'000
Amounts payable to the ACD for cancellation of shares	861	1,030
Purchases awaiting settlement	799	4,224
Accrued expenses payable to ACD	387	439
Accrued expenses payable to the Depositary or associates of the Depositary	9	14
Other accrued expenses	10	7
Total creditors	<hr/> 2,066	<hr/> 5,714

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Notes to the Financial Statements

(Continued)

12 Related Party Transactions

Standard Life Investments (Mutual Funds) Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal in respect of all transactions of shares in the Sub-fund.

The fees received by the ACD are set out in note 5.

The ACD is involved in all transactions in shares of the Sub-fund, the aggregate values of which are set out in the Statement of Change in Net Assets Attributable to Shareholders on page 331. £1,228,000 was due to the ACD at the year end.

13 Shares in issue reconciliation

	Opening shares 2017	Creations during the year	Cancellations during the year	Conversions during the year	Closing shares 2018
Retail accumulation	32,915,906	304,502	(3,025,872)	(439,586)	29,754,950
Institutional accumulation	96,358,759	4,570,897	(6,993,154)	297,602	94,234,104
Standard Life income	3,873,383	54	(3,873,383)	0	54
Standard Life accumulation	2,520,531	59,836	(189,972)	1,292	2,391,687
Institutional regulated accumulation	2,000	34	(2,000)	0	34
Standard Life A accumulation	94,647,414	434,252	(12,232,736)	0	82,848,930
Platform 1 accumulation	112,459,630	3,851,059	(14,386,084)	217,555	102,142,160
Institutional S accumulation	2,000	134	(2,000)	0	134
Institutional A accumulation	1,165,706	0	(399,954)	0	765,752

14 Fair Value Hierarchy

	2018 £'000	2018 £'000	2018 £'000	2017 £'000	2017 £'000	2017 £'000
Fair value of investment assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Equities	567,034	0	0	668,436	0	0
Collective Investment Schemes	0	9,453	0	0	5,767	0
Total investment assets	567,034	9,453	0	668,436	5,767	0

The three levels of the fair value hierarchy under FRS 102 are described below:

Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for the identical unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

Standard Life Investment Company II

Annual Report & Financial Statements

UK Equity Unconstrained Fund

Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures

In accordance with the investment objectives, the Sub-fund may hold certain financial instruments. These comprise:

- securities held in accordance with the investment objective and policies;
- cash and short-term debtors and creditors arising directly from operations; and
- derivatives.

The main risks arising from the Sub-fund's financial instruments are market price, foreign currency, interest rate, credit and liquidity risk.

The policies for managing these risks are summarised below and have been applied consistently throughout the year, and prior year.

(a) Market price risk

Each Sub-fund's investment portfolio is exposed to market price fluctuation which are monitored by the Fund Manager in pursuance of the investment objectives and policies. Adherence to investment guidelines and to investment and borrowing powers mitigate the risk of excessive exposure to any particular type of security or issuer.

An increase or decrease in market values will therefore have a direct effect on the value of the investment assets in the portfolio and therefore a proportionate effect on the value of the Sub-fund.

A five per cent increase in the value of the Sub-fund's portfolio would have the effect of increasing the return and net assets as at 31 October 2018 by £28,824,000 (2017: £33,710,000). A five per cent decrease would have an equal and opposite effect.

(b) Foreign currency risk

A proportion of the net assets of the Sub-fund are denominated in currencies other than Sterling, therefore the balance sheet and total returns can be affected by currency movements. In certain circumstances, the Fund Manager may seek to manage exposure to currency movements by using forward currency contracts.

The Sub-fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

Income received in foreign currencies is converted into Sterling at the exchange rates ruling when the income is received.

A five per cent increase in the value of the Sub-fund's foreign currency exposure would have the effect of increasing the return and net assets as at 31 October 2018 by £5,000 (2017: £10,000). A five per cent decrease would have an equal and opposite effect.

Currency exposure

The Sub-fund's net foreign currency exposure is shown in the table below.

	Net foreign currency monetary assets	
	2018	2017
	£'000	£'000
Euro	109	206

Standard Life Investment Company II

Annual Report & Financial Statements

UK Equity Unconstrained Fund

Notes to the Financial Statements

(Continued)

15 Risk Management Policies & Numerical Disclosures (Continued)

(c) Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts will be affected by fluctuations in interest rates. The Fund Manager continuously reviews interest rates and inflation expectations. The assessment of this may result in a change in investment strategy.

