Standard Life Investments

Fund Guide

Investment Professionals

October 2017

Global Equity Impact Fund

Fund profile

The world faces numerous challenges, from climate change and poverty, to inequality and pollution. As asset managers, we believe we can play a vital role in helping to address these issues. To that end, we offer the Global Equity Impact Fund. Through this, we aim to have a positive social and environmental impact, while still delivering an above-market financial return for investors.

Fund focus

- The Fund is ideal for investors who want to 'Invest for a better future' by helping to contribute to the resolution of the world's long-term societal and environmental problems, while still seeking a financial return.
- We are broad in our intentions, seeking to address numerous issues relating to climate change, rising inequalities, and unsustainable production & consumption.
- The Fund invests in companies whose activities, technologies or products are specifically designed to provide solutions in areas such as healthcare, education, poverty and many more.

What we deliver for your clients

- We build a high-conviction portfolio of 35-60 stocks that we believe can deliver a financial return while having a meaningful and measurable impact on society and the environment.
- The Fund leverages the insights of our highly experienced ESG (environmental, social and governance) and global equities teams.
- Using the universally accepted United Nations' 17 Sustainable Development Goals (SDGs), we have developed a unique impact ratings system and reporting methodology.
- This means your client can be sure that the companies in which we invest are having a positive impact – to the ultimate benefit of the environment and society.

"Impact investing is not just about rewarding those already making a difference, but about shifting the might of the capital market to change the world for the better."

Euan Stirling,
Head of Stewardship and ESG, Standard Life Investments

Portfolio in numbers

5,000 companies from which to choose	**2,100 stocks** under constant review	**35-60 stocks** in the Fund	**80yrs** collective ESG experience	**60** equity analysts

Investment philosophy & process

Key facts

We manage the Standard Life Investments Global Equity Impact Fund using five key principles.

1. We aim to support the delivery of measurable, positive environmental and social impact while generating strong financial returns.
2. We employ a bottom-up, company-specific investment approach.
3. Rigorous peer review of investment ideas is encouraged at every stage.
4. We take a forward-looking, long-term approach.
5. Active engagement with the companies in which we invest is essential.

The UN's SDGs

The 17 SDGs are designed to transform the world by addressing major long-term challenges such as climate change, rising inequalities and unsustainable production & consumption.

All 17 SDGs are incorporated into the Fund and the UN's associated targets inform our data collection.

To make the goals more applicable to companies, our measurement framework centres on eight 'pillars' of impact, covering everything from sustainable energy to financial inclusion (see below).

This allows us to assess and measure a company's ability to affect positive change. We aim to be as transparent as possible in our reporting, so that investors have a clear understanding of the positive impact achieved.

Idea generation

Our Global Equity Impact Fund combines the expertise of our firm-wide equity research capability with the expertise of our dedicated ESG team.

Our differentiated *Focus on Change* investment philosophy aims to identify positive drivers of change within a company that the rest of the market has yet to price in, i.e. a non-consensus company-level insight, and exploit this ahead of the market view coming into alignment with our investment case.

More than 60 analysts review approximately 5,000 global equity stocks and keep 2,100 companies under continuous coverage. Because the Fund combines financial and impact objectives, our investment process starts with the strongest investment ideas across our equity desks, which includes around 750 'buy' ideas.

Buy ideas are those stocks that we believe can deliver a meaningful financial return. It is only then we assess them for impact.

Eight pillars of impact

1. **Financial inclusion –** enabling the under-served to participate in the economy
2. **Circular economy –** doing more & better with less
3. **Sustainable energy –** increasing renewables and decreasing emissions
4. **Food & agriculture –** producing quality food and preventing land degradation
5. **Water & sanitation –** ensuring access to clean water and sustainable facilities
6. **Education & employment –** providing opportunities for the vulnerable or marginalised
7. **Sustainable real estate & infrastructure –** eco-friendly buildings and improving connectivity
8. **Health & social care –** giving access to essential care and enhancing healthcare

Measuring impact

To ensure that companies are making a genuine impact, whether through the products that they make or the services they provide, we ask three key questions.

