Annual Report

Standard Life Investments Global Absolute Return Strategies Fund Annual Short Report

for the year ended 31 March 2013

Standard Life Investments

Contents

Standard Life Investments Global Absolute Return Strategies Fund Annual Short Report

Trust Profile and Information

Launch Date

29 January 2008

Objective

The investment objective of the Global Absolute Return Strategies Fund ("the Trust") is to deliver a positive absolute return in the form of capital growth over the medium to longer term in all market conditions.

Policy

The current investment policy of the Trust is to invest in permitted derivative contracts (including futures, options, swaps, forward currency contracts and other derivatives), transferable and fixed interest securities, cash and other collective investment schemes. Use may also be made of borrowing, efficient portfolio management (including hedging) and stock lending.

The Trust may, subject to and in accordance with the FCA Rules, take long and short positions in markets, securities and groups of securities through derivative contracts.

Risk Profile

This Trust is designed for investors who wish to participate in the opportunity to achieve a positive absolute return over the medium to longer term by investing in an actively managed portfolio consisting of derivatives, transferable securities, cash and collective investment schemes. The diversified nature of the portfolio makes it suitable for investors wishing to achieve a broad spread of exposure. The investor must be able to accept temporary capital losses due to the potentially volatile nature of the assets held and should therefore have an investment time horizon of at least 5 years.

The price of stocks, shares and other securities on financial markets can move unpredictably. Many factors affect prices, including announcements by the issuer of a security, economic and political events and views of prospective events. Investment in the Trust should be regarded as medium to long-term.

There is no restriction on the proportion of the scheme property of the Trust which may be invested in transferable securities which are warrants. If more than 5% of the scheme property of the Trust is invested in warrants the net asset value of the Trust may, at times, be highly volatile. Call options are not deemed to be warrants for the purposes of this 5% limit.

There is no guarantee that the objective of the Trust will be achieved.

Benchmark

6 Month Sterling LIBOR

Reporting dates	
Interim	30 September
Annual	31 March

XD dates	
Interim	n/a
Annual	31 March

Payment dates	
Interim	n/a
Annual	31 March

Trust Information

Manager	Directors of the Manager	Secretary of the Manager	Trustee	Auditors	Registrar	Investment Adviser
Standard Life Investments (Mutual Funds) 1 George Street Edinburgh EH2 2LL 0131-245-2676	A.S. Acheson D.G. Doran (retired 14 June 2013) S.A. Fitzgerald J. Lowe D.E. Thomas S.R. Wemyss R.J. McKillop	S.E. Crewes	Citibank International plc Citigroup Centre Canada Square Canary Wharf London E14 5LB	Pricewater houseCoopers LLP Erskine House 68-73 Queen Street Edinburgh EH2 4NH	The Bank of New York Mellon (International) Limited One Canada Square London E14 5AL	Standard Life Investments Limited 1 George Street Edinburgh EH2 2LL

Standard Life Investments Global Absolute Return Strategies Fund Annual Short Report

Investment Report

Fund Manager: Standard Life Investments Multi Asset Investing Team

Investment background

Global markets lost ground in Q2 2012. Precipitating the fall, inconclusive Greek elections and Spain's deepening banking crisis reignited Eurozone debt concerns, driving up peripheral European sovereign yields. This, combined with disappointing global growth data, fuelled appetite for core government bonds.

Sentiment subsequently revived on growing expectations of European Central Bank (ECB) intervention in sovereign debt markets, after ECB president Mario Draghi vowed to preserve the euro at all costs. Concerted central bank liquidity operations did much to buoy market confidence through the remainder of 2012. In particular, the ECB's announcement of unlimited, although conditional, bond buying effectively reduced systemic risk arising from the funding squeeze in Italy and Spain. As a result, global equities and bonds made further progress, outperforming government bonds.

Risk assets briefly retraced at the end of December, as the looming US budget crisis threatened to unseat the country's fragile recovery. However, confidence was swiftly replenished by favourable economic data, improved Eurozone sentiment and an adjournment of the US budget crisis. Despite disturbing developments in Italy and Cyprus, risk aversion continued to diminish through the first quarter of 2013, propelling equities in the US and UK, for instance, back to pre-2008 crisis levels. Global corporate bonds also posted further gains. However, despite the evident appetite for risk, core government bond yields never strayed far from their historic lows.

Investment activity

Early in the year we introduced a relative volatility strategy on the Hang Seng versus the S&P 500. We would expect the Hang Seng to be a more volatile index; yet the volatility spread between the two markets was almost flat. In the summer, we initiated a relative value position favouring Australian 10-year rates to Australian 3-year rates in anticipation of the yield curve flattening. We also established a relative value strategy designed to benefit from outperformance of the German bond market versus the French bond market. A number of currency trades were implemented, among them a Mexican peso versus Australian dollar position. In pursuit of yield, we opened a global REIT strategy in December.

