



# **Ideal Global Absolute Return Strategies Fund**

**Engineered to absorb shocks**

**Standard Life** 

# A new option for managing volatility

If you're looking for the potential for positive absolute returns over the medium to long term, in all market conditions, consider the **Ideal Global Absolute Return Strategies Fund<sup>1</sup>**.

## Contents

- 02 5 key facts about the GARS Fund
- 04 How does the GARS Fund work?
- 06 Portfolio management you can trust
- 08 What are segregated funds?
- 09 How Ideal Segregated Funds Signature 2.0 can work for you
- 10 Who is the Ideal Global Absolute Return Strategies Fund for?
- 11 Important things to consider

<sup>1</sup> The Ideal Global Absolute Return Strategies Fund invests in Canadian dollar hedged Class Z shares of the Standard Life Investments Global SICAV Global Absolute Return Strategies Fund. In this document, "the GARS Fund" refers to the underlying fund and "GARS" refers to the Global Absolute Return Strategy created in the UK in 2006. The assets of the GARS Fund are managed by Standard Life Investments Limited (UK).

## What you need to know

The Ideal Global Absolute Return Strategies Fund aims to deliver positive absolute returns over the medium to long-term in all market conditions. The performance target for the GARS Fund is cash<sup>2</sup> +5% per annum (gross of fees) over rolling three-year periods while aiming to deliver lower volatility than a traditional long-term global equity portfolio.

Performance of the GARS Fund is not guaranteed. In order to achieve its investment objective, the GARS Fund will make extensive use of derivatives. The GARS Fund is not a substitute for cash or deposits. The value of an investment may rise as well as fall.

## What is absolute return investing?

Most conventional investment funds only reward investors when markets go up. Absolute return funds seek to deliver positive absolute returns over the medium to long term whether markets are rising or falling. Most do this by applying a range of low-correlation, diversified investment strategies that aim to generate positive returns whatever the market conditions. These strategies are devised so that if any individual strategy produces a negative return, positive returns from other strategies should be able to compensate.

<sup>2</sup> Cash is defined as the 6-month Canadian Dealer Offered Rate (CDOR).

## Benefits of the GARS Fund

- ▶ Alternative fund performance without the performance fees
- ▶ Already has a track record of success in the UK and around the globe
- ▶ Provides global diversification across a range of traditional and non-traditional asset classes
- ▶ Designed to deliver positive absolute returns over the medium to long term whether markets are rising or falling

# 5 key facts about the GARS Fund

1

## **Smoother investment journey**

The GARS Fund does not follow a particular stock market benchmark. It aims to provide positive absolute returns, over the medium to long term, regardless of the direction of stock markets. Through the use of many different investment strategies, this fund aims to provide absolute performance in all markets.

2

## **Increased diversification**

The GARS Fund invests in a combination of different strategies across global markets using both traditional asset classes and more advanced derivative techniques. This means it seeks to generate returns in a wider variety of ways than conventional funds. For example, while conventional funds typically produce returns when markets go up, the GARS Fund goes further by adding advanced investment strategies. These aim to help it perform well even when conventional investments, e.g. equities and bonds, are doing badly.

3

## **Attractive risk/return trade off**

The GARS Fund is designed for investors looking for competitive returns but with less of the volatility associated with stock market investment.

---

**4**

#### **A portfolio manager you can trust**

The GARS Fund draws upon multiple talents to create a solution that meets investors' needs.

Standard Life Investments' rigorous fund management approach means they clearly understand and can openly communicate the strategies in which the fund invests.

---

**5**

#### **A history of success**

Standard Life Investments Limited originally introduced GARS in the UK in 2006 as an innovative solution for Standard Life Group's own staff pension plan. The success was compelling enough to capture the attention of institutional investors in Europe, Asia, Australia, the US and Canada. GARS has more than CDN\$47 billion<sup>3</sup> under management (as at June 30, 2013).

