

Aug  
2019

# ASI Global Inflation-Linked Bond Fund

Aberdeen Standard  
Investments

31 August 2019

To generate income and some growth over the long term (5 years or more) by investing in inflation-linked bonds.

Please note: Our factsheets will be fully updated to reflect the 7 August 2019 changes to the Investment Objective and Policy, including benchmark use, shortly. In the interim, please see the KIID which can be found at <https://www.aberdeenstandard.com/en/uk/investor/fund-centre#literature> for full up to date information.

OEIC Fund

Bond Fund

Monthly

Fund Manager Adam Skerry & Tom Walker

Fund Manager Start 1 Jan 2015

Launch Date 19 May 2004

IA Sector IA Global Bond Sector

Benchmark Bloomberg Barclays World Govt Inflation Linked Index (hedged to GBP)

Current Fund Size £1100.6m

Base Currency GBP

No. of Positions 116

Underlying Yield 1.53%

This document is intended for use by individuals who are familiar with investment terminology. Please contact your financial adviser if you need an explanation of the terms used. Please note that the breakdowns below do not take into account the economic exposure created by derivative positions.

For a full explanation of specific risks and the overall risk profile of this fund and the shareclasses within it, please refer to the Key Investor Information Documents and Prospectus which are available on our website – [www.standardlifeinvestments.com](http://www.standardlifeinvestments.com)

## Fund Information \*

### Composition by Maturity

	Fund %
0-5YRS	20.5
5-10YRS	33.1
10-15YRS	11.6
15-20YRS	4.2
20+YRS	30.6

### Top Ten Holdings

Bonds	Fund %
Australia (Govt of) 2.5% IL 2030	2.5
US (Govt of) 2% IL 2026	2.2
US (Govt of) 0.125% IL 2022	1.9
US (Govt of) 0.125% IL 2022	1.9
UK (Govt of) 0.125% IL 2068	1.8
UK (Govt of) 1.25% IL 2055	1.8
US (Govt of) 0.375% IL 2025	1.7
UK (Govt of) 0.375% IL 2062	1.7
US (Govt of) 0.25% IL 2025	1.7
US (Govt of) 0.125% IL 2024	1.7

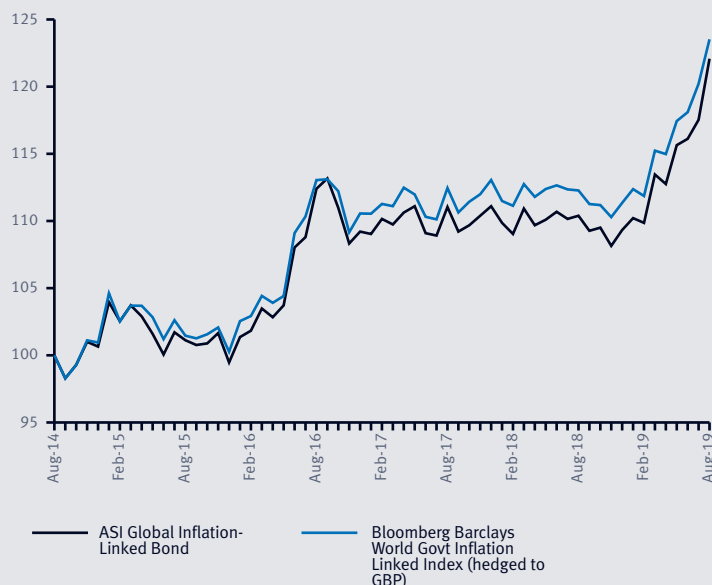
Assets in top ten holdings 18.9

### Composition by Country

	Fund %
USA	43.2
UK	26.9
France	8.1
Italy	5.0
Australia	3.3
Japan	3.2
Canada	2.4
Spain	2.2
Supra-National	1.9
Germany	1.8
Sweden	0.8
New Zealand	0.7
Denmark	0.3
Netherlands	0.2

## Fund Performance \*

### Price Indexed



The performance of the fund has been calculated over the stated period using bid to bid basis for a UK basic rate tax payer. The performance shown is based on an Annual Management Charge (AMC) of 0.40%. You may be investing in another shareclass with a higher AMC. The charges for different share classes are shown on the next page. For details of your actual charges please contact your financial adviser or refer to the product documentation.

