

This communication is for investment professionals only and should not be distributed to or relied upon by retail clients. It is only intended for use in jurisdictions where the relevant funds are authorised for distribution or where no such authorisation is required.

De integratie van risico, governance en compliance

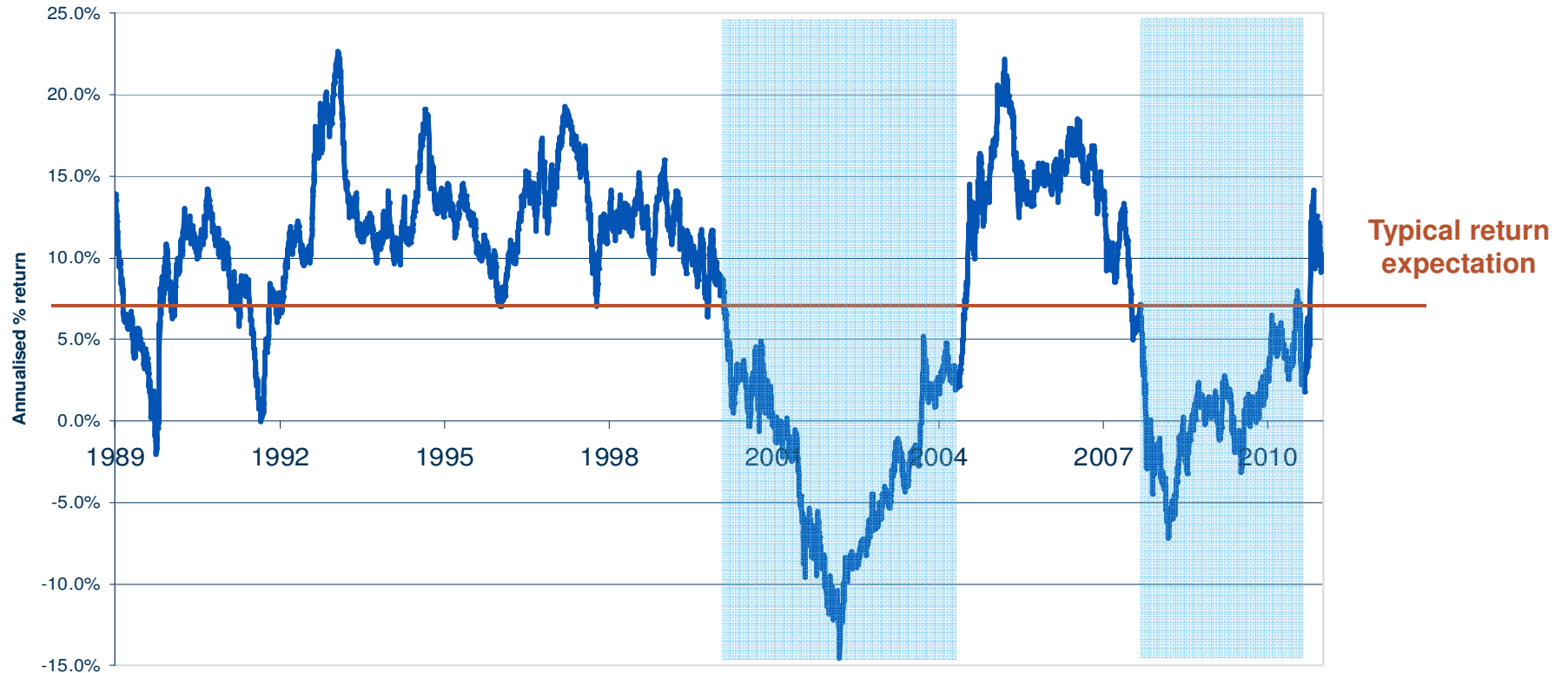