<sup>3</sup> Figure represents combined global assets of all GARS portfolios.

# How does the GARS Fund work?



The GARS Fund aims to generate investment returns by investing in a range of global assets and investment strategies from around the world.

This fund generally holds over 30 different investment strategies. These can be grouped into four main categories:

## **Market returns**

The GARS Fund earns returns by investing in assets that are expected to provide a long term return that is superior to cash – e.g. equities, corporate bonds and property. The risk from holding these assets is that they can also give negative returns over significant time periods.

## **Security selection**

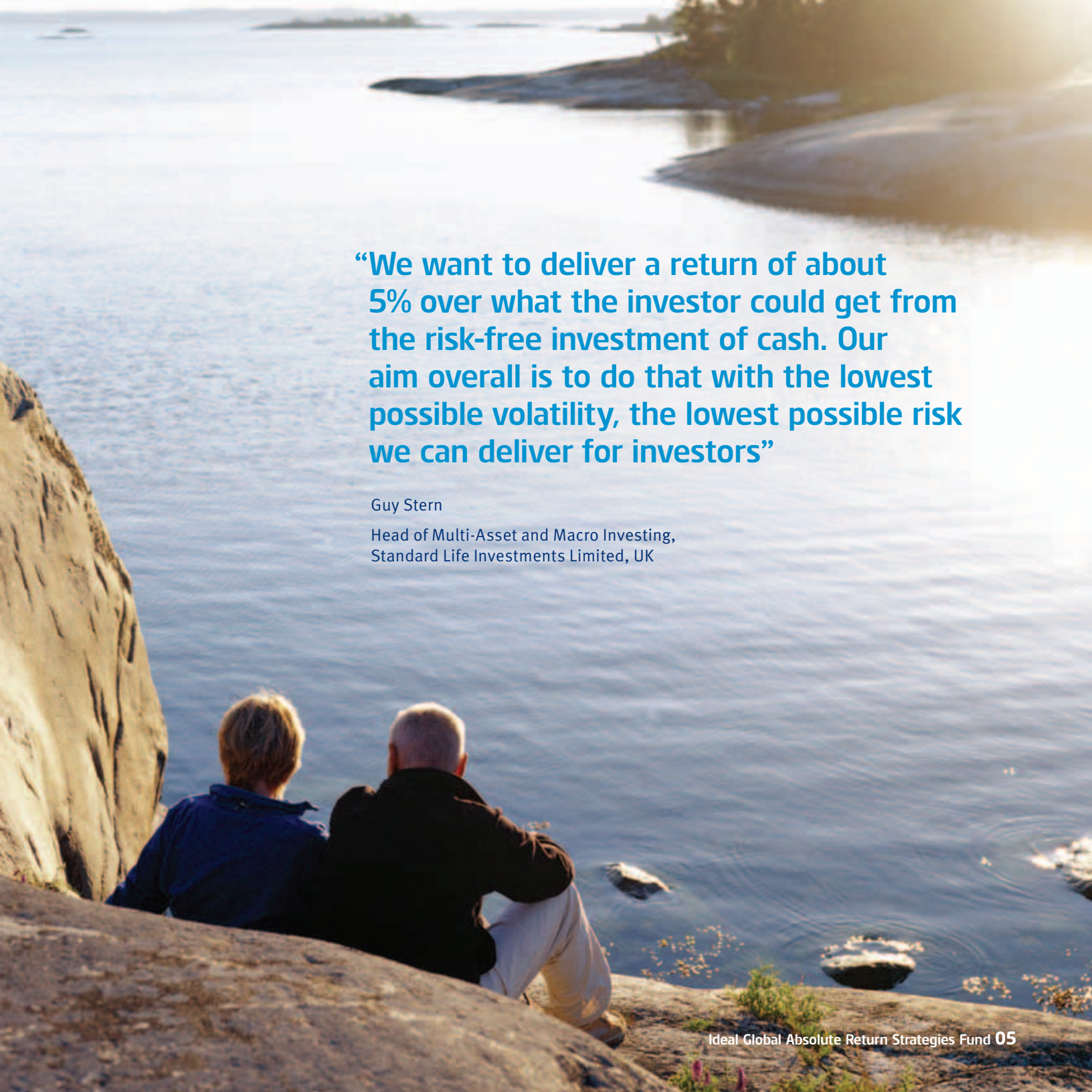
Stock selection is another source of performance where the experienced portfolio managers seek to give superior returns by active selection.

