



# Investment Capabilities

## Global Equities Solutions



**Standard Life**  
Investments

**April 2017**

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# About Standard Life Investments

**Standard Life Investments is a leading asset manager with an expanding global reach. Our wide range of investment solutions is backed by our distinctive *Focus on Change* investment philosophy, disciplined risk management and shared commitment to a culture of investment excellence.**

As active managers, we place significant emphasis on rigorous research and a strong collaborative ethos. We constantly think ahead and strive to anticipate change before it happens, ensuring that our clients can look to the future with confidence.

As of 31 December 2016, Standard Life Investments managed £277.9 billion\* on behalf of clients worldwide. Our investment capabilities span equities, fixed income, real estate, private equity, multi-asset solutions, fund-of-funds and absolute return strategies.

Headquartered in Edinburgh, Standard Life Investments employs over 1,700 talented individuals. We maintain a presence in 20 locations across Europe, North America, Asia and Australia.

In addition, we have close relationships with leading domestic players in Asia, including HDFC Asset Management in India and Sumitomo Mitsui Trust Bank (SuMi TRUST) in Japan.\*\*

Our parent, Standard Life plc, was established in 1825. One of the UK's foremost financial institutions, Standard Life floated on the London Stock Exchange in 2006 and is now a FTSE 100-listed company. Standard Life Investments launched as a separate company in 1998 and has quickly established a reputation for innovation in pursuit of our clients' investment objectives.

Our investors rank among some of the world's most sophisticated and high-profile institutions. They include corporate pension plans, banks, mutual funds, insurance companies, fund-of-fund managers, endowments, foundations, charities, official institutions, sovereign wealth funds and government authorities.

\*US\$343.5 billion, €325.5 billion, AUD\$474.2 billion, CAD\$460.5 billion. Exchange rates used are US dollar = 1.235649, euro = 1.171509, Australian dollar = 1.706463, Canadian dollar = 1.657069, as at 31 December 2016.

\*\*Please see Important Information at the back of this document.

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# Introducing our global equities solutions

Global equities provide a compelling opportunity for investors looking for a wider opportunity set and greater diversity within their portfolios. At Standard Life Investments, we aim to capture this potential by delivering consistent and repeatable outperformance across our range of global equities products. To achieve this, we rely on a fundamental, bottom-up investment process, unique team structure and high-conviction approach.

## What sets us apart?

### Conviction in stock-picking

We believe stock selection is the most consistent source of investment returns. We focus our resources on capturing this opportunity for our clients. The global equity universe is the largest opportunity set for stock-pickers, comprising thousands of diverse companies. By prioritising stock selection and by fully exploring this broad investment universe, we believe our global equities portfolios can deliver consistent outperformance over the long term.

### Consistent investment process

We employ a clear and consistent investment approach guided by our *Focus on Change* investment philosophy. We look for stock-specific investment opportunities by identifying and assessing insights into companies' prospects that the rest of the market has not fully priced in. We consistently apply this across all our equity teams and other asset classes. We ensure discipline around this philosophy by requiring that all investment ideas are expressed in a common investment language, enabling us to pick our best ideas for our global equities portfolios.

### Unique team structure

Our global equities team is at the centre of an extensive, global stock research team, covering North America, Europe, UK and emerging markets. This comprises over 50 highly experienced equity analysts, and ensures in-depth, proprietary coverage of a very large stock universe. We gain further insights from our in-house corporate bond team, global real estate team and strategy team, as well as from our strategic partnership with Japanese asset manager SuMi TRUST and joint venture with HDFC in India. Our global equities team is fully integrated into this research process, gaining close involvement over the full life-cycle of each investment idea. This gives us deep insights into a broad range of investment opportunities and allows us to pick the best ideas with true conviction.

### Recognised responsible investment (RI) capabilities

We have recognised experience in managing portfolios that require a combination of both negative screening of investment sectors coupled with active management around RI factors. In conjunction with our RI team, the global equities team can customise portfolios that recognise clear exclusion categories and reflect those stocks in which we have a strong investment conviction and offer lower RI risk issues. In addition, several clients have sponsored us to conduct analysis on RI areas such as carbon management and human rights.

# What is our investment approach?

**At Standard Life Investments, all our decisions are guided by our *Focus on Change* investment philosophy. We are looking for non-consensus insights, identifying companies whose prospects we believe are better than is understood and priced in by the rest of the market. An example of that could be changes in technology, profitability or reinvestment opportunities.**

The majority of our stock-specific insights are generated through information and analysis gained from one-on-one company meetings. This is supplemented with extensive primary research, industry expert consultations and other sources.

Our best ideas are those which involve a material and significant change that we have identified and corroborated through a number of sources, utilising our deep knowledge of companies. The scale of our analytical resources allows us to identify a large number of such ideas. Those ideas are often uncorrelated, allowing us to construct well-diversified portfolios driven by stock selection.

All investment decisions and research analysis are communicated through answers to our 'five questions' analysis, ensuring that our global equities team can quickly and easily access the diverse range of opportunities in the global universe.

Analysis	
	<ul style="list-style-type: none"><li>▶ What are the drivers?</li><li>▶ What is changing?</li><li>▶ What is priced in?</li></ul>
Judgement	
	<ul style="list-style-type: none"><li>▶ Why will the market change its mind?</li><li>▶ What is the trigger?</li></ul>

## Stock selection and portfolio construction

The global equities team has ultimate discretion over which stocks represent the best ideas and the weighting to be applied to each within the portfolio. In order to identify the best ideas, there are two critical components which the team takes into account.