1 Does the company intentionally direct its resources toward making an impact (e.g. funding research and development)?

2 Is the company actively implementing this strategy in its operations (e.g. generating revenue from it)?

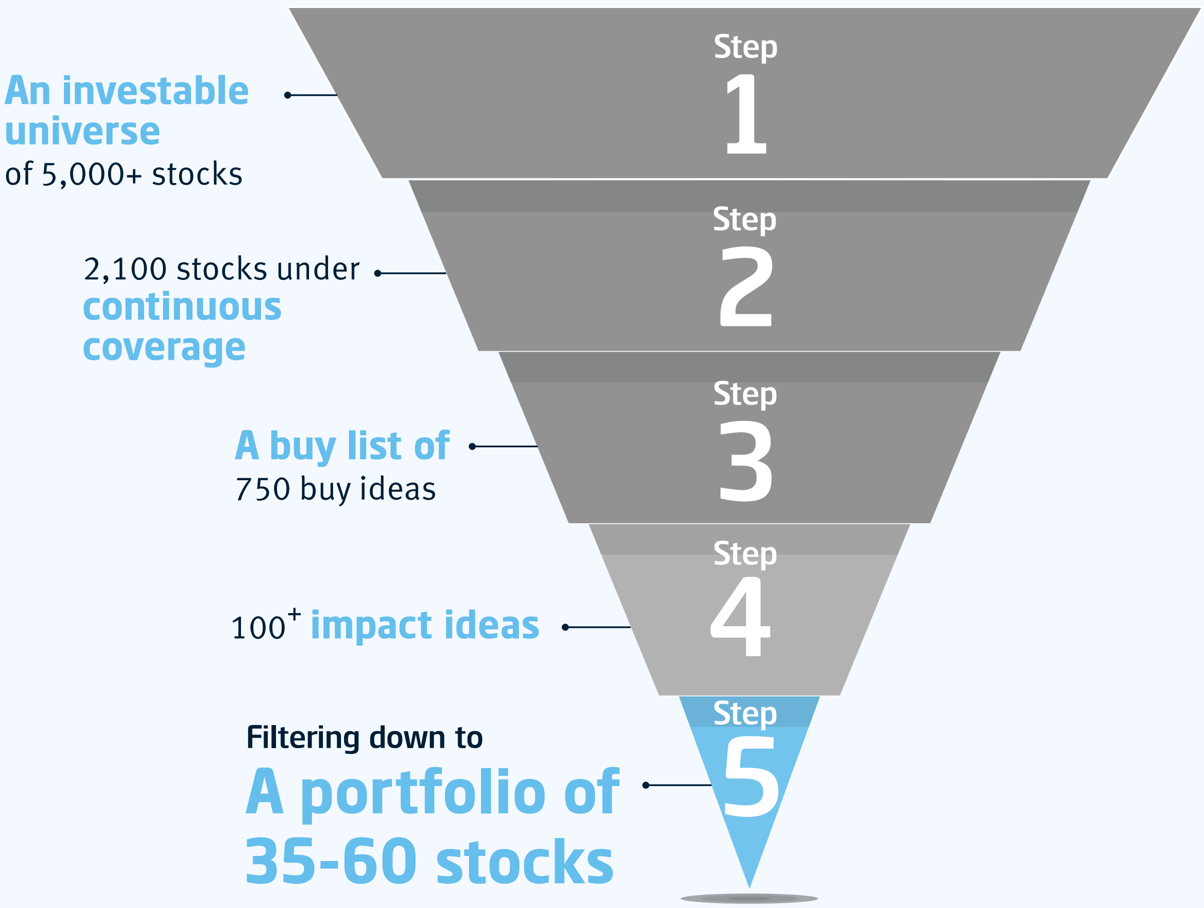
3 What is the measureable scope of impact from the company (e.g. number of people affected, gallons of water saved, etc.)?

We select stocks where we have the strongest non-consensus ideas, taking into account conviction and upside materiality, and rate them “+++”, “++” or “+” depending on the stage of impact maturity (for example, a stock with +may be on the beginning of its journey, and the impact it has may not be evident for a few years).

