



The case for smaller companies

Standard Life Smaller Companies funds



Standard Life

There's a lot to look forward to



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Why Standard Life?

There's a lot to look forward to

Standard Life is a life savings company. That means we provide pensions, retirement solutions, savings, investments and funds for each stage of your life journey.

We've been working in partnership with financial advisers helping people plan and enjoy their futures for more than 180 years in Ireland.

Operating internationally, our team of 400 people in Ireland delivers products and services to support customers and advisers.

It's all about choice

We work with our strategic partners in Aberdeen Standard Investments, as well as other carefully selected fund managers, to offer you a choice of investment funds to suit your needs. We also give you options that allow you to invest in deposits, exchange traded funds and self-directed property.

We're here to help

Our customer service team is only a phone call away on (01) 639 7000.

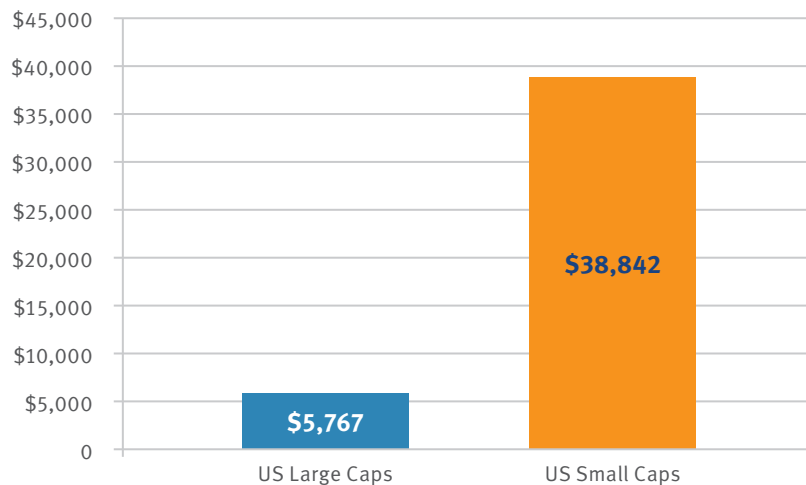


Smaller Companies - The investment opportunity

Why should you think about investing in smaller companies?

Smaller Companies or Small Caps are young companies with significant growth potential.

A dollar invested in US larger companies in 1926, with dividends reinvested, grew in value to \$5,767 by the end of 2017. A similar investment in small-caps grew to \$38,842, over six times more.¹



Warning: Past performance is not a reliable guide to future performance.

These smaller companies account for 14% of the world's small to large cap stocks from 23 developed markets and 24 emerging markets. Irrespective of their speciality, these companies all share the characteristics that the Aberdeen Standard Investments' Smaller Companies team look for – they are well managed, with track records of offering market-leading products and/or services that Aberdeen Standard Investments believe can deliver sustainable long-term growth. It is Aberdeen Standard Investments' job as investors to continue to apply their rigorous process which seeks to discover these larger companies of tomorrow – today.

Smaller companies tend to be higher risk. Investment returns can be higher but so too is the volatility of returns. Successful investing requires a deep understanding of these risks and the potential rewards that they offer.

Talk to your financial adviser to understand the risk involved in smaller company investing.

¹Booth School of Business at the University of Chicago.

Warning: The value of your investment may go down as well as up.

Warning: If you invest in these funds you may lose some or all of the money you invest.

This material is for information purposes only. This should not be relied upon as a forecast, research or investment advice.

Get to know your investment

Standard Life's Smaller Companies range of funds available to you are:

- Standard Life **Global Smaller Companies Fund**
- Standard Life **European Smaller Companies Fund** and
- Standard Life **UK Smaller Companies Fund**

Together with your financial adviser, we want to help you build your life savings so that you can look forward to the future with confidence. We believe that an important part of that is bringing you closer to your investments, so you can really understand how your savings are working.

Here we take a closer look at some of the stocks that these funds invest in.