Standard Life
Investments

December 2013

Traditional approach fails to deliver clients' expectations

Annualised rolling 3 year returns – Typical UK Balanced Fund

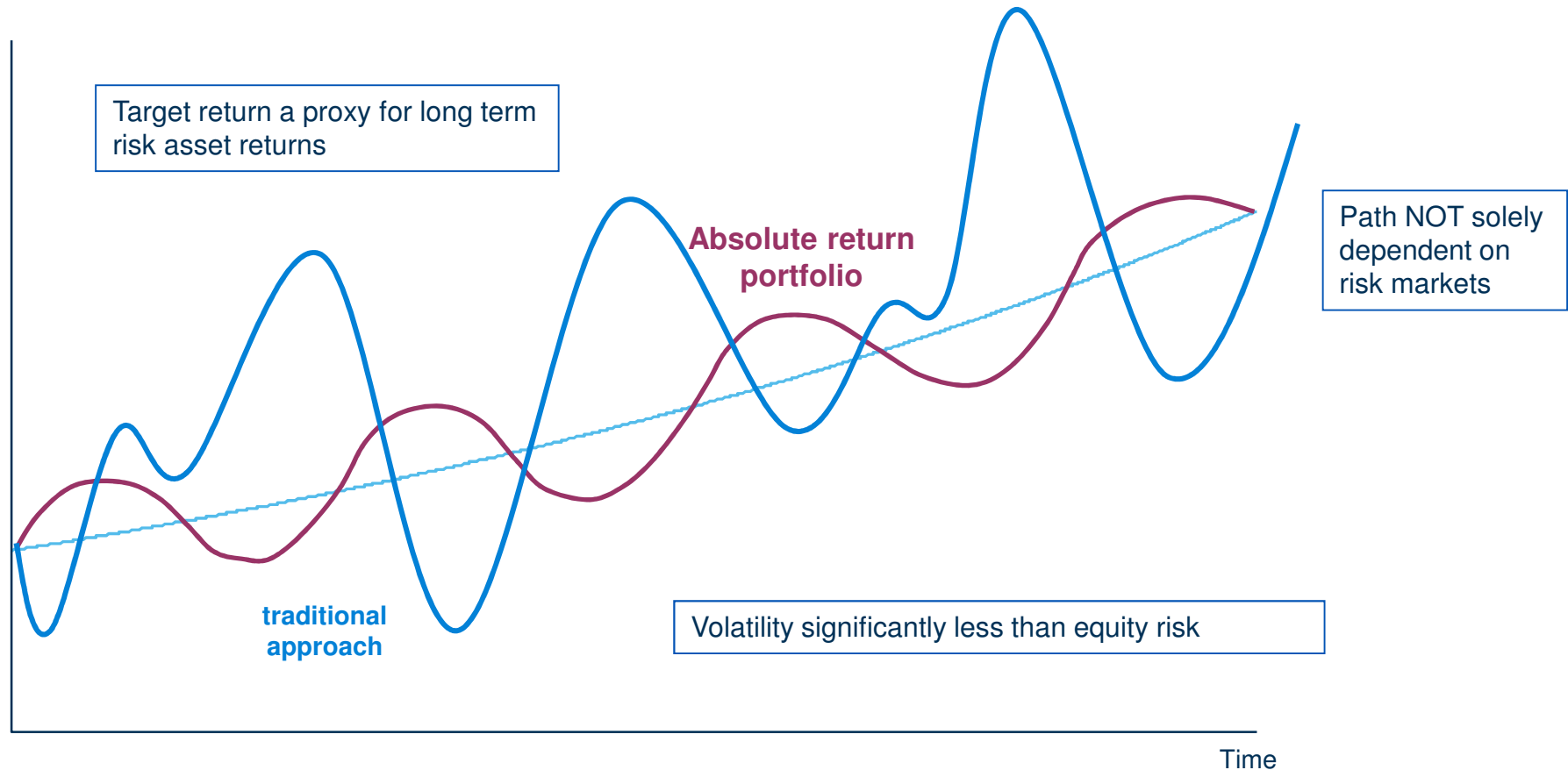
Annualised rolling 3 year returns



Source: Standard Life Investments

Collapses in returns led to pension deficits and reductions in benefits for clients