In Q1 2013, we added Chinese equity exposure, on expectations of cyclical recovery and solid earnings growth. We exited the Korean equity position, as we became increasingly concerned about the impact of the weaker Japanese yen on Korea's competitive standing. Elsewhere, we closed our UK versus Europe forward start duration position, as the Bank of England's focus shifted from inflation towards growth. This will likely cause the UK yield curve to steepen – we had previously expected it to flatten. Conversely, we opened a European forward-start steepener strategy, as we expect a change in Dutch pension regulations to reduce demand for long-dated government bonds, so increasing yields. We closed our European financials capital structure strategy, as the returns we had realised on the position we felt were commensurate with our conviction in the strategy.

Performance

During the period under review, the Fund returned 5.39%, compared to the 6-month LIBOR return of 0.95% (Source: Datastream).

The sell-off in risk assets in April and May hurt our core equity market positions. Our volatility strategies also lost value during Q2 2012, as did our currency position favouring the Brazilian real over the Australian dollar. Lost ground was recouped thereafter. Corporate bonds made solid gains in Q3 2012, supported by demand for yield. Our duration strategies were also rewarded, specifically, the position in Mexican government bonds.

In the final three months of 2012, our corporate bond positions again posted strong gains, while equity market returns were broadly flat. Within US equities, small-cap stocks outperformed large caps and technology stocks, hurting performance. Meanwhile, despite declining market volatility overall, our relative variance strategies added value, particularly as the volatility of the Japanese market increased relative to the US. Our interest rate strategies were mixed during the quarter. The European yield curve steepening position and the US forward-start duration position were beneficial. However, our Mexican government bond position detracted from returns.

Developed equity market exposures made the biggest positive contribution in Q1 2013. Our currency positions also generated healthy returns. Of our duration strategies, the steepening positions were supportive, as was the long Mexican rates versus euro strategy. The global real estate investment trusts added in December 2012 also enhanced performance. Volatility strategies were less successful, with only the Nikkei versus S&P 500 variance adding any meaningful gains.

Outlook and future strategy

Market sentiment has clearly shifted towards a greater tolerance of risk, with less emphasis on 'safe haven' assets. This is attributable partly to global quantitative easing reducing the available returns in some markets, and also because of more bullish sentiment. We continue to expect a scenario of continuing gradual global recovery, albeit possibly interspersed with periods of volatility. We anticipate further strong rhetoric and action from global central banks, with the potential for sizeable moves in global currencies.

We remain wary that the market may be overly complacent about political risks – favourable newsflow will be needed to support equities at current levels. Credit and duration markets offer mixed signals. While yields are near record lows, they could conceivably decline further. Longer-term, our steepener strategies express our view that interest rates will rise as economies recover.

Standard Life Investments Global Absolute Return Strategies Fund Annual Short Report

Investment Report
(Continued)

Synthetic Risk & Reward Indicator

Lower risk | **Higher risk**
Typically lower rewards | **Typically Higher rewards**

1	2	3	**4**	5	6	7

This indicator reflects the volatility of the Trust's unit price over the last five years which in turn reflects the volatility of the underlying assets in which the Trust invests. Historical data may not be a reliable indication of the future. Where the unit class does not have a history of five years, an alternative unit class or a representative benchmark has been used to show how the Trust price may have behaved over the period.

The current rating is not guaranteed and may change if the volatility of the assets in which the Trust invests changes. The lowest rating does not mean risk free.

All investment involves risk. This Trust offers no guarantee against loss or that the Trust's objective will be attained.

For further information on the risks that may not be fully captured by the risk and reward indicator, please refer to the current Key Investor Information Document (KIID).

Cautionary note

It should be remembered that past performance is not a guide to future performance. The value of investments may go down as well as up and, therefore, investors may not get back the amount originally invested.

Composition of Portfolio	%
as at 31 March 2013	
Bonds (35.90%)	30.60
Equities (21.52%)	21.18
Collective Investment Schemes (6.87%)	6.22
Derivatives (2.19%)	1.94
Money Markets (26.41%)	27.30
Net other assets (7.11%)	12.76

The percentage figures in brackets show the comparative holding as at 31 March 2012.