The interest rate risk profile of the Sub-fund's financial assets and liabilities is:

	Floating rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
2018			
Currency			
UK Sterling	9,454	567,509	576,963
Euro	0	109	109
2017			
Currency			
UK Sterling	5,768	676,778	682,546
Euro	0	206	206

(d) Liquidity risk

The Sub-fund's assets comprise mainly readily realisable securities. The main liabilities of the Sub-fund are the redemption of any shares that investors wish to sell and the settlement of stock purchases. The Fund Manager reviews the cash and liability position continuously, and should an increase in liquidity be required, the Fund Manager will sell securities.

Standard Life Investment Company II

Annual Report & Financial Statements

UK Equity Unconstrained Fund

Distribution Tables

for the six months ended 30 April 2018

Group 1 – shares purchased prior to 1 November 2017

Group 2 – shares purchased between 1 November 2017 and 30 April 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution paid 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	2.4988	–	2.4988*	2.1269
Group 2	1.9831	0.5157	2.4988*	2.1269
Institutional accumulation				
Group 1	3.6780	–	3.6780*	3.1059
Group 2	2.8094	0.8686	3.6780*	3.1059
Standard Life income				
Group 1	3.3095	–	3.3095**	2.7829
Group 2	–	–	–	–
Standard Life accumulation				
Group 1	5.3126	–	5.3126*	4.4472
Group 2	3.6833	1.6293	5.3126*	4.4472
Institutional regulated accumulation				
Group 1	4.3840	–	4.3840*	3.6869
Group 2	–	–	–	–
Standard Life A accumulation				
Group 1	3.2808	–	3.2808*	2.7439
Group 2	2.0796	1.2012	3.2808*	2.7439
Platform 1 accumulation				
Group 1	1.4161	–	1.4161*	1.1989
Group 2	1.0896	0.3265	1.4161*	1.1989
Institutional S accumulation				
Group 1	1.0270	–	1.0270*	0.8573
Group 2	–	–	–	–
Institutional A accumulation				
Group 1	0.4947	–	0.4947*	0.4313
Group 2	–	–	–	0.4313

* Distribution accumulated on 30 April 2018

** Distribution paid on 30 June 2018

Standard Life Investment Company II Annual Report & Financial Statements

UK Equity Unconstrained Fund

Distribution Tables

(Continued)

for the six months ended 31 October 2018

Group 1 – shares purchased prior to 1 May 2018

Group 2 – shares purchased between 1 May 2018 and 31 October 2018

	Net Income 2018 pence per share	Equalisation 2018 pence per share	Distribution payable 2018 pence per share	Distribution paid 2017 pence per share
Retail accumulation				
Group 1	1.9890	–	1.9890*	1.3950
Group 2	1.4823	0.5067	1.9890*	1.3950
Institutional accumulation				
Group 1	3.1453	–	3.1453*	2.3689
Group 2	1.3401	1.8052	3.1453*	2.3689
Standard Life income				
Group 1	2.8876	–	2.8876**	2.3296
Group 2	0.5153	2.3723	2.8876**	–
Standard Life accumulation				
Group 1	4.7900	–	4.7900*	3.7542
Group 2	2.5294	2.2606	4.7900*	3.7542
Institutional regulated accumulation				
Group 1	3.9593	–	3.9593*	2.9695
Group 2	0.8120	3.1473	3.9593*	–
Standard Life A accumulation				
Group 1	2.9697	–	2.9697*	2.3338
Group 2	2.5122	0.4575	2.9697*	2.3338
Platform 1 accumulation				
Group 1	1.1822	–	1.1822*	0.8716
Group 2	0.7882	0.3940	1.1822*	0.8716
Institutional S accumulation				
Group 1	0.8419	–	0.8419*	0.6375
Group 2	0.1630	0.6789	0.8419*	–
Institutional A accumulation				
Group 1	0.3726	–	0.3726*	0.2327
Group 2	–	–	–	–

* Distribution accumulated on 31 October 2018

** Distribution payable on 31 December 2018

Standard Life Investment Company II

Annual Report & Financial Statements

UK Equity Unconstrained Fund

Distribution Tables

(Continued)