Multi-Asset absolute return – the concept



Building a less volatile approach to generating positive investment returns

Standard Life Staff Pension Scheme

- **Background**

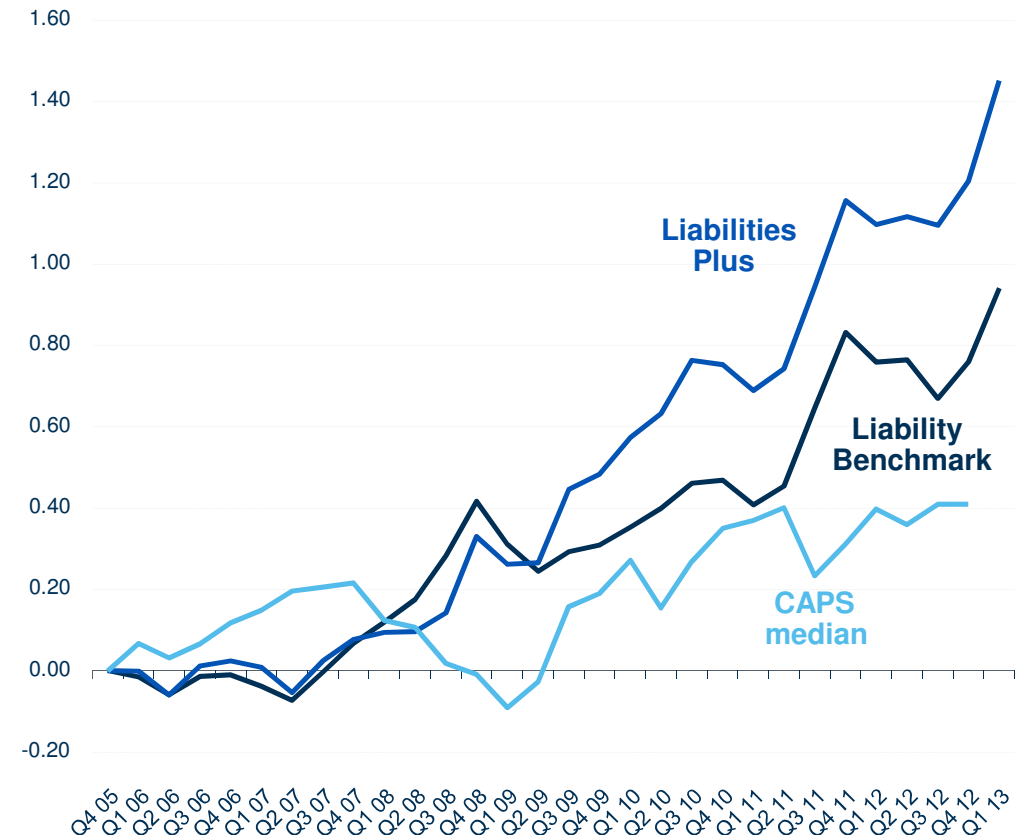
- 80% Funded DB plan in 2005
- Deficit reduction plan
- Drive to reduce risk and burden on sponsor

- **Genesis of GARS**

- Examination of risk drivers
- The majority of the SL Pension Scheme assets are invested in the GARS Strategy

- **Transparency and Liquidity**

- Transparent positioning
- Liquid instruments
- Safety-first approach
 - Counterparty selection and diversification
 - Daily collateralisation
 - Cash / G7 Government securities only
- Daily Priced and Daily Dealing