Source: Aberdeen Standard Investments (Fund) and Thomson Reuters DataStream (Benchmark)

### Year on Year Performance

Source: Aberdeen Standard Investments (Fund) and Thomson Reuters DataStream (Benchmark)

	Year to 30/06/2019 (%)	Year to 30/06/2018 (%)	Year to 30/06/2017 (%)	Year to 30/06/2016 (%)	Year to 30/06/2015 (%)
Retail Fund Performance	4.3	1.1	0.6	7.5	2.1
Institutional Fund Performance	4.9	1.5	1.0	8.0	2.5
Platform One	5.2	1.4	1.0	7.9	2.5
Bloomberg Barclays World Govt Inflation Linked Index (hedged to GBP)	4.8	2.1	1.1	7.8	4.0

### Cumulative Performance

Source: Aberdeen Standard Investments (Fund) and Thomson Reuters DataStream (Benchmark)

	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Retail Fund Performance	10.7	9.9	7.1	19.5
Institutional Fund Performance	11.1	10.6	8.6	22.1
Platform One	11.4	10.8	8.8	22.2
Bloomberg Barclays World Govt Inflation Linked Index (hedged to GBP)	10.4	10.0	9.3	23.5

Note: Past Performance is not a guide to future performance. The price of shares and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment.

For full details of the fund's objective, policy, investment and borrowing powers and details of the risks investors need to be aware of, please refer to the prospectus.

For a full description of those eligible to invest in each share class please refer to the relevant prospectus.

The fund does not have an index-tracking objective.

#### Definitions

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

## Market Review

August saw a ferocious resumption of the duration rally which began at the end of 2018, as the Sino-US trade war swung back into sharp focus and economic data remained lacklustre. Institute of Supply Management (ISM) manufacturing disappointed, falling to 51.2, instead of the expected 52.0. Nonfarm payrolls also fell to 164,000, which while in line with the consensus, came with a downward revision of 31,000 to the July number. Wage data was slightly more promising, as average hourly earnings rose 0.1% to 3.2%, while unemployment remained steady at 3.7% despite a 0.1% increase in the labour force participation rate. Both headline and core inflation increased in August, to 1.8% and 2.2% respectively, as signs emerge that tariffs imposed on China imports earlier in the year are starting to affect prices. Inflammatory rhetoric on the trade front took precedence however, as the 10-year Treasury yield fell by almost 52 basis points (bps) to 1.53%, while 10-year break-evens fell by 21 bps to 1.54%.

Europe continues to deal with its own structural economic issues, while also being buffeted by the global headwinds emanating from the US. Despite bond yields being at historically low levels, they pushed even lower in August, rallying 25bps to -0.69%. Purchasing Managers' Index (PMI) indicators were broadly in line with expectations; however these remain on a downward trend, while second quarter GDP growth also came in as expected at 0.2%, quarter-on-quarter. Inflation data continues to disappoint however, as the core rate failed to bounce, remaining at an anaemic 0.9%, with the headline rate steady at 1%. 5-year forward, 5-year inflation swaps, a measure of medium-term market inflation expectations, reversed July's move to finish 11bps lower at 1.21%.

Unsurprisingly perhaps, Brexit negotiations remain at the forefront of UK bond investors' minds, as the approach taken by the UK Prime Minister has been interpreted by the market as increasing the chances of one of two Brexit extreme outcomes occurring – namely, a 'no-deal' Brexit or no Brexit at all. Prone to caution, and amid the global rally, 10-year UK gilts rallied 13bps to 0.48%, while 10-year break-evens fell marginally to 3.37%. Economic data was mixed, with second quarter GDP growth coming in at -0.2%, risking the UK falling into a technical recession should the third

quarter also fail to show an expansion. Both manufacturing and construction PMIs remain in contractionary territory (i.e. below the 50 level), while the composite crept up to 50.7, owing to a better-than-expected services number. Both wage data and inflation increased however, with consumer price index (CPI) inflation, core CPI and retail Price Index (RPI) inflation printing at 2.1%, 1.9% and 2.8% respectively, slightly above consensus.

## Activity

On 8 August, we entered into a short position in 30-year German bund futures, as we looked for the long-end to underperform should any fiscal loosening materialise. However, this trade was removed on 13th August as the duration rally resurged, moving all yields lower.

On 13 August, we removed our long 10-year forward, 10-year US inflation position, as the US inflation market seems reluctant to price much potential upside in forward markets.

