

# Time to Diversify

June 2016



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# Investors need growth, whatever the weather

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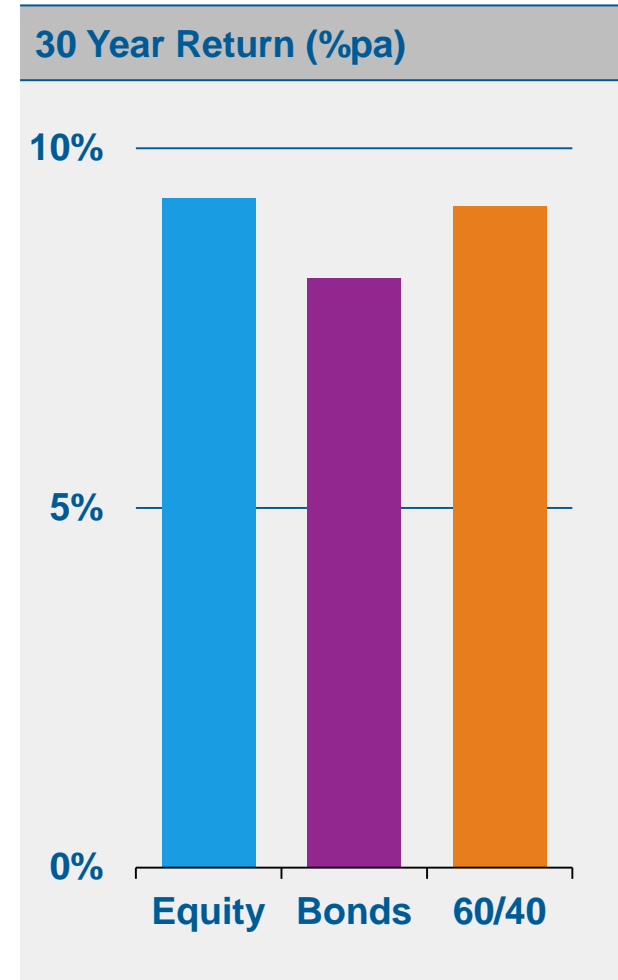
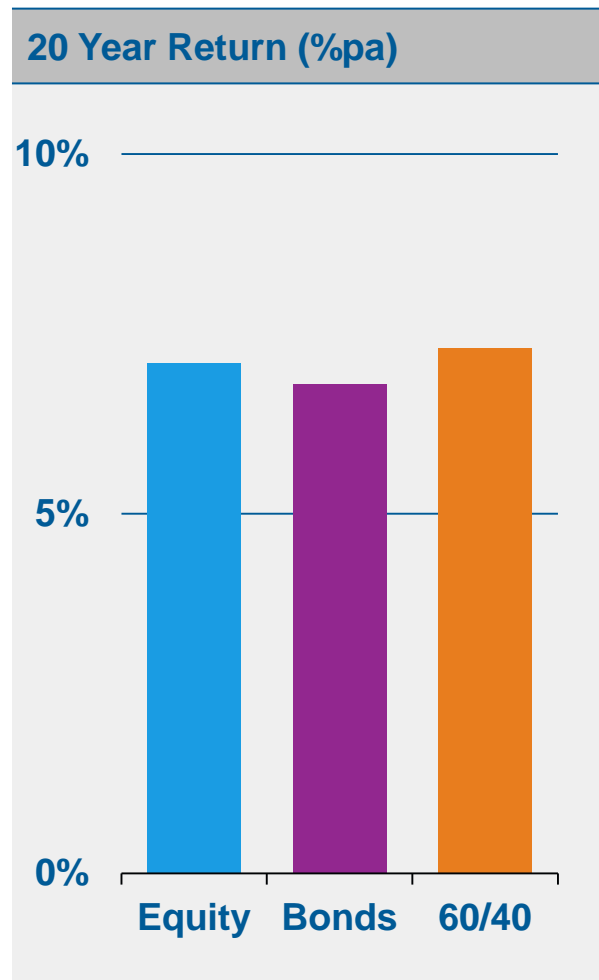
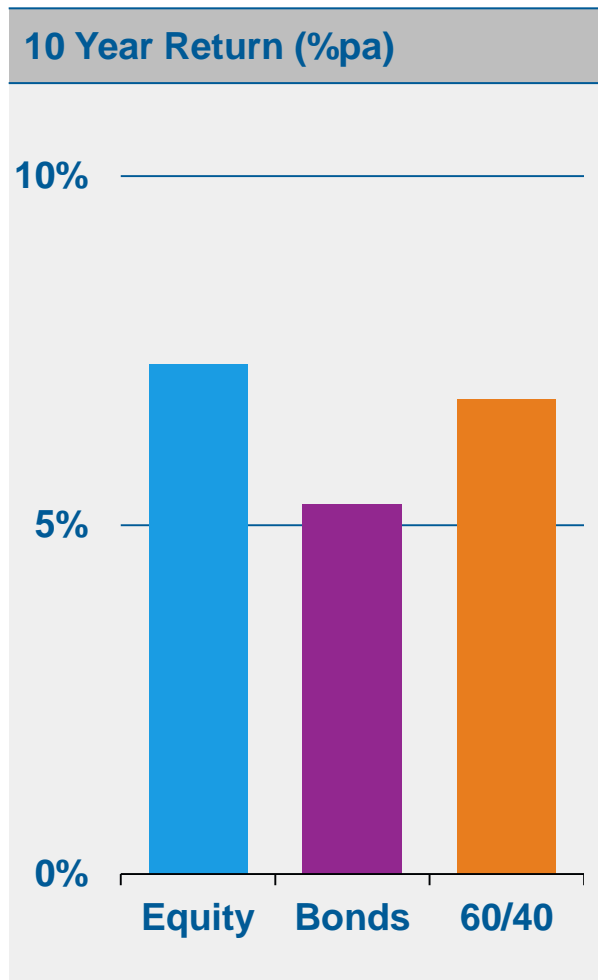
**For retirement**

