

# Comprehensive Fixed Income Solutions

for Institutional Investors

**Standard Life**  
**Investments**

**May 2017**

The document is intended for institutional investors and investment professionals only and should not be distributed to or relied upon by retail clients.

# About Standard Life Investments

**Standard Life Investments is a leading asset manager with an expanding global reach. Our wide range of investment solutions is backed by our distinctive *Focus on Change* investment philosophy, disciplined risk management and shared commitment to a culture of investment excellence.**

As active managers, we place significant emphasis on rigorous research and a strong collaborative ethos. We constantly think ahead and strive to anticipate change before it happens, ensuring that our clients can look to the future with confidence.

As at 31 December 2016, Standard Life Investments managed £277.9 billion\* on behalf of clients worldwide. Our investment capabilities span equities, fixed income, real estate, private equity, multi-asset solutions, fund-of-funds and absolute return strategies.

Headquartered in Edinburgh, Standard Life Investments employs more than 1,700 talented individuals. We maintain a presence in over 20 locations across Europe, North America, Asia and Australia. In addition, we have close relationships with leading domestic players in Asia, including HDFC Asset Management in India and Sumitomo Mitsui Trust Bank in Japan.

Our parent, Standard Life plc, was established in 1825. One of the UK's foremost financial institutions, Standard Life floated on the London Stock Exchange in 2006 and is now a FTSE 100-listed company. Standard Life Investments launched as a separate company in 1998 and has quickly established a reputation for innovation in pursuit of our clients' investment objectives.

Our investors rank among some of the world's most sophisticated and high-profile institutions. They include corporate pension plans, banks, mutual funds, insurance companies, fund-of-fund managers, endowments, foundations, charities, official institutions and government authorities.

\*Source: Standard Life Investments, as at 31 December 2017, US\$343.5 billion, €325.5 billion, AUD\$474.2 billion, CAD\$460.5

Exchange rates used are US dollar = 1.235649, euro = 1.171509, Australian dollar = 1.706463, Canadian dollar = 1.657069

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# Providing global fixed income solutions

With **£122.7 billion\*** in fixed income assets under management and an expanding client base, Standard Life Investments is one of the largest fixed income managers in the UK. Our expertise spans the major global fixed income markets, enabling us to offer a wide range of strategies that meet the needs of both existing and new clients.

**Our areas of excellence include:**

- ▶ **investment grade corporate bonds** – clients can benefit from our credit expertise across global corporate bond markets
- ▶ **unconstrained credit** – investing across the full credit spectrum without reference to a specific benchmark
- ▶ **absolute return fixed income strategies** – we use our broader market and multi-asset expertise to manage a range of absolute return fixed income funds
- ▶ **high yield corporate bonds** – for those clients seeking a higher yield from credit, we offer a range of global high yield solutions
- ▶ **government bonds** – our capabilities extend across the world's sovereign bond markets and cover a broad range of strategies
- ▶ **emerging market debt** – we have a dedicated and experienced team, covering hard and local currency mandates, as well as corporate and unconstrained strategies
- ▶ **inflation-linked bonds** – includes a range of regional and global inflation-linked bond strategies for investors with concerns over the future path of inflation.

This extensive capability is possible through our commitment to the asset class and our ability to recruit and retain a team of world-class investment professionals. At Standard Life Investments, we combine the role of portfolio manager and analyst. We believe this provides added value in portfolio construction – each manager draws on the research from all the analysts in the team. This gives our portfolio managers intimate knowledge of the securities in which they invest and maximises accountability across the team.

We also understand the merits of taking an integrated approach to investment. Our fixed income team works closely with our strategy specialists in understanding broader global economic developments. In addition, our credit specialists share the insights of our equity, corporate governance and responsible investment colleagues. This ensures an open exchange of views and assists with the development of our best investment ideas. As a result, we have the potential to enjoy strong long-term performance across our investment range and through economic cycles.