On 13 August, we added to our holdings of 30-year US Treasury Inflation Protected Securities, in order to increase duration exposure to benefit from any further fall in yields. With 30-year break-evens remaining low, this could provide some scope for real yields to outperform their nominal counterparts.

On 15 August, we removed our long position in 2-year forward, 2-year UK interest rate swaps, following a sustained rally, amid global trade war fears and Brexit-related concerns.

On 15 August, we added a long position in US 30-year bond futures, as we see potential for the long end to outperform given the curve steepening we have seen so far this year.

## Performance

On the positive side, a long position in 7-year US bond futures performed well, as trade war rhetoric pushed yields lower globally. In addition, a long position in 2-year forward, 2-year UK interest rate swaps performed well as Brexit developments combined with global growth concerns pushed UK front-end rates lower.

On the negative side, a Europe versus UK 10-year, 30-year, 'inflation box' position underperformed due to the continued flattening of the UK inflation curve, as a result of Brexit developments and a lack of Liability-Driven demand at the long-end. In

addition, a long position in 10-year Australian break-evens struggled to recover despite their current depressed levels relative to realised inflation data.

## Outlook & Strategy

The trade war situation retains a very fluid dynamic, as both the US and China seem intent not to cede ground, although at the time of writing further talks have been agreed by both sides. Despite this positive development, tariffs have continued to escalate, and as such are starting to visibly impact both economies. The Federal Reserve (Fed) remains under significant political pressure to ease, regularly being attacked by President Trump; however it seems intent to stay on its own course and not loosen policy too quickly. We continue to hold an overweight in US duration, both in 7-year futures and at the long-end of the nominal and real curves, as we see potential for long-term inflation expectations to rise somewhat from current low levels.

In Europe, the market is now pricing in substantial policy easing involving some combination of interest rate cuts, deposit rate-tiering and the resumption of Quantitative Easing (QE). This leaves room for disappointment, should Draghi's final months fail to deliver on these expectations. On the economic front, the data has slowed its declining trend seen so far this year, however there is little in the way of evidence that a significant rebound is imminent in the Eurozone. We continue to believe that the bloc will struggle to generate meaningfully higher inflation, while we also retain our spread compression trade between France and Germany, as we believe the current environment will mean a resumption of QE at some point, which should narrow this differential.

The outlook for the UK remains as unstable as ever, with some form of Brexit delay beyond 31st October and a general election looking like the two most likely outcomes at the time of writing. The Bank of England seems intent to hold firm until the situation becomes clearer, resisting the urge to join the Fed and European Central Bank in at least signalling easier policy. We have reduced our UK duration exposure, taking profit on our front-end position, given the likely volatility as we approach the latest Brexit deadline. Given the extreme behaviour of the inflation market, we have removed our outright positioning, but still believe the market is priced too high on a strategic horizon.

## Other Fund Information

	Retail Acc	Retail Inc	Institutional Acc	Institutional Inc
Lipper	60093230	60093232	60093229	60093231
Bloomberg	SLGILRA LN	SLGILRI LN	SLGILIA LN	SLGILII LN
ISIN	GB00B00ZJK75	GB00B00ZJM99	GB00B00ZJP21	GB00B00ZJX05
SEDOL	B00ZJK7	B00ZJM9	B00ZJP2	B00ZJX0

	Platform One Acc	Platform One Inc
Lipper	68165400	68165401
Bloomberg	SLGILP1 LN	XGRET1A LN
ISIN	GB00B7C0H946	GB00B4PPHB71
SEDOL	B7C0H94	B4PPHB7

	Interim	Annual	Valuation Point	12:00 (UK time)
Reporting Dates	30 Apr	31 Oct	Type of Share	Income & Accumulation
XD Dates	31 Jan,30 Apr,31 Jul	31 Oct	ISA Option	Yes
Payment Dates (Income)	31 Mar,30 Jun,30 Sep	28 (29) Feb		

	Retail	Institutional	Platform One
Initial Charge	4.00%	0.00%	0.00%
Annual Management Charge	0.90%	0.40%	0.40%
Ongoing Charges Figure	0.93%	0.51%	0.56%

The Ongoing Charge Figure (OCF) is the overall cost shown as a percentage of the value of the assets of the Fund. It is made up of the Annual Management Charge (AMC) shown above and the other expenses taken from the Fund over the last annual reporting period. It does not include any initial charges or the cost of buying and selling stocks for the Fund. The OCF can help you compare the costs and expenses of different funds.

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