**To pay pensioners**

**To maintain charitable  
work**

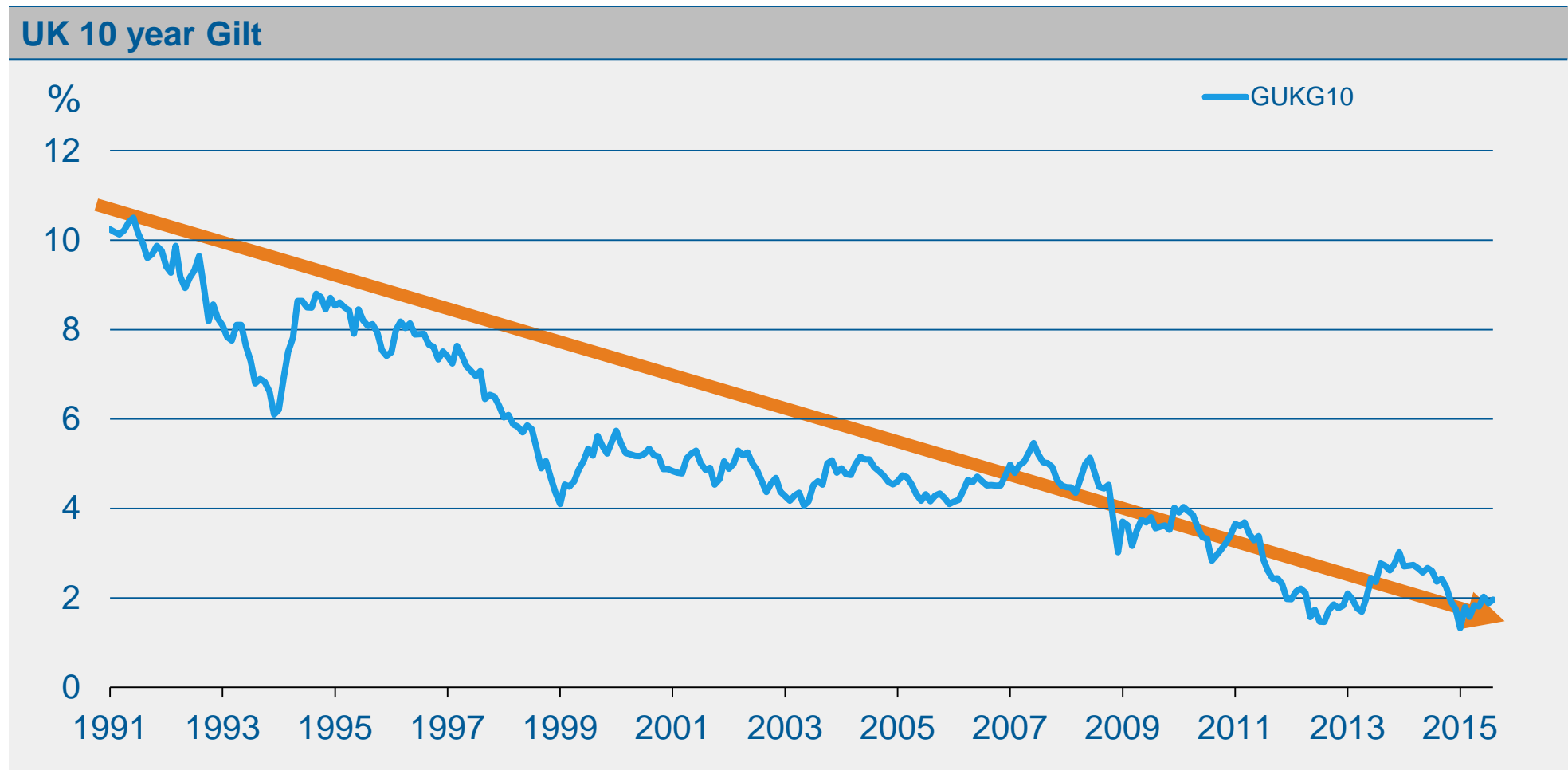
**For foundations**

# A traditional balanced portfolio has worked well in the past...



Source: Aberdeen Asset Management. Equity represented by a blend of MSCI UK and World Equity; Bonds by FTSE All Stock Gilts ; and the 60/40 portfolio a 60%equity, 40% bond blend. Data to 30 June 2015. **Past performance is not a guide to future returns.**

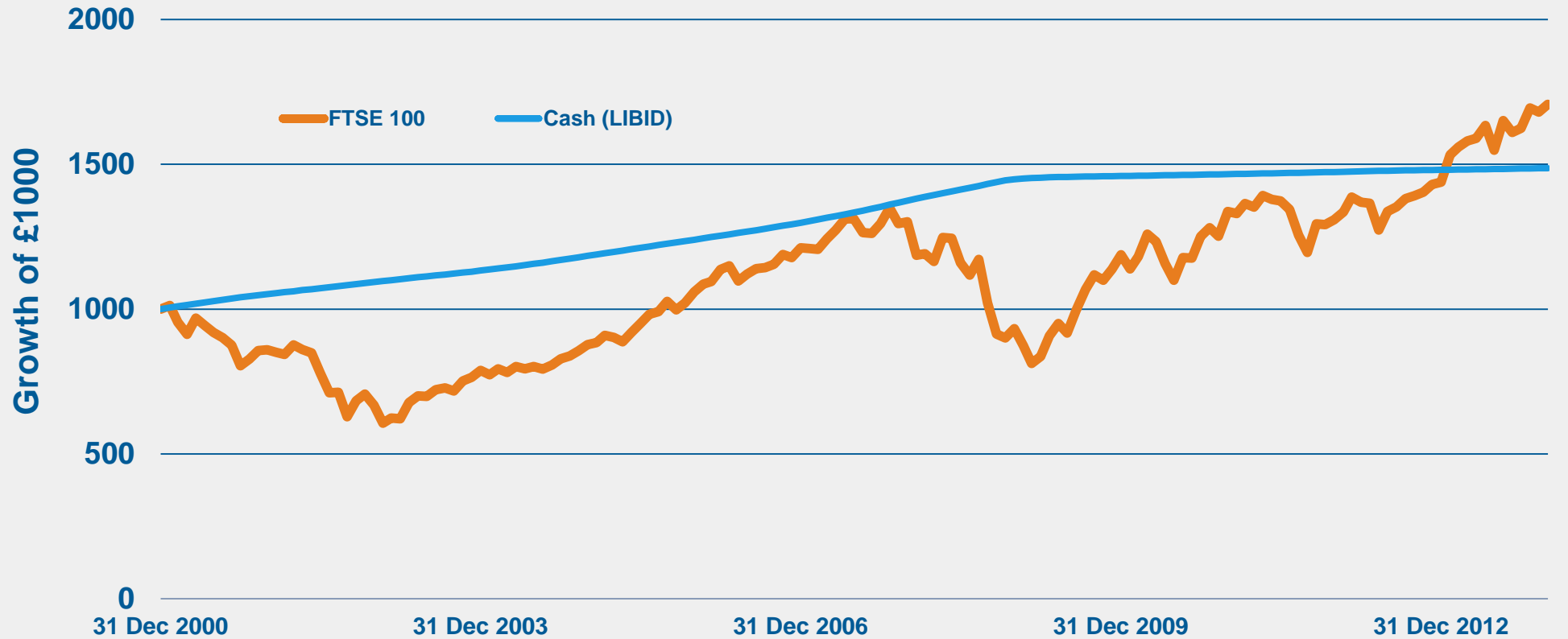
... but the tailwind for bonds is becoming a headwind



Source: Bloomberg, as at Aug 15. Past performance is not a guide to future returns.

...equities are volatile and can disappoint for long periods...

Equity versus cash since Dec 2000 – Growth of £1000



Source: Bloomberg. Data as at 30 September 2015. Past performance is not a guide to future results.