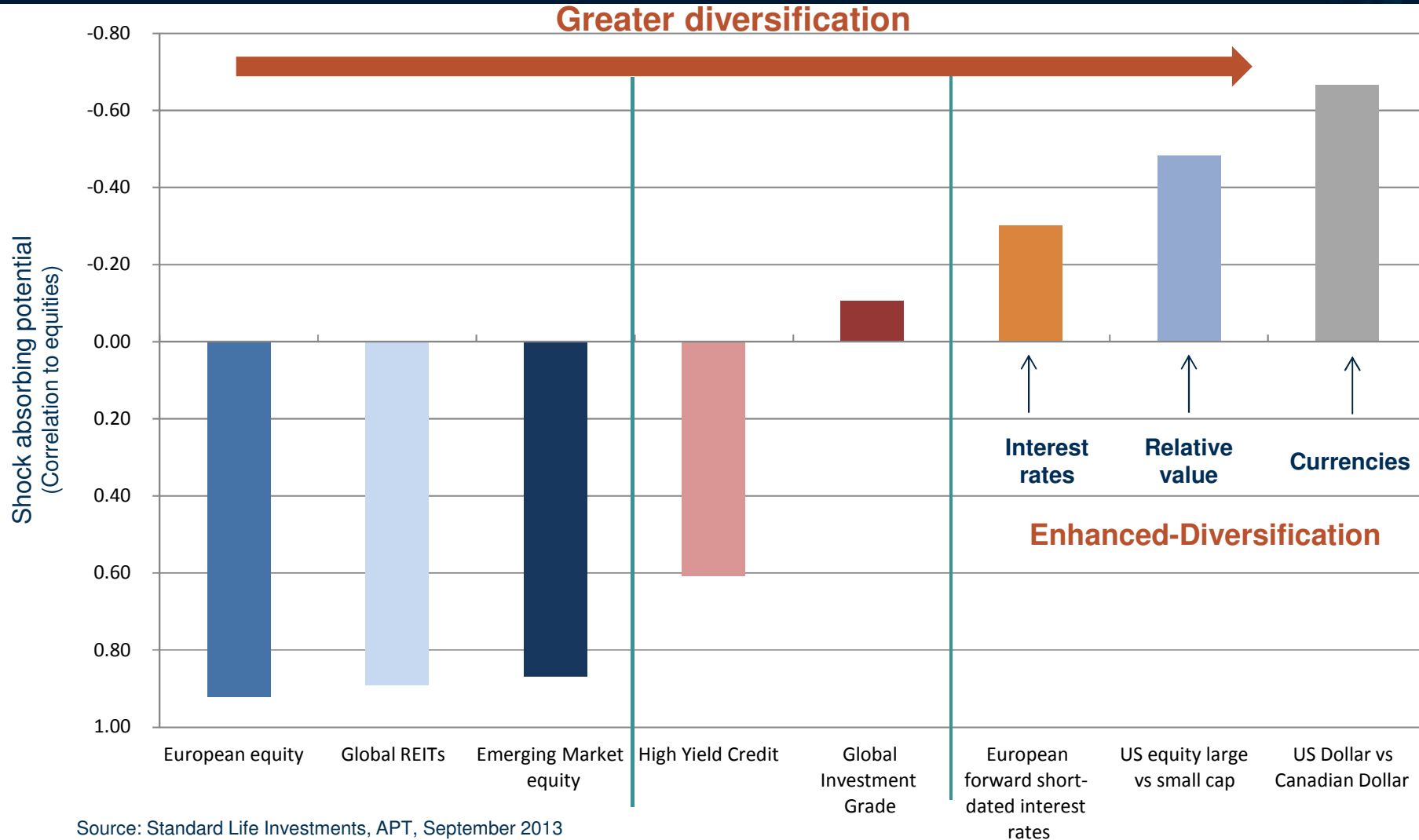
Source: Standard Life Investments and Towers Watson Statistics, 31 March 2013
* The average UK Institutional Pension Portfolio

GARS has full commitment and conviction across Standard Life Group

Characteristics of strongly diversified portfolios

- Benchmark agnostic / adaptable to changing conditions
- Broad Investment freedom
- Risk controls – guard against hubris, concentration and event risk
- Sound philosophy and process
- Appropriate liquidity:
 - Client expectations
 - Investment process / philosophy

Money making strategies and diversification



Going the extra distance to find money-making 'shock absorbers'

Maximising insights on global investment markets

- Market return: Traditional risk-premia
 - Selective Equity, Credit and Real-Estate exposures
 - Security selection – ‘alpha’

