

# Standard Life

## American Equity Fund (UBS Global) UBS Global Asset Management (Canada)

Lead Manager(s): John Leonard

Performance Review Date: December 31, 2013

**Investment Objective:** The objective of the fund is to outperform the returns of both the Russell 1000 Index and the S&P 500® Index over a full market cycle.

**Investment Style:** Core

### Annual Fund Performance (%)

	2009	2010	2011	2012	2013	5 yrs
<b>American Equity Fund (UBS Global)</b>	13.28	7.68	-0.20	11.28	44.57	14.39
S&P 500 Index (Can\$)	8.08	9.35	4.41	13.48	41.53	14.66
Value Added (+) / Lost (-)	5.20	-1.67	-4.61	-2.20	3.04	-0.27
Quartile Ranking <sup>(1)</sup>	1st	3rd	3rd	4th	2nd	3rd

### Annualized Performance – Relative Rankings <sup>(1)</sup> (ending December 31, 2013)

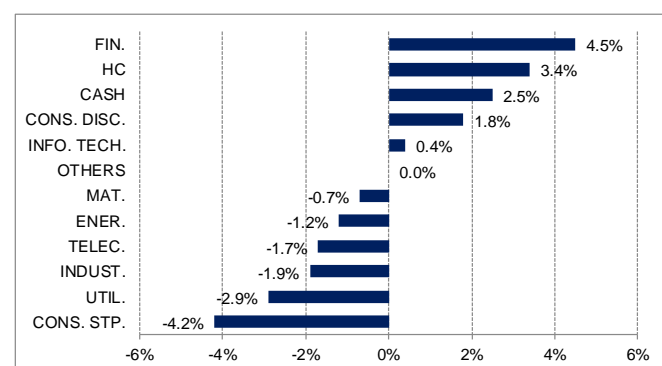
3 years	3 <sup>rd</sup>	Quartile
5 years	3 <sup>rd</sup>	Quartile
7 years	4 <sup>th</sup>	Quartile
10 years	3 <sup>rd</sup>	Quartile

### Risk Characteristics (5 years ending December 31, 2013)

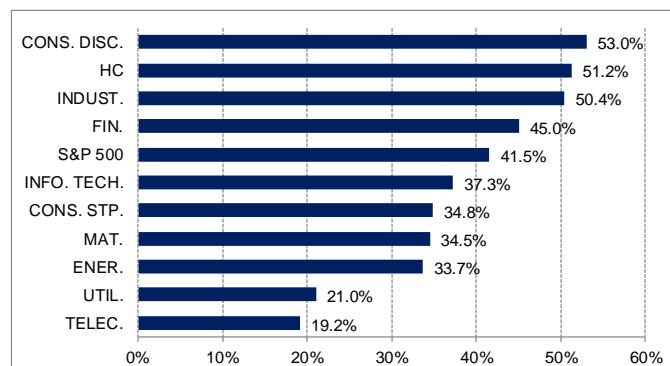
Downside Volatility	2.77%	2 <sup>nd</sup>	Quartile
Standard deviation	12.56%	2 <sup>nd</sup>	Quartile
Tracking error	3.73%	3 <sup>rd</sup>	Quartile
Information ratio	-0.04	3 <sup>rd</sup>	Quartile
Beta	1.07	1 <sup>st</sup>	Quartile

### Portfolio Positioning

#### Fund Sector Deviations



#### Year-to-date Index Sector Performance



### Short-Term Performance Analysis

- In 2013, the fund outperformed its benchmark and ranks in the second quartile relative to its peers.
- Security selection was the main driver of added value, particularly within the Industrials and Information Technology sectors.
- Sector allocation produced negative results, primarily due to an overweight position in cash.
- Based on the S&P 500 Style indices, Growth stocks outperformed on average. Given the fund's Core investment bias, its style had no impact on short-term performance.