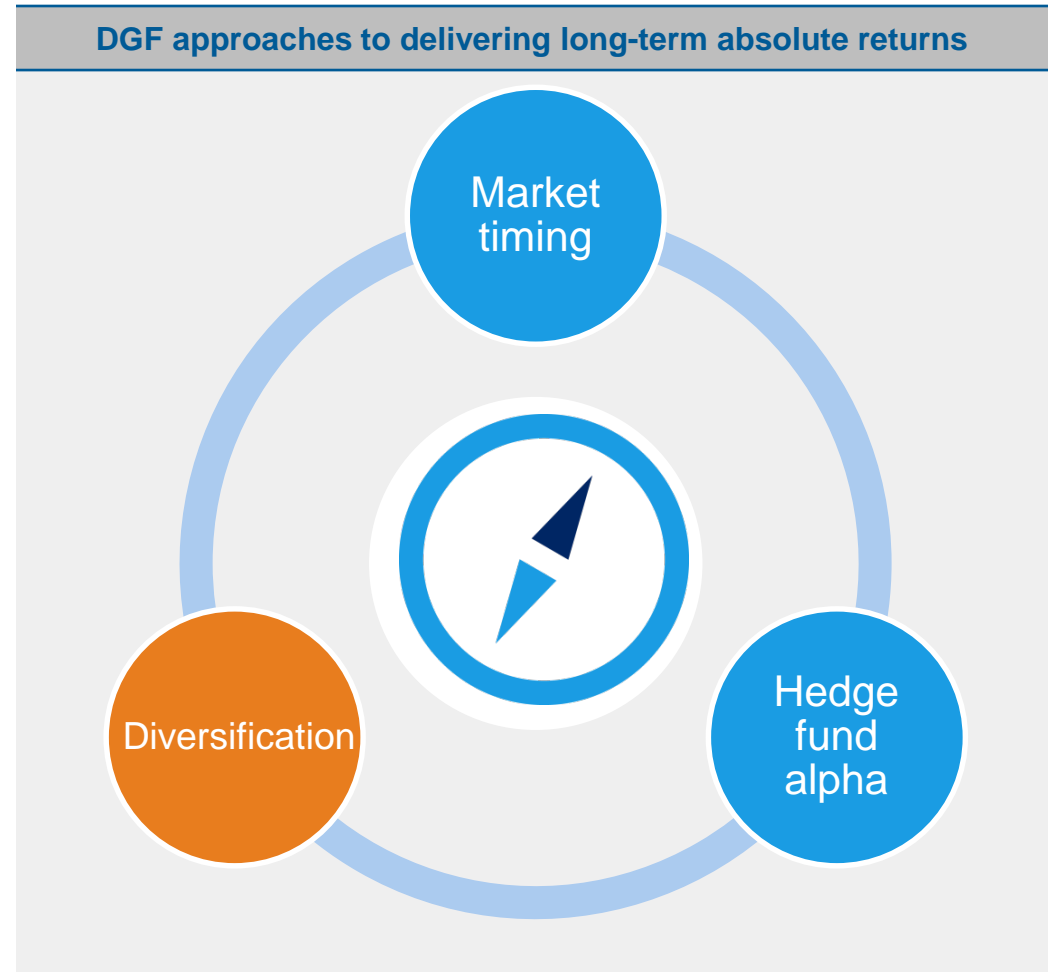
...and tail risks seem to be increasing



Source: Aberdeen Asset Management, Jan 16

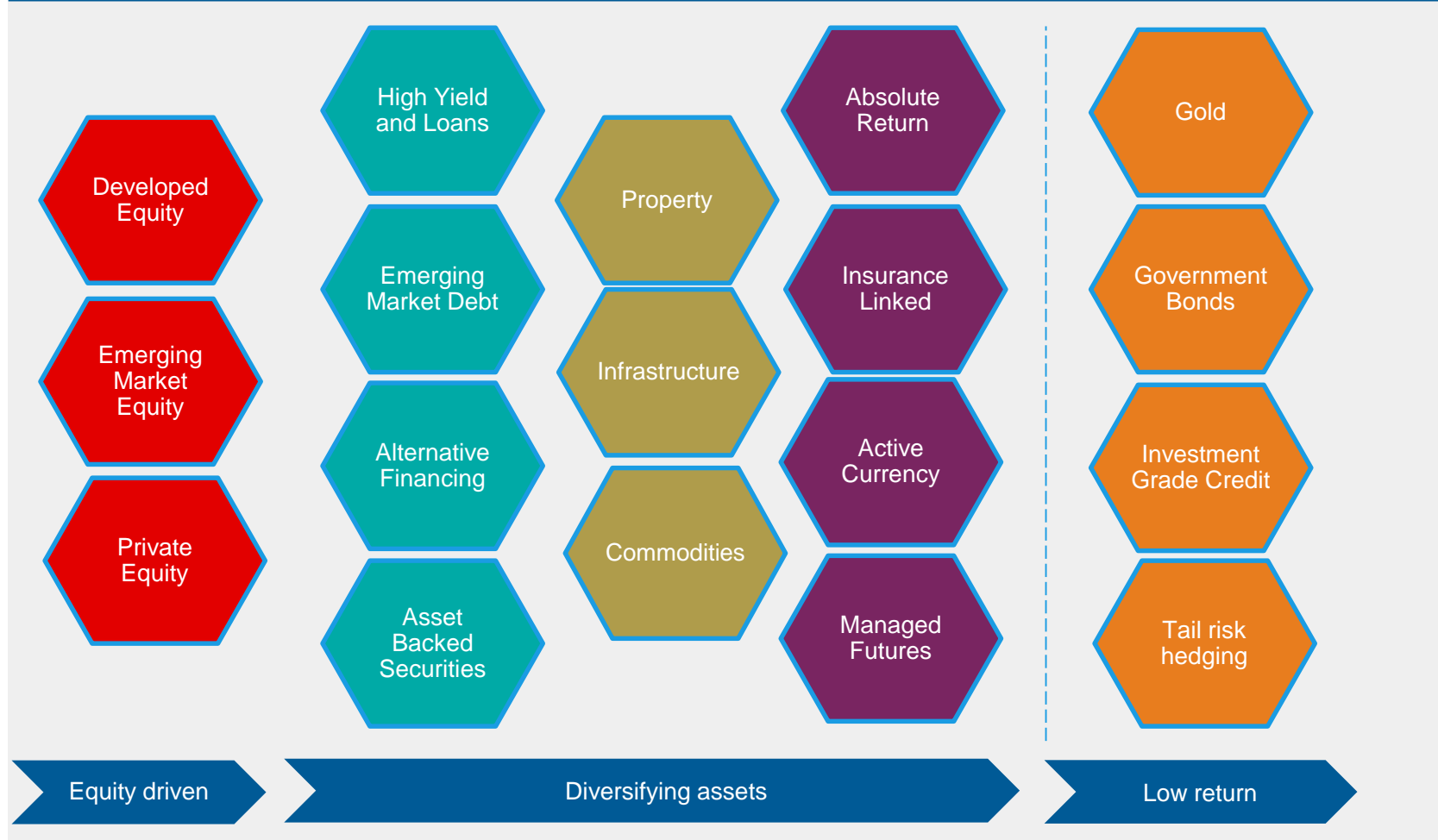
# Possible multi-asset solutions to consistent growth

- Investors want solutions tailored to their needs
- Outcome orientated rather than benchmark relative
- To reliably meet these goals our emphasis is on providing genuine diversification:
  - ✓ More reliable long-term growth
  - ✓ Less susceptible to equity downturns
  - ✓ Lower volatility and smoother return profile
  - ✓ Particularly important in the current market environment