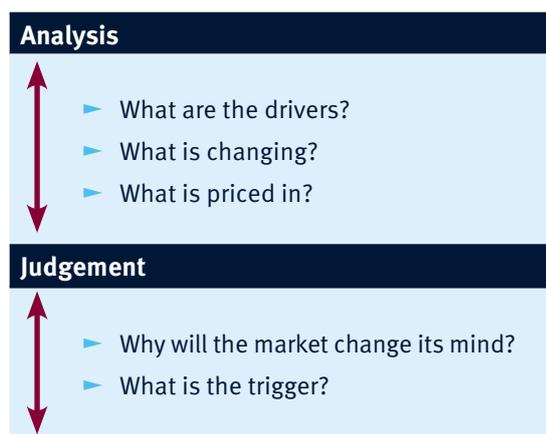
\*Source: Standard Life Investments, as at 31 December 2016

# Investment philosophy and process

We adhere to a distinctive investment philosophy called *Focus on Change*. Its application helps us to identify the key factors driving the market price of an investment and should ultimately generate strong investment performance.

Understanding the dynamics behind these drivers enables us to focus on the triggers that will cause the market to change direction and ultimately produce a revised price. We have found that the best opportunities are gleaned from investments where we not only have the deepest insights but also the greatest conviction that market expectations are going to change.

We use five key questions to frame our investment ideas – providing a common investment language that is used across all asset classes.



## An integrated investment approach

▶ To fully maximise market opportunities, our robust and repeatable investment process is deeply integrated across our business. Our fixed income, strategy, equity and multi-asset teams regularly share information and discuss market developments.

## Superior global coverage

▶ Our dedicated credit teams in Edinburgh, London and Boston ensure a comprehensive coverage of major credit markets.

## Maximising shared macro insights

▶ Our sovereign specialists have a close working relationship with our strategy and other macro experts within our multi-asset and money market teams.

## Superior company access

▶ Within corporate bonds, understanding the companies in which we invest is central to our process. Our significant presence in equity markets provides access to the highest levels of company management through our close working relationship with our equity teams.

## Governance and ethical considerations

▶ Poor corporate governance is historically a sign of problems ahead for an issuer. Close links with our corporate governance and responsible investment teams helps us understand the motivations of the board of each company.

## A powerful combination

▶ By combining these shared macro and corporate insights and tapping into the vast resources of Standard Life Investments, we are able to build up a deep and rich picture of the global macroeconomic landscape.

## Credit selection tailored to the overall environment

Our credit team specialises in fundamental, bottom-up credit selection. In addition to establishing high-conviction positions based on this analysis, we adjust the themes and risks within the portfolio based on careful assessment of macroeconomic and geopolitical factors. By scaling our issuer, sector and country positions to reflect our views, we can better create a balanced portfolio that enhances our potential to outperform in different market environments.

# Global credit capabilities

Clients can benefit from our credit expertise across the major global corporate bond markets.

## Investment grade corporate bonds

A range of solutions investing in the highest-quality sector of the corporate bond universe.

### Reasons to invest

- ▶ **Consistent performance** – by taking a proactive approach to the diversification of credit risk, we have delivered robust returns in both favourable and adverse credit environments.
- ▶ **Stock-picking excellence** – we consistently add value through stock selection. Regularly meeting top company management is a key part of our success, providing insights not often available to our competitors.
- ▶ **A growing and experienced team** – we continually invest to build a team of experienced and talented investment professionals that seeks to deliver superior returns to our clients.

## Unconstrained credit

Investing across the full credit spectrum, these strategies aim to provide compelling returns without reference to a benchmark.

### Reasons to invest

- ▶ **A broad investment universe** – these strategies provide investors with exposure to the full credit universe utilising the extensive experience of our global credit team.
- ▶ **Compelling return potential** – by focusing on our highest-conviction individual ideas in a benchmark-agnostic fashion, we look to maximise the potential return available from credit.
- ▶ **Cutting-edge risk management techniques** – our multi-asset investing team brings market-leading expertise in risk-driven portfolio construction.



**Craig MacDonald**  
Head of Credit

“In volatile investment grade markets, stock selection has become ever more crucial. Our bottom-up approach is ideally positioned to unearth value for our clients.”

## High yield bonds

For those clients seeking a higher yield from credit, we offer a range of global high yield strategies.