- Directional: cyclical investment opportunities

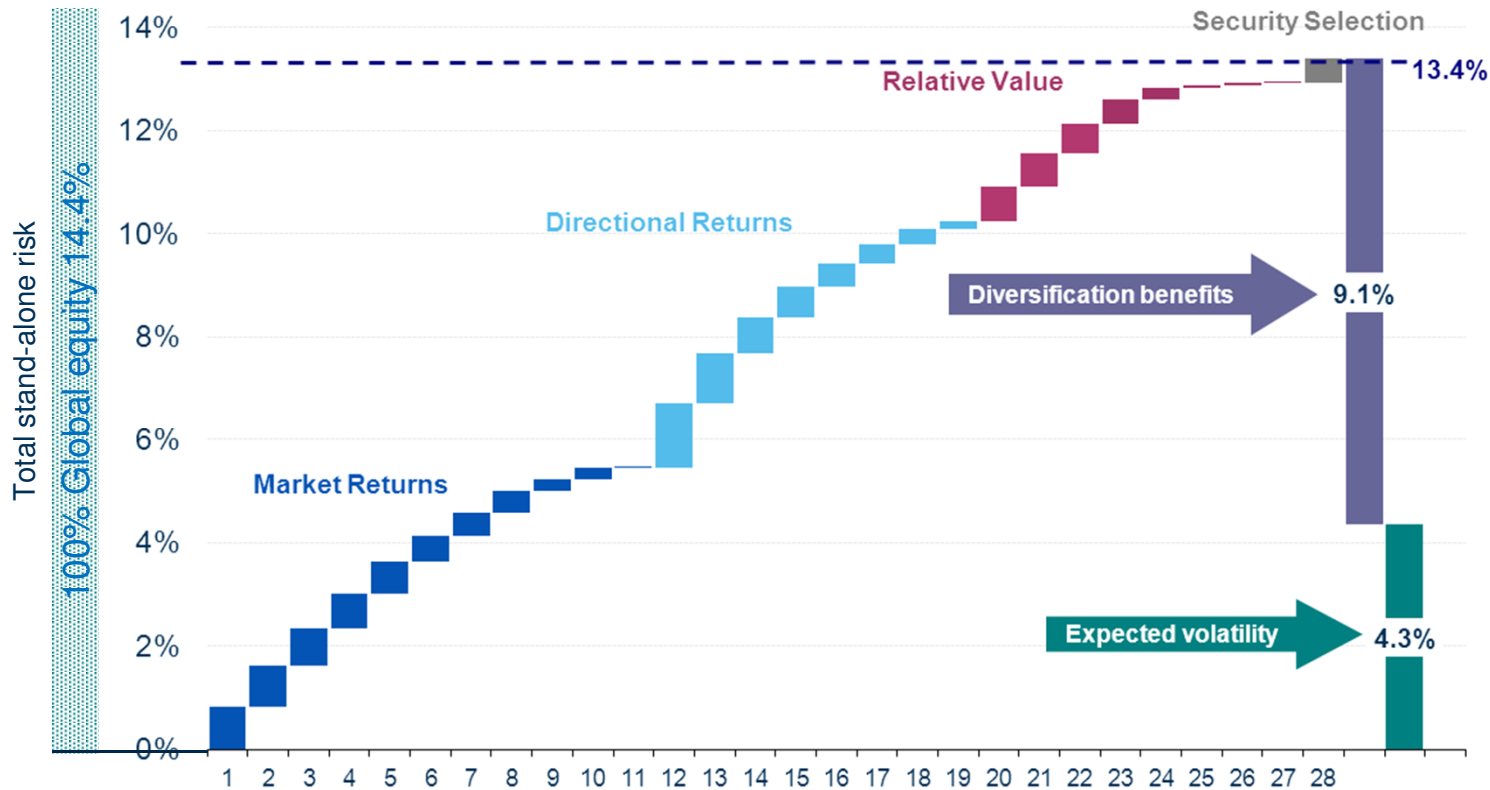
Interest rates	Short dated European interest rates
Currencies	Long Mexican Peso vs Australian Dollar
Volatility	Long US equity variance

- Relative value: range of opportunities

Geography	Japanese	vs	Korean Equity
Sector	US Tech	vs	Taiwan Equity
Size	Large Cap	vs	Small Cap US Equity
Cross-asset	Bank Credit	Vs	Financial Sector Equity

Search across geographies and asset classes for return opportunities

Diversification through spreading investment risk



- The portfolio is exposed to multiple & diverse market risks
- 13.4% is total stand-alone investment risk that is deployed to seek returns
- Equivalent equity volatility is 14.4%
- Independent risk analysis shows the benefits of investment diversification

Fund governance

- UCITS regulated
 - ‘Sophisticated fund’
 - Daily VAR calculations
- Maximum permitted investment risk
 - With and without diversification benefits
- Diversification risk parameters
 - Different asset classes
 - Concentration limits
- Leverage
 - Gross exposure limits

Comprehensive set of fund governance parameters

Investment governance and oversight

- Independent risk analysis
 - Forward looking and historical scenario analysis
- New instrument approval controls
 - Modelling and understanding benefits and risk
 - Back-office implications
 - Range of counterparties
 - Regulatory considerations
- Counterparty risk management
 - Counterparty selection
 - Permitted instruments
 - Maximum exposures
 - Collateral management

Comprehensive governance, risk and compliance infrastructure is essential

Summary

- Traditional multi-asset funds have insufficient diversification over the investment cycle
- Combining traditional assets with derivative-implemented strategies produces more risk efficient portfolios
 - increase the likelihood of 'good' outcomes for your portfolio
- Sophisticated funds require a high level of fund-based governance within a multi-level investment risk management infrastructure

Appendix



Euro GARS

Composite Name	Euro GARS
Creation Date	01-07-2006
Firm	Standard Life Investments
Currency	EUR
Report End Date	31-12-2012
Composite Group	Converted GARS
Benchmark	6 Month Euribor