# A rich opportunity set that removes reliance on equities and bonds

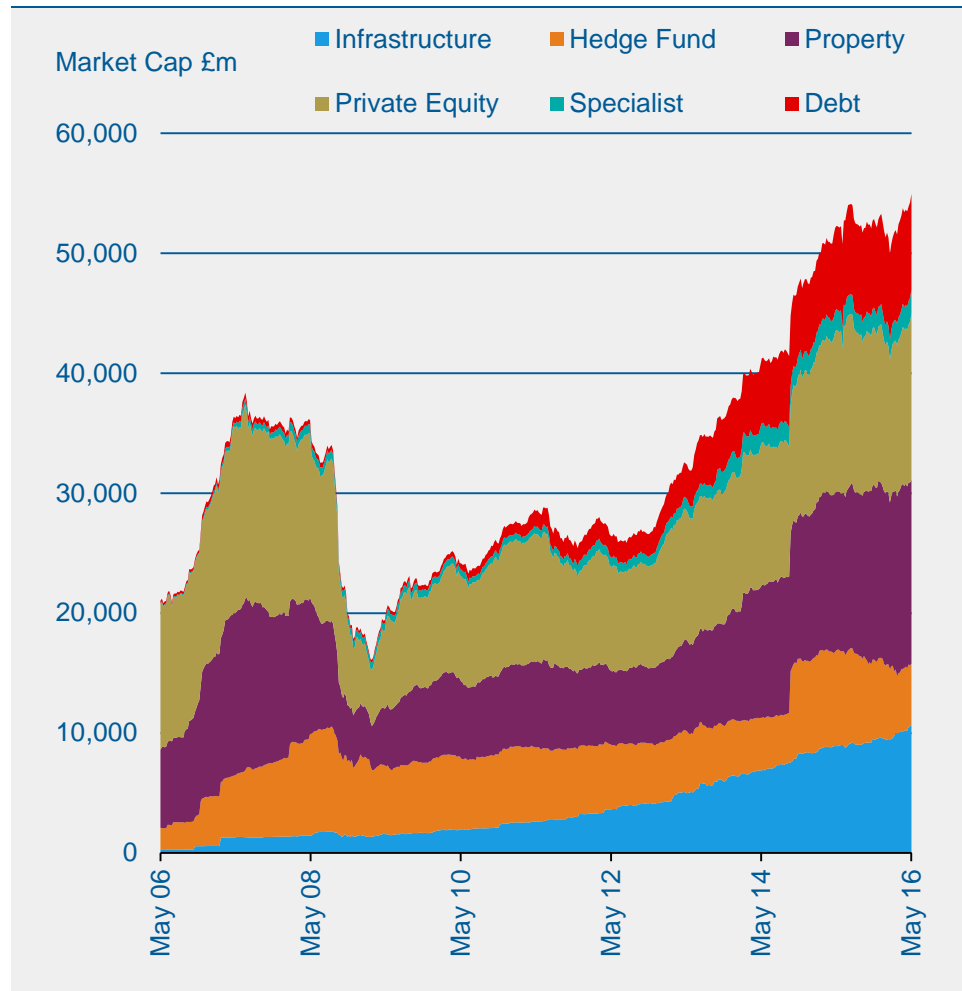
## Capturing the breadth of opportunities



Source: Aberdeen Asset Managers.



# Growth of the listed alternative market

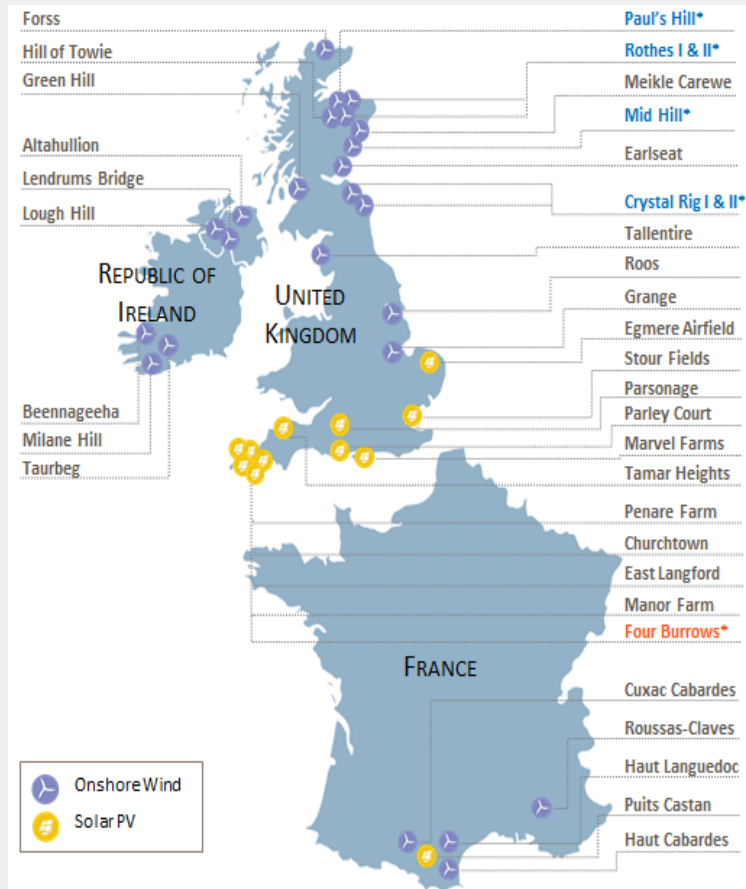


Source: Numis

- Listed alternatives provide an ideal route to accessing illiquid asset class in a liquid form
- Pre-2008 the market was dominated by Private Equity, Property and Hedge Funds
- The market has grown markedly over the past 10 years with increasing focus on genuine diversifiers:
  - £10bn in Infrastructure (PPP, Renewables, Core)
  - £8bn in specialist credit including Loans, ABS, Aircraft Leasing and Marketplace Lending
  - £1.6bn in specialist areas such as Litigation Finance and Insurance Linked Securities
- Experience investing in the sector helps to influence key terms of new offerings – fees, discount control management, etc

# Infrastructure: The Renewables Infrastructure Group

## Asset exposures – The Renewables Infrastructure Group



\* Source: The Renewables Infrastructure Group

Selected for illustrative purposes only to demonstrate management style and not as an indication of future performance

## Investment overview

- Invests in operational solar and onshore wind farms

## Return

- Target 8-9% return

## Risk

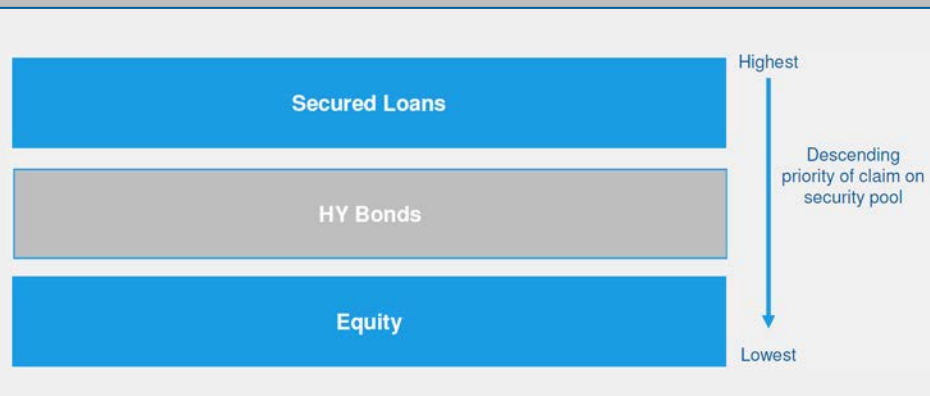
- Some exposure to power prices but dampened by stable revenues from subsidies
- No construction risk or economic exposure

## Investment route

- Held in the Aberdeen Diversified Growth Fund since inception in March 2013
- Held alongside other renewables funds such as John Laing Environmental and Next Energy Solar