Food, glorious food

There are numerous examples of innovative, nimble smaller companies that can open up new markets and quickly take advantage of changes in consumer behaviour.

One such company is **Just Eat**, an online food order and delivery service, which has operations in over 15 countries, including Ireland. Competition is fierce, but Just Eat benefits from its first-mover advantage, scale, breadth of food options and effective marketing. It also continues to develop new technology designed to keep its clients engaged for example an upcoming Ordering Wand, which will allow customers to summon their favourite food with a flick of the wrist.

Sláinte

Of course, innovation does not always come in the guise of technological advancement. **Fever -Tree**, a producer of drinks mixers, changed their respective industry by focusing on the quality and origin of the goods they produce. Their shares are up over 1,500% since listing four years ago.

Warning: Past performance is not a reliable guide to future performance.

Importantly, they continue to develop products and cater for new consumers. An example of this is their entry into the dark spirits market in the US, with the launch of Madagascar cola and premier ginger ale.

Note: stocks in bold are held in either Aberdeen Standard Investments UK, European or Global Smaller Companies funds.

Source: Aberdeen Standard Investments, 2018. Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments.



The world is just one click away

It is estimated that Irish consumers spent a whopping €5 billion online in 2017¹. This move from ‘bricks to clicks’ has seen an exponential rise in demand for warehousing across the globe. And with that, the need for ever-more sophisticated automation to pick, pack and ship the goods.

This has created opportunities for the likes of **Jungheinrich**, the German forklift and warehouse specialist. Its logistics business is now the fastest-growing segment of its operations. Staying with efficiency, Japan’s **Monotaro**, an e-commerce company, introduced a fleet of automated guided vehicles that it hopes will double productivity.

Honey, I’m home

Automation is not just found in industry: take home security. **Alarm.com** is the market leader in interactive home security, allowing consumers to create a fully-automated, state-of-the-art smart home.

In the year 2121...

Looking to the future, from the warehouse to the home, the Smaller Companies team believe the growth in automation – and all the related industries – will also create new investment opportunities from across the business world.

Note: stocks in bold are held in Aberdeen Standard Investments UK, European or Global Smaller Companies funds.

¹Source: Consumer Market Monitor Report – Marketing Institute of Ireland and UCD Michael Smurfit Graduate Business School, 2018.
Source: Aberdeen Standard Investments, 2018.



In good health

One of the most exciting sectors for small-cap investors is healthcare. Many companies in this space are on the frontline of innovation; from the development of ground breaking medical devices and drug treatments, to fundamental improvements in the way healthcare is administered and delivered.

The heart of the matter

Two such companies are **Japan Lifeline** and **Abiomed**, both of which produce devices used to rectify heart conditions. Due to a number of reasons – demographics, lifestyle, diet – heart-related issues are unfortunately an area of growth. Both companies are technological innovators in this sector and offer cutting-edge solutions to cardiovascular conditions.

Pep talk

One of the great things about smaller companies is that many are founder-owned – this means they are run by people who really know their businesses, markets and competitors. Swiss firm **Bachem** is one such company providing services to pharmaceuticals groups involved in the development of new drugs based on peptide technology which are used in a variety of drugs to treat obesity, diabetes and cancer.

Note: stocks in bold are held in Aberdeen Standard Investments UK, European or Global Smaller Companies funds.

Source: Aberdeen Standard Investments, 2018.

Are these Smaller Companies funds right for me?

We want to make sure that you only invest in funds that are right for you.

We want to make sure that you only invest in funds that are right for you.

So how will you know Standard Life's Smaller Companies funds are the right funds for your life savings? Take a look at the statements below. If they relate to you then our Smaller Companies range could be right for you. Your financial adviser can help you make this decision.