## Long-Term Style Analysis

	2009	2010	2011	2012	2013	5 years
<b>Outperforming Investment Style</b>	Growth	Value	Growth	Value	Growth	Growth

## Long-Term Performance Analysis

- The fund underperformed its benchmark in three of the past five years but is in line with its benchmark on a five-year annualized basis. This long-term performance ranks it in the third quartile when compared to its peers.
- Sector allocation was negative more often than not and was the main detractor of relative value on a five-year annualized basis.
- Security selection produced positive results over the long term.
- Based on the S&P 500 Style indices, Growth stocks outperformed on average. Given the fund's Core investment bias, its style had no impact on long-term performance.

## Significant Corporate Events

### Corporate

- In December 2012, Fiera Capital Corporation ("Fiera") announced that it has reached an agreement with UBS Global Asset Management (Canada) Inc. ("UBS Global AM"), to purchase UBS Global AM's Canadian fixed income, Canadian equity and domestic balanced account business representing assets under management of approximately \$8 billion for a cash consideration of \$52 million, subject to certain adjustments. The transaction, which is subject to customary conditions, including regulatory approval, is expected to close in the first quarter of 2013.

### Fund Specific

- The current assets in the Standard Life American Equity Fund (UBS Global) will transfer to Fiera Capital managed funds on March 5, 2014. On this date units in this underlying fund will be sold and units in the new underlying Fiera US Equity Fund will be purchased. For investors holding these funds in non-registered accounts, this transition could result in a taxable event. The tax consequences will depend on each individual investor's cost basis in the fund.
- In January 2013, Fiera Capital Corporation (Fiera) announced the closing of the transaction under which Fiera acquired the Canadian fixed income, Canadian equity and domestic balanced account business from UBS Global Asset Management (Canada) Inc. The assets of Standard Life American Equity Fund (UBS Global) will remain invested in the underlying fund, the UBS (Canada) American Equity Fund.
- In September 2012, UBS Global Asset Management announced that Tom Digenan has been appointed Head of US Equities Core/Value. He will also assume lead portfolio manager responsibilities for most US Equities Core/Value strategies, including the UBS (Canada) American Equity Fund. Mr. Digenan has been with the firm for nearly 20 years, including 10 years as Senior Equity Strategist on the US Equities Core/Value team. Scott Wilkin has been appointed to the role of Director of Research for the US Equities Core/Value team. Mr. Wilkin has been a member of that team since joining the firm in 2003 and has led the healthcare sector stock research and analysis since 2008. The UBS (Canada) American Equity Fund is the underlying fund for the Standard Life American Equity Fund (UBS Global).
- In March 2012, UBS Global Asset Management announced that Tom Cole, Head of U.S. Equities, left the firm to pursue an outside opportunity. John Leonard, Global Head of Equities, assumed Mr. Cole's responsibilities on an interim basis until a replacement is identified.
- In June 2011, Greg Anderson has re-joined the UBS team, after a seven year break from the company, as an analyst in Financials. Michael Levy also joined the firm as an analyst for Insurance and REIT's. This follows the departure of three investment analysts in the Financials sector.

## Quality & Choice Commentary

- The American Equity Fund (UBS Global) is a bottom-up, core U.S. equity mandate that emphasizes investing in companies that trade at a low price/intrinsic value ratio. Added value is expected to be primarily a factor of superior stock selection.

**Conclusion:** The fund is No Longer Promoted as a Quality & Choice investment option as of January 2013, based on the analysis done at that time.

## Manager Outlook

- After a strong year of performance, the manager's bottom-up valuation currently suggests that the market is fairly to slightly overvalued on average. This contrasts with one year ago, when the data showed a market that was full of inexpensive stocks. As it stands today, they still see pockets of attractive valuations in areas such as financials, semiconductors, software and energy. The dispersion of valuations has also narrowed, suggesting that stock-picking remains critical.

<sup>(1)</sup> Quartile rankings are based on the underlying fund's returns.

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