# Loans

## Capital structure showing priority of claims



## Investment overview

- Floating rate corporate debt secured on company assets

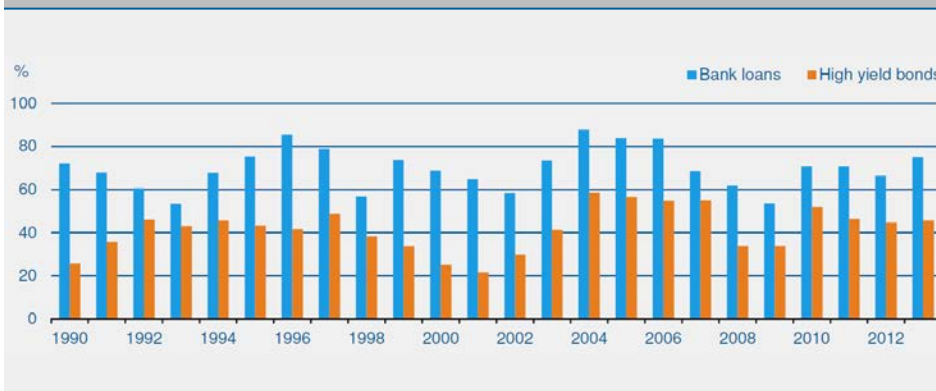
## Return

- Loans currently priced to deliver cash +4% net of expected losses

## Risk

- Losses substantiality mitigated by seniority in capital structure and security over assets
- Typically resilient in periods of rising interest rates

## Historical annual recovery rates

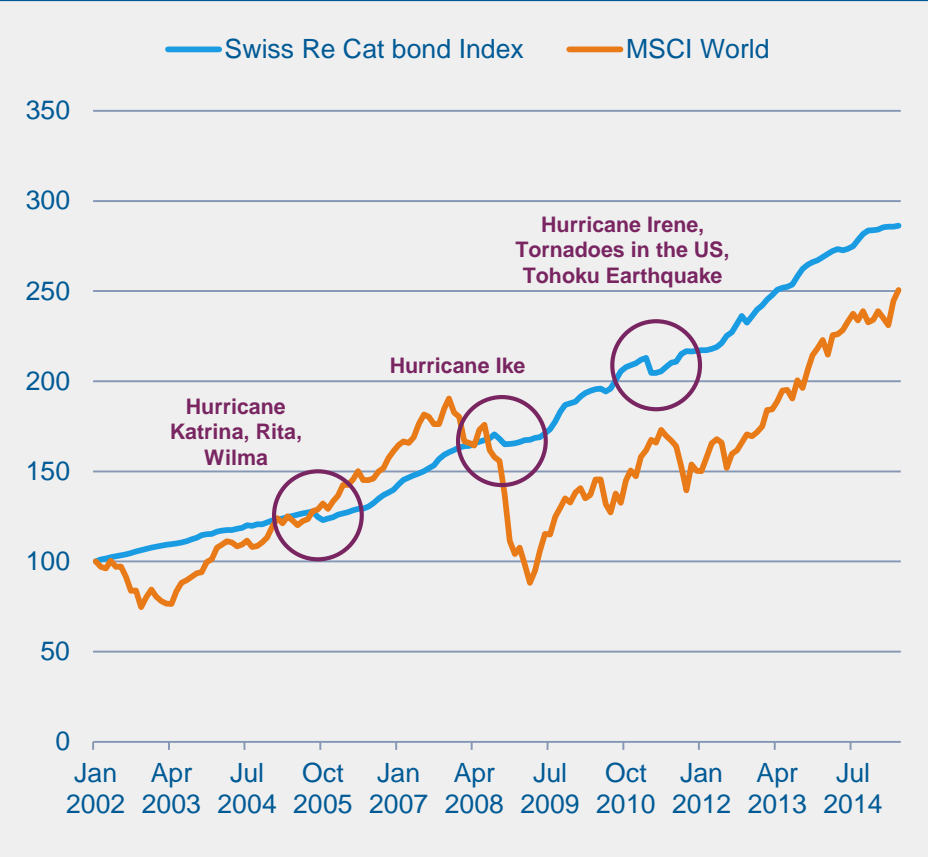


Source: Moody's 'Annual Default Study: Corporate Default and Recovery Rates, 1920 - 2013', 28 Feb 14

Selected for illustrative purposes only to demonstrate management style and not as an indication of future performance

# Insurance-linked: Blue Capital

## Catastrophe bond returns since 2001



\* Source: Bloomberg, Swiss Re 30 April 2015. Indices rebased to 100 at 31 Dec 2001.

Selected for illustrative purposes only to demonstrate management style and not as an indication of future performance

## Investment overview

- Invests in contracts providing cover against insurance losses due to extreme natural catastrophes

## Return

- Priced to deliver an expected return of 7% p.a. net of fees and expected losses

## Risk

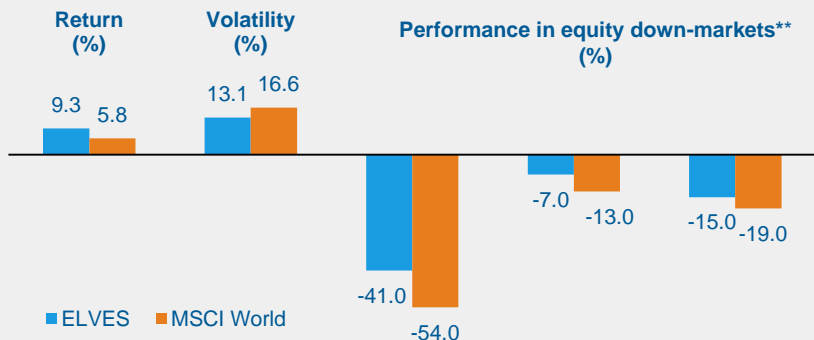
- Diversified across perils to mitigate impact of any one extreme event
- Asset class has no economic exposure and hence is uncorrelated to equities and other asset classes

# Equities: Enhanced Low Volatility Equity Strategy

## ELVES – drivers of alpha



## ELVES – pro forma performance\*



Source: Aberdeen Asset Management, 2015

\*Back test from 31 May 2006 – 30 June 2015. Returns are in USD. ELVES returns are net of estimated transaction and market impact costs, assuming a \$2bn portfolio.

\*\*November 2007 to Feb 2009, April 2010 to June 2010, April 11 to September 2011

Selected for illustrative purposes only to demonstrate management style and not as an indication of future performance

## Investment Overview

- Actively managed equity portfolio aimed at outperforming global equities over the long-run with around 75% of the volatility

## Return

- Stock selection reflects a series of investment themes exploiting market inefficiencies

## Risk

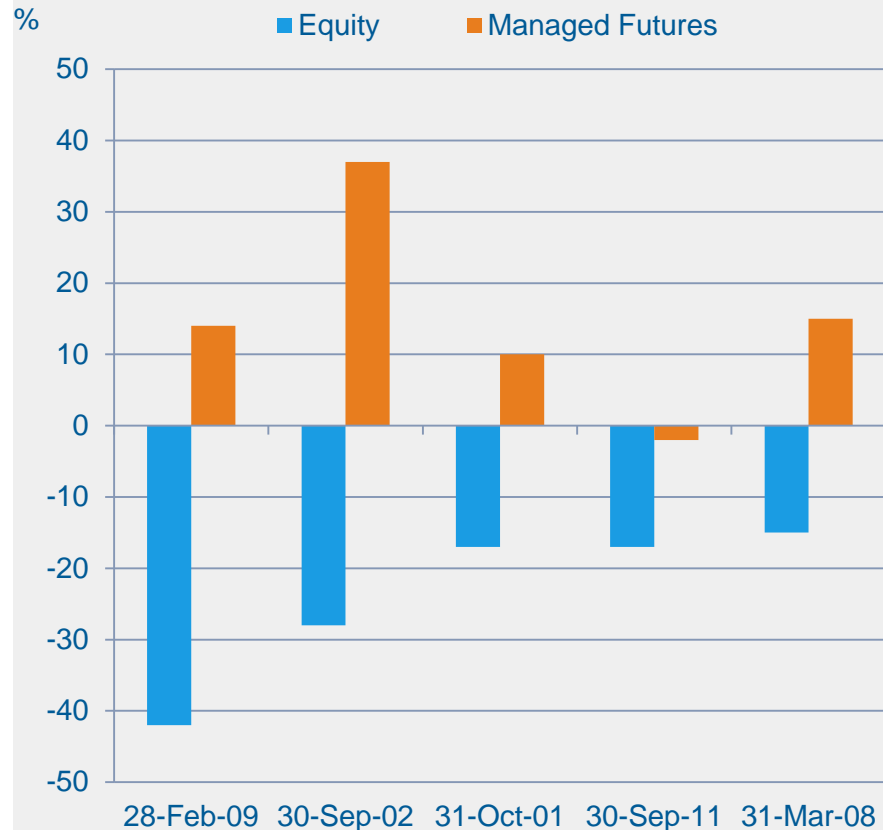
- Portfolio construction targeting diversified portfolio with 75% of the volatility of MSCI World
- Active approach avoids possible crowded Min Vol trade