Treatment by Corporate Shareholders (unaudited)

Corporate shareholders should account for the current year's dividends shown in the distribution table as follows:

	Interim Dividend Distribution	Final Dividend Distribution
Treat as a UK corporate dividend	100.00%	100.00%
Treat as an annual payment net of Income tax at 20%	0.00%	0.00%

Standard Life Investment Company II Annual Report & Financial Statements

US Equity Index Tracker Fund

Investment Report

Fund Information	
Fund Manager	–
Launch Date	11 April 2005
Benchmark	–

All the shares in this Sub-fund were redeemed and cancelled on 26 June 2012. The Sub-fund will formally terminate at a later date.

Standard Life Investment Company II

Annual Report & Financial Statements

US Equity Index Tracker Fund

Portfolio Statement

as at 31 October 2018

Holding	Investment	Market value £'000	Percentage of total net assets
The Sub-fund has not held any investments since 26 June 2012.			

Standard Life Investment Company II Annual Report & Financial Statements

US Equity Index Tracker Fund

Financial Statements

Statement of Total Return

for the year ended 31 October 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Income:					
Net capital gains/(losses)	2		4		(16)
Revenue	4	0		0	
Expenses	5	(2)		(1)	
Net expense before taxation		(2)		(1)	
Taxation	6	0		1	
Net expense after taxation			(2)		0
Total return before distributions			2		(16)
Distributions	7		0		0
Change in net assets attributable to shareholders from investment activities			2		(16)

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 October 2018

		2018		2017	
		£'000	£'000	£'000	£'000
Opening net assets			0		0
Amounts receivable on the issue of shares		0		0	
Amounts payable on the cancellation of shares		0		0	
			0		0
Change in net assets attributable to shareholders from investment activities (see above)			2		(16)
Change in provision for Sub-fund closure			(2)		16
Closing net assets			0		0

Standard Life Investment Company II Annual Report & Financial Statements

US Equity Index Tracker Fund

Financial Statements

(Continued)

Balance Sheet

as at 31 October 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Assets:					
Fixed assets:					
Investment assets			0		0
Current assets:					
Debtors	8	4		4	
Cash and bank balances		76		75	
			80		79
Total assets			80		79
Liabilities:					
Creditors	9	(80)		(79)	
			(80)		(79)
Total liabilities			(80)		(79)
Net assets			0		0

Standard Life Investment Company II Annual Report & Financial Statements

US Equity Index Tracker Fund

Notes to the Financial Statements

1 Accounting Policies

Please refer to pages 11 and 12 for note on accounting policies.

2 Net Capital Gains/(Losses)

	2018 £'000	2017 £'000
Non-derivative securities	7	(18)
Non-derivative securities currency (losses)/gains	(3)	2
Net capital gains/(losses)	4	(16)

3 Purchases, Sales and Transaction Costs

There are no transaction costs associated with the purchases or sales of bonds, collective investment schemes and derivatives during the year, or in the prior year.

4 Revenue

	2018 £'000	2017 £'000
Total revenue	0	0

5 Expenses

	2018 £'000	2017 £'000
Other:		
Audit fee	2	1
Total expenses	2	1

6 Taxation

	2018 £'000	2017 £'000
(a) Analysis of charge in year		
Total current tax	0	0

(b) Factors affecting current tax charge for the year

The tax assessed for the year is the same as the standard rate of corporation tax in the UK for Funds of authorised Open-Ended Investment Companies (20%). The differences are explained below:

Net expense before taxation	(2)	(1)
Corporation tax at 20% (2017: 20%)	0	0
Current tax charge for year (note 6a)	0	0

Authorised Open-Ended Investment Companies are exempt from tax on capital gains in the UK. Therefore, any capital return is not included in the above reconciliation.