## **Directional**

Standard Life Investments Limited takes positions on specific market opportunities, where short and medium-term drivers change significantly, e.g. exchange rates – they may believe the US dollar is cheap compared to sterling and invest accordingly.

## **Relative value**

A relative value strategy lets Standard Life Investments Limited take advantage of differences between highly correlated markets to add value. For example, in an economic downturn they may prefer the defensive Swiss equity market to the German equity market, which is generally more affected by economic conditions. By taking the long term view across many strategies, they expect that at any given time some of them will be delivering positive returns.



**“We want to deliver a return of about 5% over what the investor could get from the risk-free investment of cash. Our aim overall is to do that with the lowest possible volatility, the lowest possible risk we can deliver for investors”**

Guy Stern

Head of Multi-Asset and Macro Investing,  
Standard Life Investments Limited, UK

# Portfolio management you can trust

Standard Life Investments Limited<sup>4</sup> is a leading asset manager with an expanding global reach. Their wide range of investment solutions is backed by a distinctive Focus on Change investment philosophy, disciplined risk management and shared commitment to a culture of investment excellence.

Headquartered in Edinburgh, Standard Life Investments Limited employs more than 1,000 talented professionals and maintains offices in a number of locations around the world including Boston, Hong Kong, London, Beijing, Montréal, Sydney, Dublin, Paris and Seoul. In addition, they have close relationships with leading domestic players in Asia, including HDFC Asset Management in India and Sumitomo Mitsui Trust Bank in Japan.

<sup>4</sup> As at June 30, 2013, Standard Life Investments Limited managed CDN\$286 billion on behalf of clients worldwide.



# Who are the experts behind the GARS strategy?

The GARS strategy is managed by Standard Life Investments' Multi-Asset Investing Team, primarily located in the UK. The team consists of more than 25 investment professionals, with an average of 17 years of investment experience.

The team is headed by Guy Stern, who has been responsible for the day-to-day running of multi-asset investments since 2008. He has 30 years of experience in the industry, formerly as CIO and Head of Multi-Asset Investing at Credit Suisse.

The team incorporates 3 key areas:

## Multi-asset management

- ▶ Headed by Guy Stern
- ▶ Responsible for identifying, developing and implementing strategies
- ▶ Manages the portfolio on a day-to-day basis



**Guy Stern**  
Head of Multi-Asset and Macro Investing, Standard Life Investments Limited (UK)

## Strategic research

- ▶ Headed by Andrew Milligan, who has over 30 years of industry experience
- ▶ Responsible for developing themes behind the investment strategies
- ▶ Seeks performance rationale for each strategy



**Andrew Milligan**  
Head of Global Strategy, Standard Life Investments Limited (UK)

## Risk analysis

- ▶ Headed by Dr. Brian Fleming, a multi-asset risk expert with 11 years of industry experience
- ▶ Responsible for risk and structuring within multi-asset investing
- ▶ Provides quantitative discipline to the portfolio management process



**Dr. Brian Fleming**  
Head of Multi-Asset Risk and Structuring, Standard Life Investments Limited (UK)

# What are segregated funds?

## Funds with built-in guarantees can help you keep calm - even when markets aren't

Segregated funds are similar to mutual funds, but with a few important differences. Like mutual funds, they pool the investments of many people, so that the money of all the investors can work together. However, a segregated fund is an insurance contract (technically, an individual variable insurance contract) and you can only buy one from a life insurance company.