### Conviction level

- ▶ How convinced are they that this BUY idea will deliver?

### Materiality

- ▶ How material is the upside to the stock price of the BUY idea?

We select stocks based on our strongest non-consensus ideas and take into account the levels of conviction and upside materiality. The position size is determined by considering the volatility of the stock (in particular the downside risk). The sector and geographic weights are a residual component of the stock selection, but these are monitored and managed to ensure we are not taking too much risk. We also monitor and manage any thematic risks to ensure that no unintended risk dominates the portfolio.

Ultimately, we aim to construct a portfolio of diversified stock-specific ideas, prioritising stock selection above all else, as this, in our view, is the most consistent source of investment returns.

## Risk management

One of the cornerstones of Standard Life Investments' process is a practical, hands-on approach to both measuring and managing risk. Risk is monitored on three different levels – by the portfolio manager, the investment governance team (which includes the risk and investment restrictions control teams) and product governance. These controls and oversight measures ensure that risk management is an integral part of our equity management process.

# What is our investment expertise?

A high-calibre team of six investment professionals manages our global equities portfolios. The team selects investment ideas from the 50-plus analysts in our regional equity teams. We also gather insights from over 45 credit analysts in our corporate bond team, as well as from our real estate team and strategy team. In addition, our strategic alliance with SuMi TRUST (a leading active Japanese equity manager) and joint venture with HDFC in India affords us additional investment insights.

This scale of resource enables us to maintain proprietary, in-depth and continuous coverage of over 2,100 companies in the global stock universe. It also enables us to maintain close and regular contact with company management teams, with over 3,000 company meetings each year.

The organisation chart below shows the structure of our investment resources. At Standard Life Investments, we combine the role of portfolio manager and analyst. This fosters a culture of high-quality investment debate that tangibly enhances the stock research process.

Our global equities team is fully integrated into the front-line research process. Members of the team attend the majority of the meetings with company management teams, as well as all internal research meetings where investment ideas are debated. This enables them to get first-hand insight throughout the full life-cycle of the investment idea. This includes the background information, the corroborating evidence and the level of analyst conviction behind the idea. This gives the team genuine conviction in picking what they believe are their best stock ideas for our global equities portfolios.



# Our global equities capabilities

Our global equities team manages a comprehensive range of different strategies, aimed at a variety of institutional investor profiles.

## Our strategies include:

- ▶ global
- ▶ global ex-UK
- ▶ global (with RI constraints)
- ▶ global unconstrained
- ▶ EAFE
- ▶ global ex-Japan
- ▶ global income.

We build each of our global equities strategies using a disciplined framework, which means our clients benefit from the steady generation of investment performance. Below we have included sample characteristics of some of our global equities strategies as an illustration of our approach.

## Global Equity Core Strategy at a glance

Strategy	Global Equity
Benchmark	MSCI All Country World Index
Performance target	Target of +3%
Portfolio exposures	Stock +/-3%, Sector +/-7%, Country +/-20%
Investment approach	Stock-specific investments based on <i>Focus on Change</i> philosophy
Number of stocks	Target 90-110
Portfolio managers	Mikhail Zverev & Dominic Byrne

## Global Equity Unconstrained Strategy at a glance

Strategy	Global Equity Unconstrained
Benchmark	Measured against MSCI All Country World Index but not constrained by it
Portfolio exposures	Unconstrained by benchmark, single sector <30%
Investment approach	Best ideas, stock-specific investments based on <i>Focus on Change</i> philosophy
Number of stocks	Target 40-50
Portfolio manager	Mikhail Zverev

## Global Equity Income Strategy at a glance

Strategy	Global Equity Income
Benchmark	Targets a yield of 120% of the yield of the MSCI All Country World Index
Number of stocks	In the region of 70 stocks
Investment approach	Best investment ideas from across the global universe, filtered from an income perspective
Portfolio manager	Kevin Troup

# Find out more

If you would like further details on any of our global equities strategies, please visit our website where you will find contact details for your location.

**Visit us online**

 [standardlifeinvestments.com](https://www.standardlifeinvestments.com)

## **standardlifeinvestments.com**

All information, opinions and estimates in this document are those of Standard Life Investments, and constitute our best judgement as of the date indicated and may be superseded by subsequent market events or other reasons.

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Past performance is not a guide to or indicative of future results. Future returns are not guaranteed and a loss of principal may occur. No investment strategy or risk management technique can guarantee return or eliminate risk in any market environment.

Equity securities are generally subject to varying degrees of market factors, including but not limited to, market sector, market liquidity, issuer and investment style risks. No assurance can be made that profits will be achieved or that substantial losses will not be incurred. For US investors, risks are also described in the SLI (Corporate Funds) Limited ADV Part II and will vary depending on the type of investment.

Assets under management are presented as a total of Standard Life Investments advisory affiliates and therefore includes SLI (USA), SLI (Corporate Funds) Limited, SL Capital Partners (US), LTD, SLI Limited, and the assets managed on behalf of HDFC Asset Management and Sumitomo Mitsui Trust Bank (formerly Chuo Mitsui).

Standard Life Investments is engaged in a joint venture with HDFC Asset Management. Standard Life Investments is engaged in a strategic alliance with Sumitomo Mitsui Trust Bank. SL Capital Partners (US) Ltd is a subsidiary of Standard Life Investments. Standard Life Investments owns 60%.

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