Standard Life Investment Company II

Annual Report & Financial Statements

US Equity Index Tracker Fund

Notes to the Financial Statements

(Continued)

7 Distributions

(a) The distributions takes account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	2018 £'000	2017 £'000
Distribution	0	0
Add: Income deducted on cancellation of shares	0	0
Deduct: Income received on issue of shares	0	0
Net distribution for the year	0	0

(b) Difference between net revenue and distribution

Net expense after taxation	(2)	0
Deduct: Revenue transferred to capital	2	0
	0	0

8 Debtors

	2018 £'000	2017 £'000
Due from other Sub-fund - Interest on CT paid in error	4	4
Total creditors	4	4

9 Creditors

	2018 £'000	2017 £'000
Other accrued expenses	2	2
Corporation tax payable	0	0
Residual payment due in respect of ongoing Sub-fund closure	78	77
Total creditors	80	79

Standard Life Investment Company II Annual Report & Financial Statements

Further Information

Report and Financial Statements

The Long Report is available online at standardlifeinvestments.com. The annual accounting year for the Sub-funds finishes on 31 October and the interim accounting period finishes on 30 April.

Prospectus

A Prospectus, which describes each Fund in detail, is available from Standard Life Investment Company II at the Edinburgh address.

Publication of Prices

The most recent share prices are published daily on our website at standardlifeinvestments.com

Cancellation Rights

Under certain circumstances, investors will have the right to cancel a deal. Please refer to the Prospectus for full details.

Buying and Selling Shares

There are different processes for buying and selling shares. The majority of investors will invest through Standard Life Savings Limited. Certain investors will not invest through Standard Life Savings Limited. They will deal directly with the ACD. This will apply where an investor chooses to deal directly with the ACD or persons who are introduced by Standard Life Investments Specialist Sales Team.

Investors wishing to invest in any of the Funds can contact their usual financial advisor or telephone Standard Life Savings Limited or Standard Life Investments (Mutual Funds) Limited on 0345 113 69 66 or 00 44 131 245 26 76 if outwith the UK. A completed application form can be sent to Investor Services or Standard Life Savings Ltd, 1 George Street, Edinburgh, EH2 2LL.

Minimum Investment

The minimum initial investment in shares varies from Fund to Fund. Please refer to the Prospectus for full details.

Minimum Redemption

It is possible to sell all or part of a holding at any time. Please refer to the Prospectus for full details.

Switching

At any time, an investor may switch some or all of the shares in one class/Fund for shares in another class/Fund. Switching instructions can either be given on 0345 113 6966, or in writing to Standard Life Investments (Mutual Funds) Limited.

UCITS

The Funds are certified under the Undertaking for Collective Investment in Transferable Securities (UCITS) directive, which allows the ACD to market the Funds in member States of the European Union subject to relevant local laws, specifically marketing laws.

Dilution Adjustment

A dilution adjustment can be applied in certain circumstances. Please refer to the Prospectus for full details.

Standard Life Investment Company II

Annual Report & Financial Statements

Further Information

(Continued)

Distributions

Distribution of income (if any) to holders of income shares will be made on the income allocation dates shown in the table below. Allocation of revenue to holders of accumulation shares will be transferred to the capital property of each Fund on the first business day following the end of the income allocation period and be reflected in the value of the shares.

Fund Name	Income Allocation Periods	Income Allocation Dates
Standard Life Investments Corporate Debt Fund	1 November – 31 January (interim) 1 February – 30 April (interim) 1 May – 31 July (interim) 1 August – 31 October	31 March (interim) 30 June (interim) 30 September (interim) 31 December
Standard Life Investments Ethical Corporate Bond Fund	1 November – 31 January (interim) 1 February – 30 April (interim) 1 May – 31 July (interim) 1 August – 31 October	31 March (interim) 30 June (interim) 30 September (interim) 31 December
Standard Life Investments European Ethical Equity Fund	1 November – 30 April (interim) 1 May – 31 October	30 June (interim) 28 February (29 in a leap year)
Standard Life Investments Global Index Linked Bond Fund	1 November – 31 January (interim) 1 February – 30 April (interim) 1 May – 31 July (interim) 1 August – 31 October	31 March (interim) 30 June (interim) 30 September (interim) 31 December
Standard Life Investments Global REIT Fund	1 November – 31 January (interim) 1 February – 30 April (interim) 1 May – 31 July (interim) 1 August – 31 October	31 March (interim) 30 June (interim) 30 September (interim) 31 December
Standard Life Investments Short Dated Corporate Bond Fund	1 November – 31 January (interim) 1 February – 30 April (interim) 1 May – 31 July (interim) 1 August – 31 October	31 March (interim) 30 June (interim) 30 September (interim) 31 December
Standard Life Investments Short Duration Global Index Linked Bond Fund	1 November – 31 January (interim) 1 February – 30 April (interim) 1 May – 31 July (interim) 1 August – 31 October	31 March (interim) 30 June (interim) 30 September (interim) 31 December
Standard Life Investments Short Term Money Market Fund	1 November – 31 October	28 February (29 in a leap year)
Standard Life Investments UK Equity Income Unconstrained Fund	1 November – 30 April (interim) 1 May – 31 October	30 June (interim) 28 February (29 in a leap year)
Standard Life Investments UK Equity Unconstrained Fund	1 November – 30 April (interim) 1 May – 31 October	30 June (interim) 28 February (29 in a leap year)