## Investment route

- Developed by Aberdeen's Quantitative Equity team who manage £23bn in active equity portfolios
- Tailoring a proven internal skillset to enhance the risk/return trade-off of the Diversified Growth fund

# Managed Futures

6 month periods when global equities have fallen by more than 15% since Jan 2000



\* Source: Aberdeen Asset Management. Managed Futures represented by the NewEdge Trend Index. Equity represented by the MSCI World hedged to GBP. Data to 31 Dec 15

Selected for illustrative purposes only to demonstrate management style and not as an indication of future performance

## Investment overview

- Hedge fund strategy looking to exploit trends across a range of markets

## Return

- Index has delivered return of 6.4% pa. since Jan 2000

## Risk

- Typically uncorrelated with other asset classes ...
- ... with a tendency to do very well in periods of market stress

## Investment route

- In-depth coverage of Managed Futures universe by Hedge Fund team
- Selected funds from buy list based on rating, fees and liquidity
- Aberdeen multi-asset exposure since 2013



# New investment opportunities continue to emerge and grow

Social infrastructure



Renewable infrastructure



Peer-to-peer lending



Healthcare royalties



# Aircraft leasing: Amedeo Air Four Plus

## Amedeo Air Four Plus – Emirates planes



## Investment overview

- Portfolio comprises six Airbus A380 planes which are on long term leases to the Emirates airline
- A mixture of equity and debt is used to purchase the aircraft

## Return

- Long-term return driven by leasing income as well as from the potential sale of the aircraft at the end of the leases
- Target return of 10-12% p.a.. Yield of 8%

## Risk

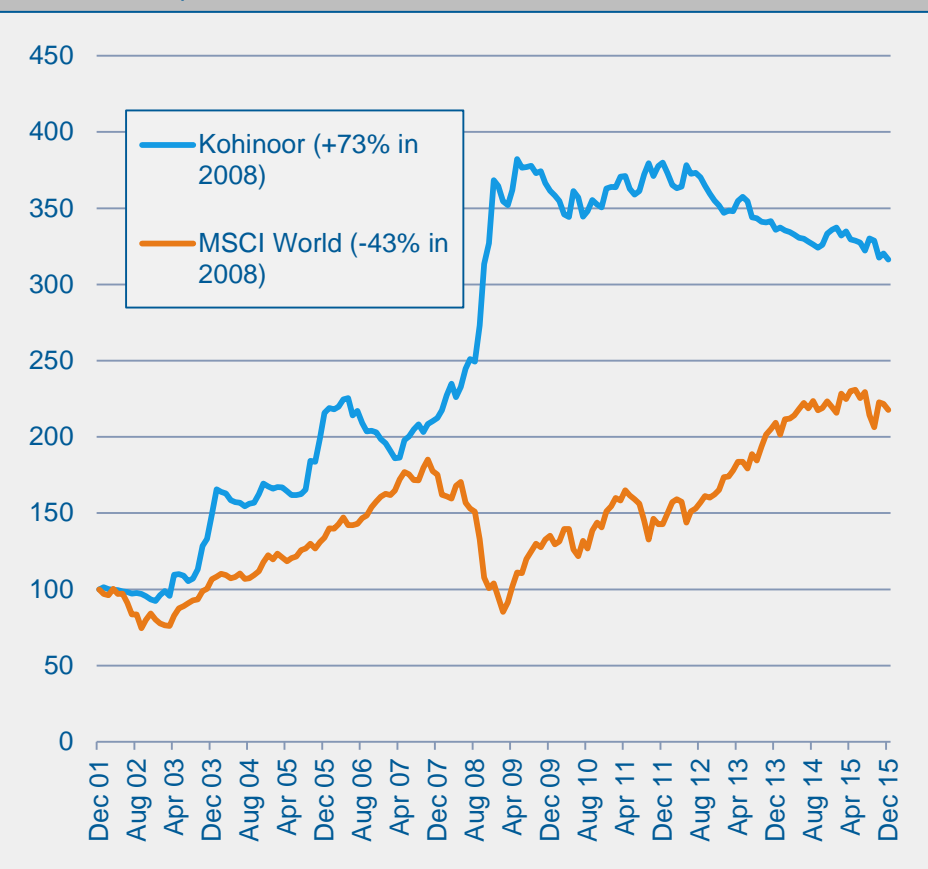
- Emirates defaults and the manager can't re-lease the planes
- Re-sale value of plane after 12 years may be lower (or higher) than expected

Selected for illustrative purposes only to demonstrate management style and not as an indication of future performance. Source: Amedeo Air Four Plus.



# Tail protection: Kohinoor

## Growth of \$100



Source: MSCI, Kohinoor, Aberdeen Asset Managers. 31 Dec 15

Selected for illustrative purposes only to demonstrate management style and not as an indication of future performance

## Investment overview

- Invests in cheap long-dated options across a range of asset classes

## Return

- Very high returns in periods of extreme market stress
- Has delivered +10% p.a. return since inception in Dec 2001

## Risk

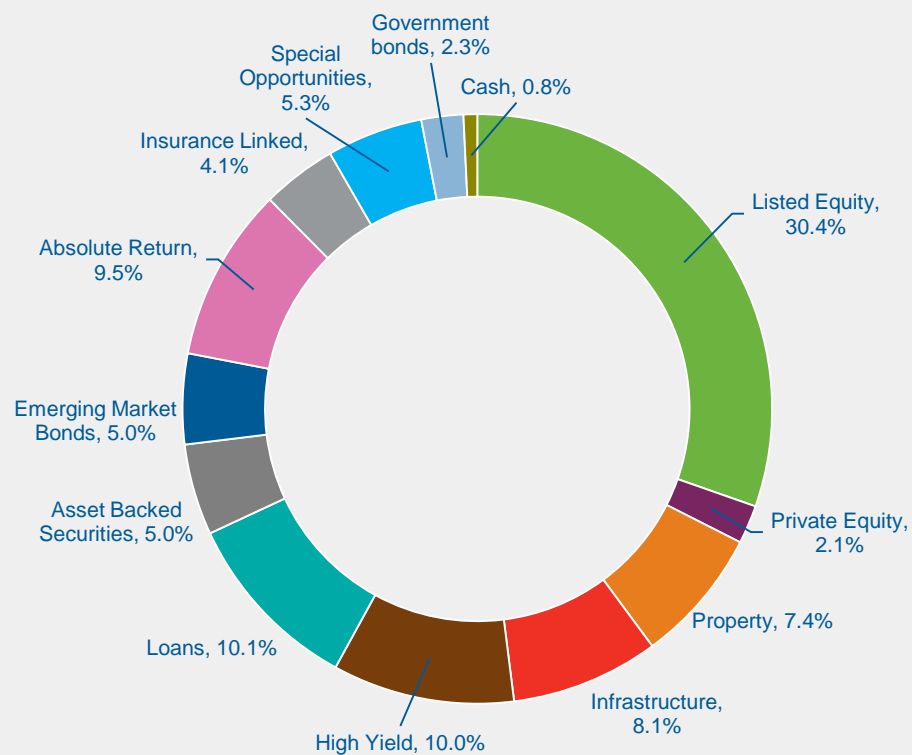
- Likely to lose money in periods of flat or declining volatility...
- ...but avoid the heavy losses experienced by most protection strategies