Unlike mutual funds, they limit your exposure to market downturns with guarantees that, in certain circumstances, can protect your money for you or your estate. When you invest in the Ideal Global Absolute Return Strategies Fund, you combine the benefits of segregated funds with the benefits of absolute returns investing – a potentially powerful combination!

## Additional benefits:

### Probate bypass opportunities

Probate is a legal process that certifies a will and transfers assets to heirs. It can be time consuming and expensive, as most provincial governments charge probate fees. Since segregated funds are insurance contracts, they don't flow into the estate if you have a designated beneficiary on your contract.

- ▶ Your beneficiaries receive the money quickly
- ▶ There are no probate fees taken from the value of the investment

**Note:** This advantage isn't applicable in Quebec, where notarial wills don't need to be probated, and holograph wills and wills made in the presence of witnesses have minimal probate fees.

### Privacy

Once a will is probated, it becomes a publicly available record in the province of residence. Segregated funds with a named beneficiary don't form part of an estate. Your beneficiaries can receive their inheritance quickly and privately.

### Potential for creditor protection

If you go bankrupt or are exposed to a lawsuit, having a preferred class beneficiary can protect the money held in a segregated fund from being seized.

- ▶ If you are a professional or business owner, you should explore this further
- ▶ You should also consult a legal advisor since there are some circumstances where the protection may not apply

# How Ideal Segregated Funds Signature 2.0 can work for you

The Ideal Global Absolute Return Strategies Fund is available with the Ideal 75/75 Series, which is part of the Ideal Segregated Funds Signature 2.0 contract. If you're looking for a fund designed to deliver positive absolute returns over the medium to long-term in all market conditions, it could be ideal for you. You'll also gain access to built-in guarantees, designed to help maximize your protection in down markets and access growth in up markets.

## Ideal 75/75 Series

### Get the Standard Life segregated fund advantage

Payout Benefit Guarantee on registered retirement income plans protects your retirement income over the lifetime of the series (provided the 10 year minimum period is met)

Dollar-for-dollar reduction of guarantees on registered retirement income plans could leave you or your beneficiaries with more money

75% Maturity and Payout Benefit Guarantee  
75% Death Benefit Guarantee

Series-based Maturity (and Payout) Benefit Guarantees mean all your premiums are eligible for the guarantee at the same time as your initial premium

Benefit from lower management fees with our Platinum Option

Sigma Assistel gives you access to a 24/7 phone resource line for non-financial matters. Get expert advice on everything from legal matters to resources to help maintain/repair your home

### Estate preservation

75% Death Benefit Guarantee

Opportunities to bypass probate fees and delays<sup>5</sup>, as well as legal, accounting and executor fees

### Additional segregated fund benefits

Help protect your assets in the event of a bankruptcy (there are some situations where creditor protection doesn't apply – ask a legal advisor)

The Standard Life Assurance Company of Canada is a member of Assuris – the protection for Canadian insurance contractholders

<sup>5</sup> In Quebec, notarial wills don't need to be probated. Probate fees are minimal for both holograph wills and wills made in the presence of witnesses.

# Who is the Ideal Global Absolute Return Strategies Fund for?

## **This fund may suit you if you:**

- ▶ Want to invest in a fund that aims to provide positive investment returns over the medium to long term in all market conditions
- ▶ Are looking for a fund to diversify an existing portfolio
- ▶ Are looking for an alternative to conventional global equities
- ▶ Want to invest in an absolute return strategy and benefit from daily pricing and liquidity, transparency, low minimum investment and competitive fees
- ▶ Want the added peace of mind that segregated fund guarantees and other benefits are designed to provide

## **This fund may not suit you if you:**

- ▶ Do not want to take any risk with your capital
- ▶ Do not want to invest in a fund that uses financial derivatives
- ▶ Have an investment time horizon of less than five years



# Important things to consider

## Remember

**The GARS Fund is exposed to financial derivatives and is not without risk.**

**It has a medium to long-term time horizon.**

## Extensive use of derivatives

In order to achieve its objectives, the GARS Fund uses a combination of traditional investments (such as equities, bonds and foreign exchange) and advanced techniques where it can use derivatives extensively.

