

Connect to next generation investing

David Bint reveals how the Enhanced-Diversification Growth Fund benefits investors looking for low-volatility growth

The Standard Life Investments Enhanced-Diversification Growth Fund (EDGF) is an innovative multi-asset approach for investors seeking low-volatility growth. Specifically, the fund aims to deliver an **equity-like return over a market cycle** – (typically five to seven years), but with only **two-thirds of equity market volatility**.

Since launch in November 2013, EDGF has performed strongly and consistently on both an absolute basis and relative to global equities, returning 6.3 per cent per annum gross of fees [Chart 1]. Moreover, the fund has met its volatility objective, with around just two-thirds of the volatility of global equities.

EDGF benefits from two of our

core strengths in multi-asset investing, namely, dynamic management of traditional market investments, as well as the expertise of our award-winning multi-asset investing team. Additionally, EDGF takes advantage of the intellectual insight of our views on markets and also leverages our market-leading risk management infrastructure.

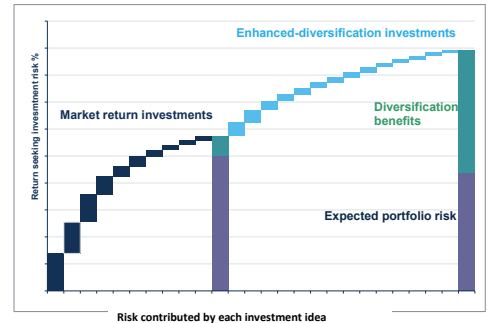
Superior risk diversification limits volatility

Investors have long sought lower-risk capital growth. Using our expertise in diversification, we designed EDGF to match the returns of traditional growth assets, while smoothing out the peaks and troughs typical of these markets.

EDGF is an extension of the diversified growth concept. However, unlike traditional diversified growth funds, we are not restricted to investing in growth assets alone. As well as actively allocating to traditional market return assets, we also invest in a blend of enhanced-diversification strategies, carefully selected to perform well with the growth assets. In this way, we seek to capture the benefits of rising equity markets while limiting losses when markets decline [Chart 2].

Importantly, each of the enhanced-diversification investments we choose

Chart 2: EDGF: A well-diversified portfolio of return-seeking investments



for EDGF not only provides genuine diversification, but also targets a positive return on its own merits.

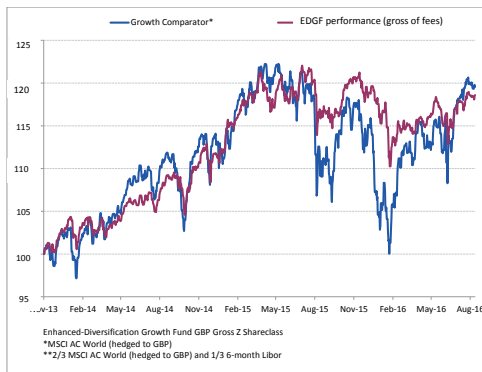
Demonstrating resilience even in the toughest market conditions

Such are the vagaries of markets that a portfolio of investments might seem well-diversified in good market conditions, but they might all behave in a similar and downward manner in times of extreme market stress.

To help EDGF to withstand testing market conditions, we assess how our current portfolio would perform in a series of diverse market stresses that have happened in the past. Additionally, we test for 'extreme but plausible' stress events that might occur in the future.

Since launch, EDGF has consistently met its performance objectives, delivering equity-level returns with around two-thirds of equity market volatility. This solid track record is testament to our innovative approach to managing investment risk.

Chart 1: Performance of EDGF versus global equities (20/11/13 to 31/8/16)



EDGF: Superior risk-adjusted performance

	Annualised return	Annualised volatility
EDGF	6.3%	6.7%
Global Equities	6.6%	10.4%

Source: Standard Life Investments, gross returns from 20 November 2013 to 31 August 2016. Global Equities references MSCI ACW Index (hedged to sterling).

EDGF

- delivering superior risk-adjusted performance, generating equity-level returns over the market cycle with around just two-thirds of equity market volatility
- achieving superior risk diversification to limit volatility
- demonstrating resilience even in the toughest market conditions



Written by David Bint, investment director, multi-asset investing, Standard Life Investments

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