## Investment route

- Selected from universe of tail protection strategies following thorough research by Hedge Fund team
- Held within Aberdeen hedge fund portfolios since January 2012

# A genuinely diversified portfolio

## Asset allocation\*

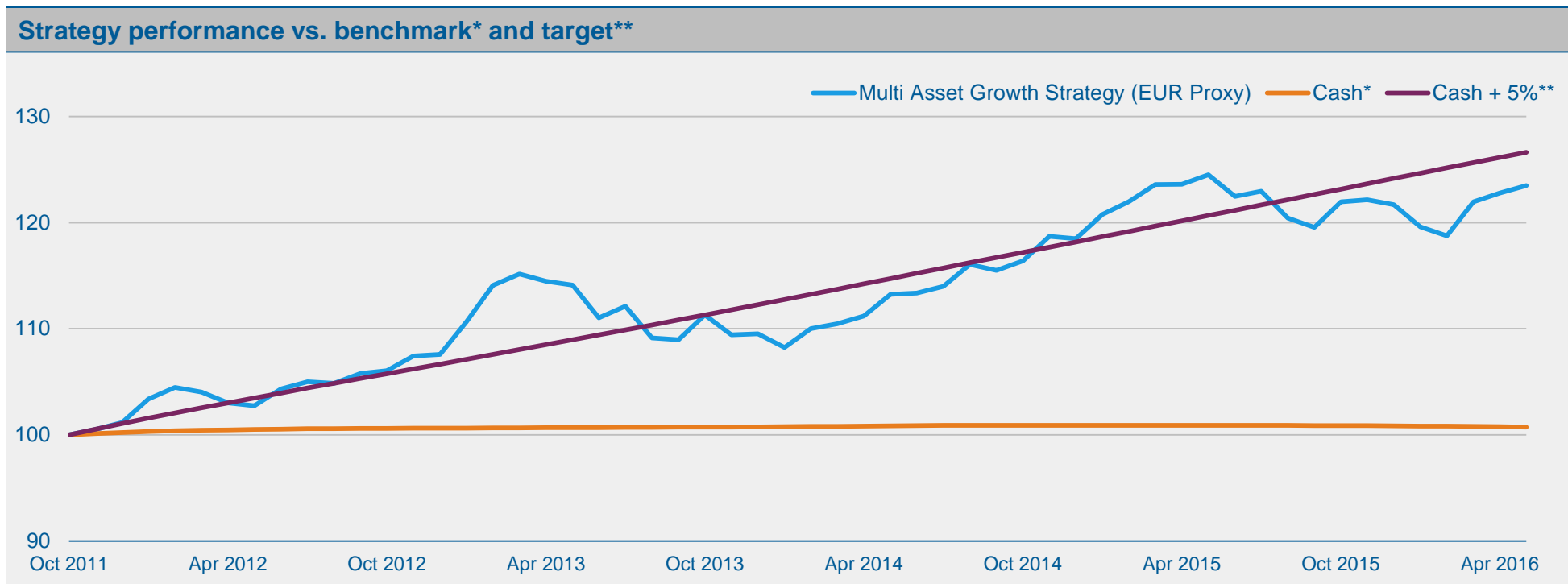


\* Source Aberdeen Asset Management, 31 Mar 16.

\*\*Source: Source: Aberdeen Asset Managers, BPSS, Thomson Reuters Datastream, SMEP, Aberdeen Diversified Growth Fund, net 50bps per annum. Inception: 1 Nov 11

**Past Performance is not a guide to future results**

# Multi Asset Growth – delivering long-term performance



Source: Aberdeen Asset Managers, 31 March 2016. Performance shown gross of fees and does not reflect investment management fees. Had such fees been deducted, returns would have been lower. Long-term track record for the multi asset growth strategy has a base currency of GBP. The track record shown in the chart reflects the Multi Asset: Diversified Growth (UK) GIPS Composite, adjusted by interest rate differentials to derive a EUR proxy. Performance is supplemental to the composite. Additional composite information can be found on page 40-41. Cash represented by 1 Month EURIBOR. Inception: 1 Nov 11.

**Past Performance is not a guide to future results.**

\*This is an internal performance target which the Investment Manager aims to achieve as at the date of this document. This target is not based on past performance, may be subject to change and cannot be guaranteed. Investors should always refer to the investment objective and restrictions as stated in the latest prospectus.

Delivered material growth  
ahead of cash

Consistent with target  
expectations

Performance achieved with  
low volatility

## And reduced losses in times of equity market stress



### 31<sup>st</sup> December – 11<sup>th</sup> February 2016

Global Equities*	-12.4%
Multi Asset Growth strategy	-4.3%

### 31<sup>st</sup> July – 25<sup>th</sup> August 2015

Global Equities*	-10.5%
Multi Asset Growth strategy	-2.7%

Source: Aberdeen Asset Managers, 31 March 2016. Performance shown gross of fees and does not reflect investment management fees. Had such fees been deducted, returns would have been lower. Long-term track record for the multi asset growth strategy has a base currency of GBP. The track record shown in the chart reflects the Multi Asset: Diversified Growth (UK) GIPS Composite, adjusted by interest rate differentials to derive a EUR proxy. Performance is supplemental to the composite. Additional composite information can be found on page 24-25.

Cash represented by 1 Month EURIBOR. Equity represented by MSCI World Equity (EUR hedged).

Inception: 1 Nov 11.

**Past Performance is not a guide to future results.**

# Conclusion

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- Diversification still makes sense, but it is a good time to look beyond just equities and bonds
- There are more options available to investors today, so genuine diversification is possible
- Aberdeen's outcome orientated strategies offer:
  - Genuine diversification
  - Unconstrained and flexibly managed
  - Simple and accessible with low fees and transparency



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More opportunity to add value

Source: Aberdeen Asset Management 31 December 2015.

