



In search of income

Standard Life Diversified Income Fund



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



Diversified Income Fund - finding new ways to deliver income

What is income investing?

Income investing involves choosing investments that aim to deliver a stream of income to your investment over time.

Traditionally, income has come from the likes of highly-rated government bonds that pay interest payments or companies that pay dividends. However, future returns from these traditional asset classes are likely to be lower than in the past.

When it comes to investment growth and the search for income, there are no guarantees. The value of your investment can fall as well as rise. In such a challenging environment, it's more important than ever to consider diversifying, to invest in traditional and alternative asset classes that could help to produce the returns you need.

And that's why we've launched the Diversified Income Fund

The investment managers for Standard Life's Diversified Income Fund will target an annual income of 4.5%[^] before charges.

The fund aims to provide income by investing in traditional assets like equities and bonds as well as exciting new asset classes. So your money will be invested in areas that you might not have had access to before - like renewable energy and social housing - where there are new opportunities to achieve long term sustainable income.

Whether it's to grow your money over time; supplement your current income; or generate an income in retirement, the Diversified Income Fund could help you achieve your goals.

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

Warning: The income you get from this investment may go down as well as up.

Warning: If you invest in this fund you may lose some or all of the money you invest.

[^]This is an internal performance target which the investment manager aims to achieve at the date of this document. **This target is not based on past performance, may be subject to change and cannot be guaranteed.**



What does the Diversified Income Fund invest in?*

Some of the alternative asset classes that the fund invests in include:

Property

The fund can invest in property companies including those that specialise in student accommodation and social housing.

Infrastructure

The fund can invest in companies that typically own or manage social infrastructure assets (e.g. schools, hospitals).

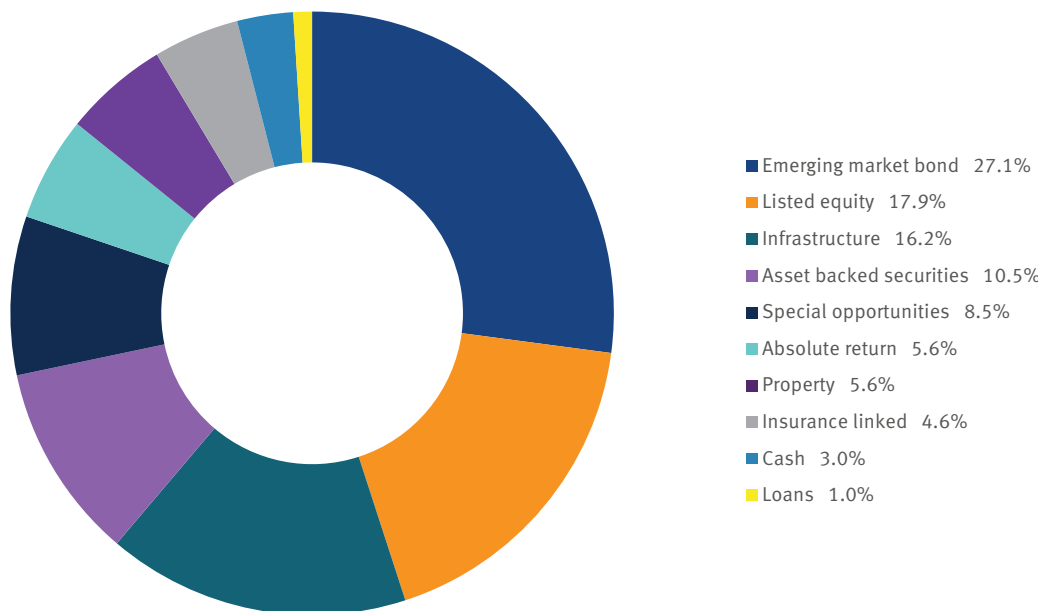
Renewable Energy

The fund can invest in companies that own and manage renewable assets such as solar and wind farms.

Special opportunities

The fund can invest in a wide range of niche opportunities including aircraft leasing or market place lending.

*this is not an exhaustive list of the fund's underlying asset classes. Please talk to your financial adviser for further information on all the asset classes that this fund can invest in.



Source: Aberdeen Standard Investments, 30 June 2018.

Get to know your investment

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 assets that make the Diversified Income Fund so unique.