### Reasons to invest

- ▶ **Global investment platform** – based in the US and Europe, our high yield specialists generate local insights from the major high yield markets.

- ▶ **Diverse knowledge base** – we employ experienced investment professionals from diverse backgrounds including sell-side brokers/high yield traders, leveraged loan analysis and distressed debt.
- ▶ **High conviction portfolios** – we do not seek to ‘hug’ the index; we only invest in issuers where we are fully convinced of their ability to perform.



**Erlend Lochen**  
Head of Global High Yield

“The high yield credit market has emerged in the aftermath of the credit crisis as a global investment universe. Long perceived as a predominantly US asset class, the recent issuance surge in non-US markets, primarily Europe, has accentuated the now global nature of high yield bond investing.”

# Emerging market debt capabilities

Clients can invest in a number of strategies that exploit the huge opportunities that exist in this increasingly important and diverse part of the fixed income universe.

## Emerging market debt

We offer investors access to this rapidly growing asset class through hard currency, local currency, corporate bond and unconstrained portfolios.

### Reasons to invest

▶ **Forward-looking analysis** – we analyse a range of current and historical macroeconomic data to determine the fundamental direction of travel of each country in the emerging market debt universe.

▶ **A disciplined and effective investment process** – by building on the three pillars of fundamental, relative value (utilising our proprietary spread models) and technical analysis, we have created a successful investment process.

▶ **A compelling track record** – we are benchmark aware but follow our conviction. We are often prepared to hold no exposure to certain sovereign credits regardless of index weight. The team has been consistent in delivering above market returns.



**Mark Baker**  
Investment Director  
Emerging Markets

“Emerging markets is a simple, liquid and growing fixed income class. It enables investors to access divergent economic fundamentals between emerging and developed markets, which are not fully priced into asset markets.”

# Absolute return fixed income capabilities

Our absolute return bond funds aim to deliver in different market conditions by leveraging our macro insights and robust portfolio construction expertise.

### Reasons to invest

▶ **Stable performance** – we aim to deliver positive returns in a variety of market conditions, regardless of the direction of rates or credit spreads.

▶ **Risk-driven portfolio construction** – holdings are diversified across various types of market risk, with no systemic credit or duration bias taken.



**Roger Sadewsky**  
Investment Director  
Multi-Asset Investing

“We have scope to look beyond traditional benchmark indices and facilitate portfolios that are more closely aligned with an investor’s specific return objectives.”

# Global sovereign capabilities

Clients can invest in a number of strategies that benefit from the global approach we apply when evaluating market developments.

## Global inflation-linked bond strategies

For investors concerned about the future path of inflation, we offer both regional and global inflation-linked bond strategies.

### Reasons to invest

▶ **Specialist managers** – our dedicated real returns fund managers provide extensive coverage of the world’s inflation-linked markets.

▶ **Global opportunities** – our global bond offering exploits a wide range of market inefficiencies that seek to maximise returns for our clients.

▶ **Reliable performance** – rigorous application of our proven investment process has helped us to deliver excellent performance through a wide range of market conditions.



**Philip Laing**  
Head of Rates

“Inflation-linked bond investing demonstrates significant diversification benefits against other asset classes, yielding positive returns at times when others do not.”

## Developed sovereign bonds

For investors looking to invest in the world’s government bond markets, we offer a range of investment strategies.

### Reasons to invest

▶ **Active management** – with many governments worldwide facing sizeable budget deficits, robust analysis and active management have helped us to deliver consistent returns to our clients.

▶ **A dynamic process** – our macroeconomic experts assess numerous factors to ensure a rich understanding of the global investment landscape.

▶ **Portfolio flexibility** – we construct portfolios to ensure a well balanced set of investment strategies. This gives us the ability to seek performance for our clients both in good and bad market conditions.



**Jack Kelly**  
Global Government Bond  
Fund Manager

“We have the ability to construct a portfolio of well-diversified investment strategies in a pragmatic yet highly risk-controlled manner.”

## Find out more

If you would like further details on any of our fixed income strategies, please visit our website where you will find contact details for your location.

Visit us online



[standardlifeinvestments.com](https://www.standardlifeinvestments.com)

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