- I'm comfortable with a high level of risk
- I'm looking for long term capital appreciation
- I can take risk with my capital
- I have an investment horizon of at least five years

These funds may not be suitable if you:

- Are a low risk investor
- Do not want to take any risk with your capital
- Have an investment horizon of less than five years
- Require a capital guarantee



Important things to consider

The Standard Life Smaller Companies funds (the Funds) invests in the Aberdeen Standard Investments Smaller Companies funds – Global Smaller Companies, European Smaller Companies and UK Smaller Companies (the Underlying Funds). The aim of the Aberdeen Standard Investments funds are summarised below.

- The funds aim to provide long term growth by investing predominantly in the shares of smaller companies listed on the global, European and UK stock markets or companies that derive a significant proportion of their revenues or profits from Global, European or UK operations or have a significant proportion of their assets in these regions.
- The funds typically hold a concentrated portfolio of stocks and is actively managed by our investment team, who will select stocks to try to take advantage of opportunities they have identified. Due to the nature of the companies in which the funds invests, investors must be willing to accept a relatively high degree of stock specific risk.
- The funds may use derivatives to reduce risk or cost, or to generate additional capital or income at proportionate risk (Efficient Portfolio Management). Derivatives are financial instruments whose value depends in some way on the value of other, more basic, underlying financial assets or indices. There are many types of derivatives, with the most common being futures, options and swaps. They allow users to manage exposure to underlying financial assets without actually owning them. Derivatives will only be used for hedging or to provide exposures that could be achieved through investment in the assets in which the fund is primarily invested. Usage of derivatives is monitored to ensure that the funds are not exposed to excessive or unintended risks.
- Any income, for example dividend income, received by the funds will be reinvested.
- Investors in these funds may buy and sell units on any dealing day.

Recommendation: these funds may not be appropriate for investors who plan to withdraw their money within five years. Investors should satisfy themselves that their attitude to risk aligns with the risk profile of these funds before investing.

Warning: This investment may be affected by changes in currency exchange rates.

Risk factors

- These funds invest in equities and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.
- A concentrated portfolio may be more volatile than a more broadly diversified one.
- The shares of smaller companies may be less liquid and more volatile than those of larger companies.
- The use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives may result in these funds being leveraged (where market exposure and thus the potential for loss by the fund exceeds the amount it has invested) and in these market conditions the effect of leverage will be to magnify losses. These funds do not make extensive use of derivatives.

Fund pricing, switching, transferring or cashing in

- These funds employ a single swinging pricing methodology to protect against the dilution impact of transaction costs. When investors buy or sell shares in a mutual fund (otherwise known as subscriptions and redemptions), these fund inflows or outflows mean the manager may be forced to buy or sell the fund's underlying investments and incur transaction costs in the process. If left unaddressed, these costs would have to be borne by the existing investors in the fund. To ensure 'long-term' investors are not materially disadvantaged by the negative impact from redemptions and subscriptions (an effect known as dilution) we operate a swinging single pricing mechanism. It should be stressed that the swinging single pricing methodology is not a charge and does not benefit the manager of the fund.
- A change in the pricing basis will result in movement in the fund's published price.
- All investment involves risk. The funds offer no guarantee against loss or that the fund's objective will be attained.
- Past performance is not a guide to future returns and future returns are not guaranteed. The price of assets 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.
- Inflation reduces the buying power of your investment and income.
- The value of assets held in these funds may rise and fall as a result of exchange rate fluctuations.
- These funds could lose money if an entity (counterparty) with which it does business becomes unwilling or unable to honour its obligations to the fund.
- In extreme market conditions some securities may become hard to value or sell at a desired price. This could affect the fund's ability to meet redemptions in a timely manner.
- These funds could lose money as the result of a failure or delay in operational processes and systems including but not limited to third party providers failing or going into administration.
- At certain times, and when you cash in your policy, there is likely to be tax payable. This will depend on the policy type you're invested in and your personal circumstances.

For more information on our funds, please visit
www.standardlife.ie/funds

Find out more

Talk to your financial adviser. They'll give you the information you need. Also, you can call us or visit our website.

(01) 639 7000

Mon-Fri, 9am to 5pm. Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

www.standardlife.ie