LWM Consultants Ltd

Meeting the Fund Manager

Standard Life Global Absolute Return Strategies Fund – David Millar

We recently met a number of fund managers from Standard Life Investments including David Millar who is one of the four "key holders" to the Standard Life Global Absolute Return Strategies Fund. We have recently written a piece on the fund and we thought it would be worth adding thoughts to this.

In developing the portfolios for the June rebalance we have spent a lot of time researching the fixed interest element of the portfolios and you will see that we have moved away from UK fixed interest investments to more of a global approach. We have also increased in some portfolios the exposure to this fund because it offers low volatility which for some investors is an important element to their investments.

What did we learn from our meeting?

Rather than repeating what I wrote a few weeks ago I thought I would share some of things we learnt from this meeting:

1. On a personal level I like to get under the skin on funds and ask "what if" questions – one of those is "what if" the fund manager leaves. With this fund the strategy is managed on a team basis with 4 lead managers acting as the "key holders", it is through these four people that the final decisions are made. We discussed this in some detail and this approach provides considerable comfort. David also talked about the young talent coming into Standard Life Investments and it is clear that they already know who would step into their shoes should one of the four leave.
2. There is some debate around the fact that the fund is very complex to understand – we discussed this with David and clearly some of the instruments they use to drive returns are not well known outside of the fund management industry but they are used by many but not always disclosed. The fund is effectively a mixed asset fund by which we mean it holds equities, debt currency et al to drive the long term terms, the strategy selection is based on return, diversification and liquidity. To expand on this the fund currently holds around 30% in equities, 35% in fixed interest and the balance in cash and other investments. They will move between the asset classes depending on their view, and by doing this they can drive down volatility or risk. The

fund has a 3 year investment outlook looking to deliver cash plus 5% p.a. over 3 year periods.

3. Outlook – rather than looking at the past the team look to the future and consider "what if" scenarios – so for example, we talked a scenario around quantative easing. The level of quantative easing that has been done has never been done before and it could all go wrong, we could have a situation where inflation jumps and interest rates go up and then we are back to square one. So effectively the team has to test these scenarios and position the fund to ensure it continues to deliver in this "new environment". David did stress that just because they discuss an idea it doesn't mean it filters through to the portfolio but it emphasis this idea of forward thinking which is so important for a fund like this.

The insight provided in the meeting was excellent and certainly gave me a greater and deeper understanding of the fund.

Conclusion

We continue to support this fund and find it an important foundation stone for most of the portfolios providing access to mixed assets in a way that reduces risk and provides stability to the portfolios.

The source of information in this note has been provided by Standard Life Investments and is correct to the end of March 2012. These are notes from meeting the fund manager and should not be seen as a recommendation to purchase this fund. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should also note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.