Aircraft leasing



Aircraft leasing involves the renting of aircraft to airlines that don't want the financial burden of buying them. Leasing aircraft also allows airlines to increase capacity quickly when demand for air travel grows.

So how does it work?

Airlines need aircraft

Few airlines have the available capital to purchase new commercial aircraft.



Aircraft leasing companies can satisfy the shortfall

Leases are typically long term, around 12 years. The Diversified Income Fund invests in a number of aircraft leasing companies.



Rental Income

Airlines pay rent to the aircraft leasing company.



Opportunities exist at the end of the lease

At the end of the leasing term, a new lease can be arranged, the aircraft can be sold, or components of the aircraft can be leased or sold.

Source: Aberdeen Standard Investments, September 2018.

Renewable energy



Renewable energy refers to structures and facilities that generate renewable energy such as wind and solar farms. It's an exciting investment area that has largely only been accessible to institutional investors until now (for example, large pension funds). Its inclusion in the Diversified Income Fund is another example of how diversified the fund is.

Why is renewable energy so important and how does it make money?

Governments' efforts to curb climate change

There has been a major push across Europe to generate 27% of energy consumption from renewable sources by 2030^{^^}. This has led to growth in renewable infrastructure projects.



State funding alone is insufficient to ensure these targets are achieved

Funding from governments alone cannot provide sufficient capital to build and sustain these projects. Private capital is needed.



Investment companies can help

A number of investment companies have been established that buy and maintain fully operational wind and solar farms. Some of the wind farms in the Diversified Income Fund are located in Ireland.



Income

Income from renewable energy, in the form of dividends, is earned in two ways:

1. Selling power to electricity companies
2. Government subsidies are given to the investment companies to run and maintain wind and solar farms. These subsidies are given to help meet the government's renewable energy targets

^{^^}Source: <https://ec.europa.eu/energy/en/topics/renewable-energy>

Social housing



Social housing is housing provided by local authorities and housing associations to those that need it. This can include the elderly and people with disabilities.

Like Ireland, the UK is suffering from a severe housing shortage. There are a number of specialist investment companies that help to address this need by owning and managing social housing properties.

How does it work?

UK government instructs local authorities to provide social housing for the most vulnerable in society

Local authorities and housing associations often don't have the capital to build or maintain sufficient new homes.



Investment companies can provide properties

The Diversified Income Fund buys shares in these companies.



Leasing arrangement

These properties are rented through long-term leases, typically around 20-25 years.



Income

Rent is paid to the investment companies directly by local authorities (not the tenants). Income from leases, which increase in line with inflation, feeds back to the Diversified Income Fund through dividends.

Source: Aberdeen Standard Investments, September 2018.

Peer-to-peer lending



Peer-to-peer lending (P2P) works similarly to a bank – small businesses apply for a loan and are subject to an approval process.

Funding Circle is an example of a P2P lending platform. Like the high street banks in the UK, Fund Circle is subject to regulation by the Financial Conduct Authority.

So how do you make a return on an investment?

Small businesses in the UK, US and Continental Europe need loans

There has been a lack of finance provided to small businesses from high-street banks since the financial crisis.



Funding Circle fills this gap

A small business applies online to Funding Circle for a loan. Funding Circle's innovative technology platform can offer the loan at more favourable rates than the high-street banks. The Diversified Income Fund provides money to Funding Circle to finance the loan.



Income

The Diversified Income Fund receives interest payments, in the form of dividends, from Funding Circle.

Source: Aberdeen Standard Investments, September 2018.

Is this the fund for me?

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

So how will you know if the Diversified Income Fund is the right fund for your life savings? Take a look at the statements below, if they relate to you then this could be the right fund for you. Your financial adviser can help you make this decision.

- I'm comfortable with a medium level of risk
- I can take risk with my capital
- I want to invest in a fund that focuses on income-producing asset classes
- I'm looking for long term capital appreciation
- It's important to me to invest in a professionally managed, globally diversified multi-asset fund
- I have an investment horizon of at least five years

This fund 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



Important things to consider

- The Standard Life Diversified Income Fund (the Fund) invests in the Aberdeen Global - Diversified Income Fund (the Underlying Fund). The aim of the Aberdeen fund is summarised below.