Standard Life Investment Company II Annual Report & Financial Statements

Remuneration Policy

Standard Life Investments (Mutual Funds) Limited, the Manager, and Standard Life Investments Limited, the investment adviser, are both subsidiaries of Standard Life Aberdeen plc.

The UCITS remuneration code (the "Code") is effective for performance periods starting on or after 18 March 2016. For Standard Life Investments (Mutual Funds) Limited (SLI(MF)) this applies to variable pay of employees of Standard Life Aberdeen plc identified as UCITS V Material Risk Takers (MRTs) in respect of the performance period 1 January to 31 December 2017, awarded in March 2018. Our remuneration policy as set out below has been reviewed against the requirements of the Code.

SLI(MF) does not employ any direct staff. Details of Remuneration Policy and Procedures for employees of Standard Life Aberdeen plc classified as MRTs in accordance with European Securities and Markets Authority (ESMA) guidance, including, but not limited to, a description of how remuneration and benefits are calculated, the identities of persons responsible for awarding the remuneration and benefits including the composition of the Remuneration Committee can be found at the following link:

www.standardlifeaberndeen.com/remuneration-disclosure

A paper copy will be made available free of charge upon request at the registered office of the Company.

These details together with the information below satisfy the UCITS V remuneration disclosures for the year ended 31 December 2017.

Standard Life Aberdeen identifies certain individuals as Code Staff, in accordance with ESMA guidance in this regard. In accordance with these guidelines, Board members of SLI(MF) and staff that make up the key advisory committees are identified as roles that have a material impact on the risk profile of SLI(MF) or the UCITS managed. Whilst the Board members direct the business this is done with the assistance of the committees, although the Board are ultimately responsible for risk management.

The Company has determined that the fixed remuneration payable is (a) consistent with sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile, rules or instrument of incorporation of the Company and (b) in line with the business strategy, objectives, values and interests of the Company and the investors in the Company.

The detailed provisions of Article 14b of the Regulations and the related ESMA guidelines in relation to variable remuneration are considered for employees of Standard Life Aberdeen plc on an apportioned basis, to reflect duties for regulated firms in line with regulatory guidance.

During 2017 the following amounts were paid in fixed and variable remuneration to material risk takers. Fixed remuneration includes base salary and benefits. Fixed remuneration for committee members comprises fees. Variable remuneration includes 2017 annual bonus awards paid in March 2018 and the target value of long term incentive awards granted in 2018 (which were based on performance in 2017).

	2017 Material Risk Takers	2017 Senior Management	2017 Control Functions
Number of Code Staff ⁽¹⁾	8	23	5
Fixed Remuneration (£)	271,149	991,176	240,745
Variable Remuneration (£)	1,358,266	3,723,872	257,333
Total (£) ⁽²⁾	1,629,415	4,715,048	498,078

- 1) These figures reflect the material risk takers in respect of UCITS V SLI(MF). The number of individuals reported reflects ESMA guidelines. We undertake continual re-evaluation of material risk takers to align with the latest regulatory guidance.
- 2) The figures reflect the total remuneration paid to each MRT in relation to UCITS duties and has not been time apportioned to reflect the time spent on issues related to an individual UCITS.

Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments.

Standard Life Investments Limited is registered in Scotland (SC123321) at 1 George Street, Edinburgh EH2 2LL. Standard Life Investments Limited is authorised and regulated by the Financial Conduct Authority.

Calls may be monitored and/or recorded to protect both you and us and help with our training.

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