	Anlzd Return (Composite)	Anlzd Return (Benchmark)	3 Year Anlzd StdDev (Composite)	3 Year Anlzd StdDev (Benchmark)	Dispersion	Market Value (m)	Total Firm Assets (m)	% of Firm Assets	Number of Portfolios
Dec 2003	NA	NA	NA	NA	NA	NA	NA	NA	NA
Dec 2004	NA	NA	NA	NA	NA	NA	NA	NA	NA
Dec 2005	NA	NA	NA	NA	NA	NA	NA	NA	NA
Dec 2006	6.88	1.82	NA	NA	NA	46,559,943	189,614,161,508	0.02	1
Dec 2007	7.31	4.53	NA	NA	NA	328,936,430	186,833,049,375	0.18	1
Dec 2008	-4.79	4.92	NA	NA	NA	858,822,210	122,024,692,127	0.70	1
Dec 2009	19.90	1.47	7.13	0.45	NA	2,424,300,230	142,954,997,814	1.70	1
Dec 2010	11.25	1.10	7.25	0.50	NA	8,013,954,428	153,735,850,524	5.21	1
Dec 2011	4.03	1.67	5.73	0.11	NA	1,421,412,636	147,648,287,247	0.96	1
Dec 2012	8.38	0.85	4.75	0.12	NA	3,310,696,559	165,118,070,004	2.01	1

Firm Disclosures

A complete list and description of all of the firm's composites are available from Standard Life Investments. There are no minimum asset levels set below which portfolios are not included in a composite. All performance calculations and returns have been calculated gross of management fees. All returns are presented on an all-inclusive basis and as such all capital gains interest income and withholding taxes have been taken into account in market valuations and returns. All indices are on a gross of tax basis apart from FTSE UK indices which are net of Withholding Tax. There are no Non-Fee-Paying portfolios included in any composite. The Daily True Time Weighted Rate of Return methodology has been used from 2001 apart from unitised Cash Property GARS and Myfolio products where NAV performance is used. Prior to this NAV performance was used for all products. Additional information regarding policies for calculating and reporting returns is available upon request. Dispersion is calculated using high/low difference. Standard Life Investments 'The Firm' consists of all fee-paying funds managed by Standard Life Investments and its Subsidiaries which include Standard Life Investments (Mutual Funds) Limited SLTM Limited Standard Life Investments (Corporate Funds) Limited Standard Life Investments (USA) Limited and Standard Life Investments (Asia) Limited. Past performance results from Standard Life Investments Limited UK Firm and Standard Life Investments Limited Irish Firm have been linked to form the performance record of the new firm Standard Life Investments. The new firm was created on 01/01/2008. Standard Life Investments claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Standard Life Investments has been independently verified by Pricewaterhouse Coopers for the periods 1996 to 2012. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation

Composite Disclosures

Derivatives may be used to vary exposure to markets and express views on the direction of currencies, interest rates, sectors and securities to enhance capital return, limit downside volatility and preserve capital

Includes part period return for 2006 from 01/07

The composite includes funds that invest in a highly diversified strategy including equities, bonds, property and cash with a derivative overlay in options, futures, swaps and currency forwards to deliver a positive absolute return. The fund is benchmarked against 6 month euribor

This composite includes GBP denominated funds that are converted into EUR using 3 month EUR Libor and 3 month GBP Libor rates



The information shown relates to the past. Past performance is not a guide to the future. The value of investment can go down as well as up.

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

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

All information, opinions and estimates in this document are those of Standard Life Investments, and constitute our best judgement as of the date indicated and may be superseded by subsequent market events or other reasons.

This material is for informational purposes only and does not constitute an offer to sell, or solicitation of an offer to purchase any security, nor does it constitute investment advice or an endorsement with respect to any investment vehicle.

Standard Life Investments (Hong Kong) Limited is licensed with and regulated by the Securities and Futures Commission in Hong Kong and is a wholly-owned subsidiary of Standard Life Investments Limited.

Standard Life Investments Limited is registered in Scotland (SC123321) at 1 George Street, Edinburgh EH2 2LL. Standard Life Investments are authorised and regulated by the Financial Services Authority.

Calls may be monitored and/or recorded to protect both you and us and help with our training.

www.standardlifeinvestments.com

© 2013 Standard Life, images reproduced under licence