To achieve income combined with capital growth by investing in worldwide Transferable Securities including, but not limited to, equity and equity-related securities, Investment Grade and Sub-Investment Grade Debt and Debt-Related Securities issued by governments, government related bodies, corporations or multilateral development banks, cash, deposits and Money Market Instruments directly or indirectly through the use of Undertakings for Collective Investment in Transferable Securities (UCITS) or other Undertakings for Collective Investments (UCIs).

- The value of investments within the Standard Life Diversified Income Fund can fall as well as rise and is not guaranteed – an investor may get back less than they paid in. The Fund and its holdings may use derivatives for the purpose of efficient portfolio management, reduction of risk or to meet its respective investment objective if this is permitted and appropriate. The euro value of overseas assets held in the Fund may rise and fall as a result of exchange rate fluctuations.
- Income received from the Fund will be added to the value of your investment.
- Investors in the Fund may buy and sell units on any normal business day.
- Recommendation: The Fund may not be appropriate for investors that plan to surrender their policy within 5 years.

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

Risk factors

- The Diversified Income Fund is not a guaranteed or capital protected product. There are risks to your invested capital should you choose to invest in this fund. You may receive back less than your original investment.
- Exchange Rates: The Fund may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, currency exchange rates may have a positive or negative impact on the value of your investments.
- The Fund invests in equities and equity related securities. These are sensitive to variations in the stock market which can be volatile and change substantially in short periods of time.
- Bonds are affected by changes in interest rates, inflation and any decline in creditworthiness of the bond issuer. The Fund's portfolio may have significant exposure to bonds that typically have lower ratings. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may not be able to pay the bond income as promised or could fail to repay the capital amount used to purchase the bond. Where a bond market has a low number of buyers and/or a high number of sellers, it may be harder to sell particular bonds at an anticipated price and/or in a timely manner.
- Contingent convertible bonds can automatically convert into shares or be written down in the financial strength of the issuer falls in a certain way. This may result in substantial or total losses of the bond value.
- Derivatives: The Fund can use derivatives in order to meet its investment objective or to protect from price and currency movements. This may result in gains or losses that are greater than the original amount invested. Derivatives are financial instruments which derive their value from an underlying asset, such as a company share or a bond, and are used routinely in global financial markets. Used correctly, derivatives offer an effective and cost-efficient way of investing in financial markets. However, derivatives can lead to increased volatility of returns in a fund, thus requiring a robust and extensive risk management process.

- **Emerging Markets:** The Fund invests in emerging markets which tend to be more volatile than mature markets and the value of investments could move sharply up or down. Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This may mean your money is at greater risk. The Fund may also invest in Frontier Markets which involve similar risks, but to a greater extent since they tend to be smaller, less developed, and less accessible than other Emerging Markets.
- Investments in Real Estate Investment Trusts (REITs) and companies engaged in the business of real estate may be subject to increased liquidity risk and price volatility due to a variety of factors, including local, regional and national economic and political conditions, interest rates and tax considerations.
- Inflation reduces the buying power of your investment and income.
- Past performance is not a reliable guide to future performance and future performance is not guaranteed. The price of assets and the income from them may go down as well as up and cannot be guaranteed; you may receive back less than their original investment.
- The Fund could lose money if an entity (counterparty) with which it does business becomes unwilling or unable to honour its obligations to the Fund.

- The Fund could lose money as a result of a failure or delay in operational processes and systems including but not limited to third party providers failing or going into administration.

Fund pricing, switching, transferring or cashing in

You may be one of many investors in a fund. Sometimes in exceptional circumstances:

- we may change the pricing basis of a fund to reflect cashflows in and out. If it's a property based fund, due to the high transaction charges associated with the assets, this can result in a significant movement of the fund price.
- we may also wait before we carry out your request to switch your funds, transfer or cash in your policy. This delay could be up to a month. But for some funds, the delay could be longer, for example, if it's a property based fund, it may be up to 12 months because property and land can take longer to sell.

If we have to delay switching, transferring or cashing in, we'll use the fund prices on the day the transaction takes place – these prices could be very different from the prices on the day you made the request.

These are processes which aim to maintain fairness between those remaining invested and those leaving a fund.

At certain times, and when you cash in your policy, there's likely to be tax payable, depending on the policy type you 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

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