Derivatives are financial instruments that derive their value from an underlying asset, such as a share or bond, and are used routinely in global financial markets. Used carefully, derivatives offer an effective and cost-efficient way of investing in markets. However, derivatives can lead to increased volatility of returns in a fund, thus requiring a robust and extensive risk management process. While the GARS Fund will not borrow cash for investment purposes, the total value of exposures to markets will routinely exceed the GARS Fund's net asset value. Derivatives may be Exchange Traded or Over the Counter (OTC).

## Use of “short” positions

The GARS Fund, by employing certain derivative techniques, will establish both “long” and “short” positions in individual stocks and markets. Investing on a “long” basis means that the value of the derivative will rise or fall in the same direction as the underlying market value of the asset from which it is derived. If investments are made on a “short” basis the value of the derivative will rise or fall in the opposite direction to the underlying market value of the asset from which it is derived.

## Counterparty risk

The portfolio manager may use one or more separate counterparties to undertake derivative transactions on behalf of the fund. From time to time the GARS Fund may be required to pledge collateral, and when this is required it will be paid from within the assets of this fund. When a derivatives contract moves in favour of the fund there is a risk that the counterparty may wholly or partially fail to honour their contractual obligations under the arrangement. The portfolio manager assesses the creditworthiness of counterparties as part of the risk management process and will ordinarily hold collateral to mitigate this.

## Active fund management

The majority of risks within traditional investment funds are driven by the type of investments held (i.e. equities, fixed income or property, etc). The risks that fund management decisions add are generally of a smaller magnitude than those of the asset types themselves. The GARS Fund doesn't have a structure where most of the returns are generated from traditional asset types. Instead, it derives most of its returns from very specific strategies. As a result, the risks of the GARS Fund are driven primarily by these fund management decisions, and less by the characteristics of the underlying traditional asset types.

## Correlation

The GARS Fund will invest in a diverse set of investment strategies, which in the opinion of the portfolio manager have attractive risk/reward characteristics. While the breadth of the strategies is significant, should they start to exhibit closer correlation (i.e. move in the same direction as one another), the GARS Fund may be subject to a higher level of risk and volatility than anticipated.



# Find out more

Speak to your advisor.

[www.standardlife.ca](http://www.standardlife.ca)

Ideal 75/75 Series is offered on our Ideal Segregated Funds Signature 2.0 Contract, which is an insurance product. A description of the key features and the terms and conditions of Standard Life's Ideal Segregated Funds Signature 2.0 is contained in the Information Folder and Contract. The information has been simplified for the purposes of this document and, if there are any inconsistencies between the information presented in this document and the Ideal Segregated Funds Signature 2.0 Information Folder and Contract, the Information Folder and Contract will prevail.

Subject to any applicable guarantees, any part of the premium or other amount allocated to an Ideal Segregated Fund is invested at the risk of the contractholder and may increase or decrease in value according to fluctuations in the market value of the assets of the Ideal Segregated Fund.

In addition, performance of Standard Life Investments Global SICAV Global Absolute Return Strategies Fund is not guaranteed. This fund is not a substitute for cash or deposits. In order to achieve its investment objective, the Standard Life Investments Global SICAV Global Absolute Return Strategies Fund will make extensive use of derivatives.

This document is intended for general information only. It should not be construed as legal, accounting, tax or specific investment advice. The information contained herein is subject to change without notice and The Standard Life Assurance Company of Canada and its affiliates make no representation or warranty as to the accuracy of this information and assume no responsibility for reliance upon it.