

# Strengthening your investment choices

WE have come a long way over the past five years, and this is evidenced through the significant enhancements that we have made to our investment choices. We have added over 20 new funds across our active and passive choices, with more to come.

There has been a seismic shift from actively managed funds to passively managed, or index tracking, funds. And when you consider the simplicity, affordability, consistency, and reliability of performance, as well as the choice associated with passive funds, it's easy to see why you and your clients are contributing to this shift. That is not to say that there isn't a place for actively managed funds in a portfolio. There is. Very good active funds and active managers exist.

*"Don't look for the needle in the haystack. Just buy the haystack."* – **John.C Bogle**

However, it's often difficult to find an active house that can consistently outsmart the market across all asset classes and sectors. This goes some way to explain the popularity of our Global Index Funds, a suite of highly diversified Vanguard multi-asset funds that we launched three years ago.

## Standard Life's Global Index Funds

### Simplicity

These funds are outwardly simple, inwardly sophisticated. There's no explaining complex strategic or tactical asset allocation strategies. There's no over or under weighting certain asset classes, sectors or stocks. The market-capitalisation of global equities and global bonds is the asset allocation of the funds. They're easy to choose and easy to use. The funds do all of the heavy lifting, freeing your time up to focus on where you add real value: guiding your clients on their journey to and through retirement.

### Predictability in performance

Each of the underlying funds within the range are managed by Vanguard, a pioneer in the index tracking space. Vanguard has consistently delivered on their objective of delivering long-term investment returns in line with the indexes that they track, providing you and your clients with confidence and predictability in terms of investment performance. The performance conversation is off the table with your clients. Market returns will dictate investment returns. The past performance of the funds can be seen in the following table.

Fund	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.
Global Index Fund 20	6.0%	-2.5%	-0.2%	1.5%
Global Index Fund 40	9.0%	-0.2%	2.6%	3.6%
Global Index Fund 60	12.0%	2.5%	5.2%	5.7%
Global Index Fund 80	15.0%	5.0%	7.8%	7.8%
Global Index Fund 100	18.1%	7.4%	10.3%	9.8%

Source: FE fundinfo 2024, Performance to 1 August 2024 for 1-Year and 31 July 2024 for 3, 5 & 10 year data, net of annual management charge, gross of taxes and adviser charges. The actual return achieved by policies may be lower because of these charges and taxes. The Standard Life Global Index Funds launched in August 2021. In order to show the pre-launch, historic performance of similar portfolios, we use the past performance of the underlying funds in which Standard Life Global Index Funds invest in. These underlying funds, where relevant, are the Vanguard Global Stock Index Institutional EUR (ISIN IE00B03HD191), the Vanguard Emerging Markets Stock Index Institutional EUR (ISIN IE0031786696) and the Vanguard Global Bond Index Institutional Plus Hedged Acc EUR (ISIN IE00BGZ0B53). This performance track history assumes the respective fixed allocations of Developed and Emerging Market Equities and, Global Bonds where relevant, to each fund. The 3, 5 and 10-year past performance of each portfolio is reflective of asset allocation rebalancing on a monthly basis. Please note that the Standard Life Global Index Funds are rebalanced on an ongoing

basis. The annual management charge (AMC) of these underlying funds is different to the AMC of the Standard Life Global Index Funds.

### Diversification

There are five funds in the Global Index Funds suite. The Global Index Funds 20, 40, 60 and 80 invest across developed and emerging market equities and investment grade government and corporate bonds. The Global Index Fund 100 invests in developed and emerging market equities only. The number in the fund name represents the equity allocation in each.

The equity component of each fund is based on the market-cap weight of developed and emerging markets, which is about 89% to developed markets and 11% to emerging markets. The equities are diversified across almost 3,000 securities, 11 sectors and 48 countries.

The bond allocation is typically 64-65% to investment grade government bonds and 35-36% to investment grade corporate bonds. The bonds are diversified across almost 15,000 securities, 13 sectors and up to 77 countries.

### Ongoing rebalancing

The importance of a rebalancing strategy should not be underestimated. If a fund's promise is to deliver market returns, then a quarterly, or even monthly, rebalancing strategy may allow for too much portfolio drift. The Global Index Funds are rebalanced regularly and within a very tight threshold to ensure that the allocation to equities and/or bonds remains as constant as possible.

### Affordability

Costs matter. The Global Index Funds can be accessed with an annual management charge (AMC) as low as 0.45%. Remember, the AMC is the TER on all of our Vanguard funds.

## A NEW investment choice – the Standard Life Vanguard Global Small-Cap Index Fund

Advisers have been asking us for a passive choice that would provide their clients with access to Global Smaller Companies sector and its performance, at an affordable cost. We have listened and we have delivered. We have now launched the Standard Life Vanguard Global Small-Cap Index Fund to our index tracking fund choice. This is the eighth standalone index tracking fund that we have made available from Vanguard. The fund tracks the MSCI World Small Cap Index of over 4,000 global smaller companies, across 12 sectors and 23 developed market countries. The fund is attractively priced from 0.55%.

The addition of a passive small-cap fund now brings Standard Life's small cap offering to four. We also provide three actively managed funds from abrdn. The Global, European and UK Smaller Companies Funds.

It is worth noting that there are certain asset classes, like infrastructure, and certain sectors, like smaller companies, where actively managed funds can thrive. Our actively managed Smaller Companies Funds have consistently shown this to be true over the long term. However, for those that are cost conscious and are happy to accept market returns in the small-cap space at an attractive price, then this new passive option might be of interest.

**Please visit [standardlife.ie/adviser](https://standardlife.ie/adviser) for details on all of our funds.**

**Warning: Past performance is not a reliable guide to future performance.**

**Warning: The value of an investment in these funds may go down as well as up.**

**Warning: This investment may be affected by changes in currency exchange rates.**

**Warning: If you invest in these funds you may lose some or all of the money you invest.**



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