# Questions?

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# Appendix

# Overview of key terms for the multi asset funds

Fund Features		
Fund	Aberdeen Global - Multi Asset Income Fund	Aberdeen Global - Multi Asset Growth Fund
Investment Objective	The Fund's investment objective is to achieve income combined with capital growth	The Fund's investment objective is to achieve capital growth combined with income
Current aims	The manager aims* to provide a high, but sustainable, annual yield, while seeking to maintain real capital values over rolling 5 year periods	The manager aims* to provide growth with a volatility well below that of the equity markets across a full market cycle
Target	Yield target of 4.5%* (gross, target reviewed annually)	Long term return target of 1m Euribor + 5%* (gross of AMC)
Expected volatility	Below that of equity*	Well below that of equity*
Structure	Luxembourg SICAV (UCITS)	Luxembourg SICAV (UCITS)
Dealing	Daily dealing fund	Daily dealing fund
Currency	EUR hedged	EUR
Inception date	June 2015	June 2016
Distributions	Monthly, derived from annual target yield*	N/A
On-going Charges Figures (OCF)**	0.9% pa (Institutional I Share Class)	0.9% pa (Institutional I Share Class)
Annual Management Charge	0.6% pa (Institutional I Share Class)	0.6% pa (Institutional I Share Class)

Source: Aberdeen Asset Management

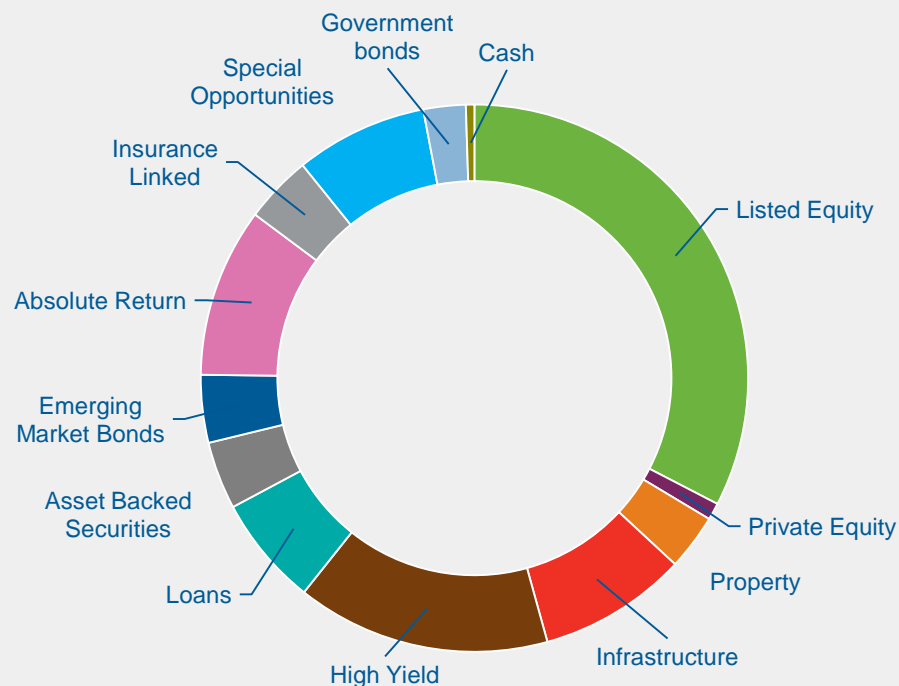
\* This is an internal performance target which the Investment Manager aims to achieve as at the date of this document. This target is not based on past performance, may be subject to change and cannot be guaranteed. Investors should always refer to the investment objective and restrictions as stated in the latest prospectus.

\*\*The On-going Charge Figure (OCF), as at 1 June 2016 is the overall cost shown as a percentage of the value of the assets of the Funds. It is made up of the Annual Management Charge (AMC), as shown in the table, in addition to other charges. It does not include any initial charges or the cost of buying and selling stocks for the Funds. The OCF can help you compare the annual operating expenses of different Funds.

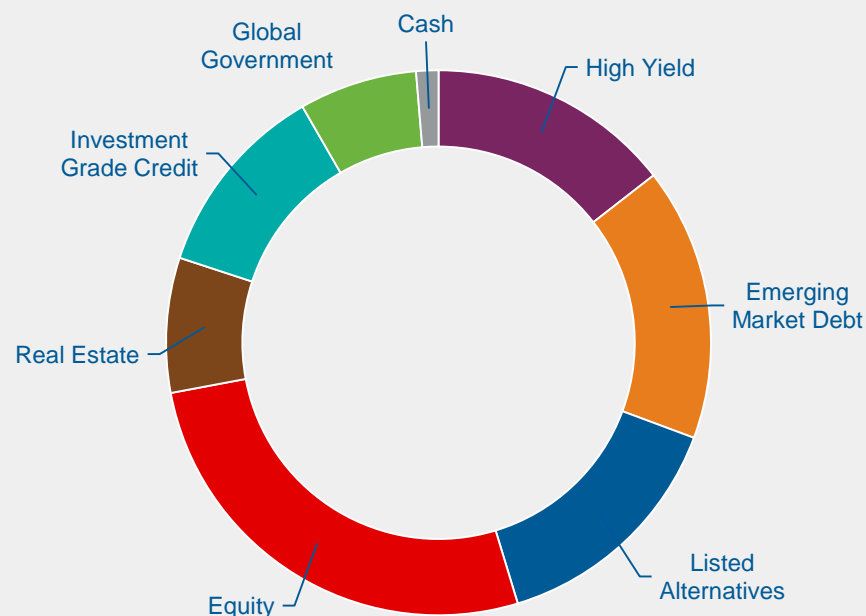


# Flagship strategies – focused on growth and income

## Multi Asset Growth\*



## Multi Asset Income\*\*



Source Aberdeen Asset Management, 31 May 15.

\* Asset allocation for Multi Asset Growth strategy represents the initial expected (target) asset allocation for the Fund represents the intended asset allocation as at the date of the launch (13 June 2016). There is no guarantee that the Fund will be invested in line with this allocation and it is subject to change. Investors should always refer to the investment objective and restrictions as stated in the latest prospectus.

\*\* Asset allocation for Multi Asset Income strategy reflects the allocation for the Aberdeen Global Multi Asset Income Fund as at 31 May 2016.

# Aberdeen multi asset composite

## Composite Disclosures

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Composite: Multi Asset: Diversified Growth (UK)

As of: 31 Mar 2016

### Definition of the Firm

Aberdeen Asset Management PLC ("Aberdeen" or "the Firm") is defined as all portfolios managed globally by subsidiaries of Aberdeen Asset Management PLC, excluding Property, Private Equity, Private Client and Lloyds Syndicate portfolios. Aberdeen is the global brand under which all products are now marketed. The global Firm inception date is 1st December 2005; the Firm is compliant from 1st January 1996; and includes divisions that either were, or were part of, legacy compliant firms, some of which are compliant from earlier dates. The Firm includes Artio Global Investors from 1st June 2013. On 1st April 2014, Aberdeen acquired Scottish Widows Investment Partnership ("SWIP"). The Firm AUM includes the SWIP legacy assets from 1st April 2014. The Firm's assets are represented by the published AUM of Aberdeen Asset Management PLC with deductions for the excluded divisions disclosed above. The legacy track records satisfy the GIPS portability criteria and have been linked with the track record of the Aberdeen global Firm. Composite returns, start date and composite and firm assets reported prior to acquisitions represent those of the legacy firm which managed the product at the time. Changes in the firm organisation, investment style or personnel have not caused alterations of historical composite performance.

### GIPS Compliance

Aberdeen claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. Aberdeen has been independently verified for the periods to 30th September 2014. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. The effective date of compliance is 1st January 1996. The inception date of the composite is 1 Jan 96 and it was created on 13 Apr 06. A complete list of the Firm's composites, and policies for valuing portfolios, calculating performance and preparing compliant presentations, is available on request.

### Composite Description

The composite comprises all discretionary portfolio managed to Aberdeen Asset Management's diversified growth strategy in relation to a Libor based benchmark.

### Presentation of Results

Gross returns are presented before management, custodial and other fees but after all trading expenses. Net returns are calculated after the deduction of a representative management fee.

### Representative Fee Description

Multi Asset: Diversified Growth (UK) fee: 0.5% p.a.

### Derivative Instruments

Derivatives may be used for hedging and/or for investment purposes. Derivatives will not be used for leverage

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