In addition to our rating system, we also consider a behavioural rating. These are companies that go ‘above and beyond the call of duty’ by fully integrating social and environmental considerations into their business model – we call them Impact Leaders. While the products or services of these Impact Leaders may not have a direct link to a particular SDG, the company’s corporate responsibility practices can serve as a catalyst for change within their industry. We believe that this is an important area to support in order to encourage positive, meaningful changes in corporate behaviour overall.

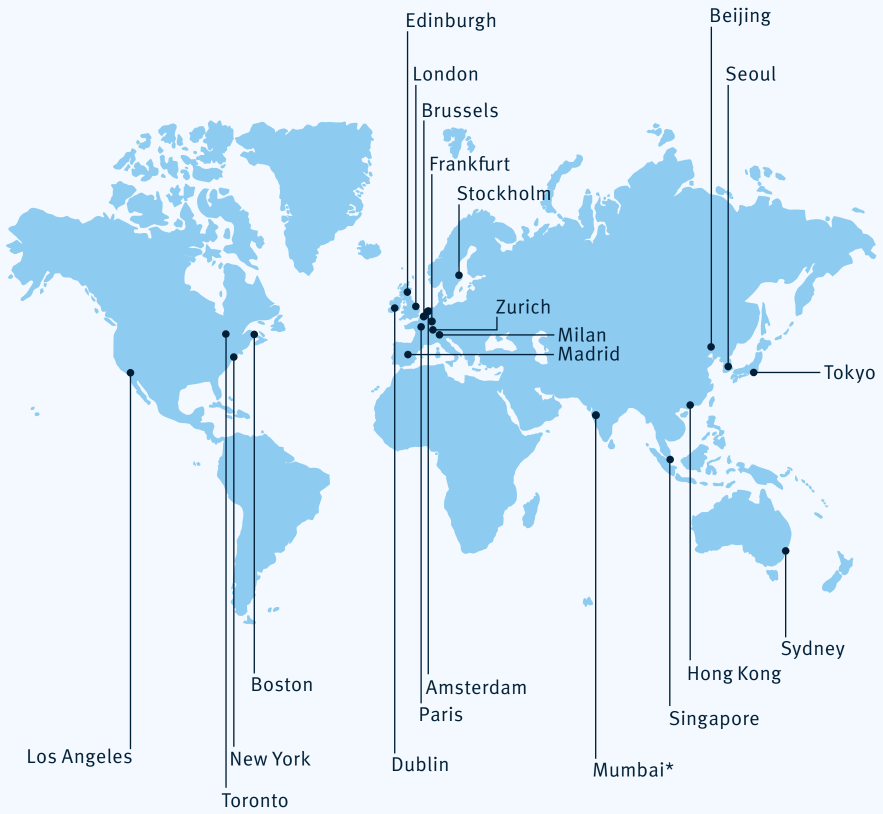
Portfolio construction

We then build a portfolio of 35-60 companies that we believe will have a positive financial return, while still having a meaningful social and environmental impact. The final portfolio will have a mix of stocks from across sectors, countries, impact pillars and impact maturity stage.



About Standard Life Investments

Our global operations



Who manages the Fund?

The Fund is co-managed by Sarah Norris and Dominic Byrne, European and global equity investment directors respectively.

They are supported by, and are part of, the Impact Management Group, which contains analysts, fund managers and responsible investment specialists. The Group meets weekly to review and appraise the portfolio, including discussing the merits of future investments.

Manages
€313.4 billion**
on behalf of clients worldwide

€77.4 billion**
in dedicated equity strategies

Global presence
with operations across Europe, North America and Asia

Committed to delivering repeatable **investment performance** through a team-based approach and disciplined investment process

Employs over
1,700 talented individuals

More than
20 offices
around the **world**

*Joint representative operation **Source: Standard Life Investments, as at 30 June 2017

The value of an investment can fall as well as rise and is not guaranteed. An investor may get back less than they put in.
Past performance is not a guide to future performance.

www.standardlifeinvestments.com

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