Ten Largest Holdings (by market value)	%
as at 31 March 2013	
Standard Life Investments European Equity Income Fund	4.27
Standard Life Investments EUR VNAV Liquidity Fund	1.25
Mexico (United Mexican States) 10% 2024	1.06
Mexico (United Mexican States) 6.5% 2021	1.06
Mexico (United Mexican States) 7.5% 2027	1.03
Mexico (United Mexican States) 8.5% 2029	1.02
Standard Life Investments GBP VNAV Liquidity Fund	0.70
US Treasury 0.5% Index-Linked 2015	0.60
Mitsubishi UFJ CD 0.51% 08/05/2013	0.60
Nordea Bank Finland CD 0.50% 26/06/2013	0.60

Standard Life Investments Global Absolute Return Strategies Fund Annual Short Report

Comparative Tables

	Accounting period	Net asset value £'000	Net asset value per unit p	Units in issue
Retail accumulation	31 March 2011	1,873,914	60.67	3,088,446,557
	31 March 2012	2,448,706	65.54	3,736,361,433
	31 March 2013	3,345,006	69.21	4,833,187,989
Institutional accumulation	31 March 2011	754,961	64.51	1,170,353,620
	31 March 2012	1,088,186	70.10	1,552,317,441
	31 March 2013	2,271,826	74.49	3,049,832,504
Standard Life accumulation	31 March 2011	2	65.77	2,500
	31 March 2012	2	71.98	2,500
	31 March 2013	699	77.11	906,913
Institutional regulated accumulation	31 March 2011	41,381	64.91	63,756,138
	31 March 2012	47,004	70.68	66,501,091
	31 March 2013	44,038	75.35	58,444,727
Standard Life B accumulation	31 March 2011	4,332	65.84	6,579,447
	31 March 2012	4,736	71.98	6,579,447
	31 March 2013	4,151	77.07	5,386,000
Standard Life A accumulation	31 March 2011	4,592,672	65.76	6,983,665,734
	31 March 2012	7,377,913	71.93	10,257,089,556
	31 March 2013	10,953,075	76.96	14,232,748,319
Platform 1 accumulation	31 March 2013	59,083	53.01	111,455,905

Standard Life Investments Global Absolute Return Strategies Fund Annual Short Report

Comparative Tables

(Continued)

	Calendar year	Distribution per unit p	Highest price p	Lowest price p
Retail accumulation	2008*	-	50.40	43.22
	2009	0.7256	56.75	46.01
	2010	0.4069	62.75	56.32
	2011	0.2477	63.08	59.56
	2012	0.6304	67.40	63.06
	2013****	0.7045	69.82	67.58
Institutional accumulation	2008**	-	52.69	45.28
	2009	0.8058	59.86	48.28
	2010	0.7883	66.49	59.43
	2011	0.6314	67.32	63.46
	2012	1.1226	72.42	67.36
	2013****	1.1850	75.13	72.64
Standard Life accumulation	2008**	-	52.77	45.46
	2009	1.6488	60.55	48.57
	2010	0.8946	67.53	60.16
	2011	1.1537	68.99	64.91
	2012	1.9971	74.80	69.11
	2013****	1.7160	77.75	75.08
Institutional regulated accumulation	2008**	-	52.72	45.34
	2009	0.3270	60.09	48.38
	2010	0.7987	66.84	59.67
	2011	0.8499	67.86	63.94
	2012	1.6237	73.20	67.93
	2013****	1.3610	75.98	73.44
Standard Life B accumulation	2008**	-	52.78	45.47
	2009	1.6556	60.56	48.58
	2010	1.1789	67.63	60.17
	2011	1.1555	68.91	64.95
	2012	2.0021	74.78	69.12
	2013****	1.7041	77.71	75.05
Standard Life A accumulation	2008**	-	52.72	45.42
	2009	1.5560	60.50	48.52
	2010	1.0827	67.53	60.11
	2011	1.1110	69.01	64.86
	2012	1.6815	74.67	69.03
	2013****	1.7013	77.60	74.94

Standard Life Investments Global Absolute Return Strategies Fund Annual Short Report

Comparative Tables
(Continued)

	Calendar year	Distribution per unit p	Highest price p	Lowest price p
Platform 1 accumulation	2012***	-	51.53	49.09
	2013****	0.7987	53.47	51.69

*from commencement of the unit class on 7 May 2008
**from launch of the Trust on 29 January 2008
***from commencement of the unit class on 18 April 2012
****to 31 March

Ongoing Charges Figure (OCF)

	2013	2012
Retail accumulation	1.59%	1.59%
Institutional accumulation	0.84%	0.84%
Standard Life accumulation	0.09%	0.09%
Institutional regulated accumulation	0.54%	0.54%
Standard Life B accumulation	0.00%	0.00%
Standard Life A accumulation	0.01%	0.01%
Platform 1 accumulation	0.89%	-

The ongoing charges figure (OCF) shows the annualised operating expenses of each unit class as a percentage of the average net asset value of the class over the same period.

INVRT768 U222 0713