

Standard Life

Tactical Bond Fund (SLMF) Standard Life Mutual Funds Ltd.

Lead manager(s): Terry Carr

Performance review date: June 30, 2015

Investment objective: The Fund's objective is to generate a combination of capital growth and income. The Fund invests primarily in fixed-income securities of Canadian and foreign issuers.

Investment style: Active

Annual fund performance (%)

	2011	2012	2013	2014	2015	YTD	5 yrs
Tactical Bond Fund (SLMF)	n/a	n/a	n/a	4.60	5.60	2.34	n/a
FTSE TMX Canada Universe Bond Index	n/a	n/a	n/a	5.33	6.25	2.37	n/a
Value added (+) / lost (-)	n/a	n/a	n/a	-0.73	-0.65	-0.03	n/a
Quartile ranking ⁽¹⁾	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Annualized performance – relative rankings ⁽¹⁾ (ending June 30, 2015)

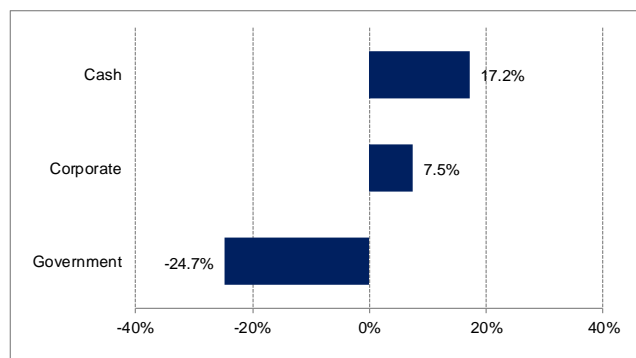
3 years	n/a
5 years	n/a
7 years	n/a
10 years	n/a

Risk characteristics

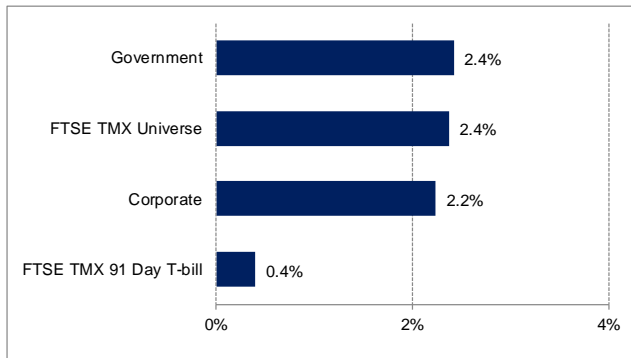
	2014	2015	Index 2015
Mod. duration (yrs)	n/a	6.50	7.53
Yield	n/a	n/a	1.96%
Corporate	n/a	36.32%	28.80%
Foreign	n/a	9.75%	0.00%

Portfolio positioning

Fund sector deviations



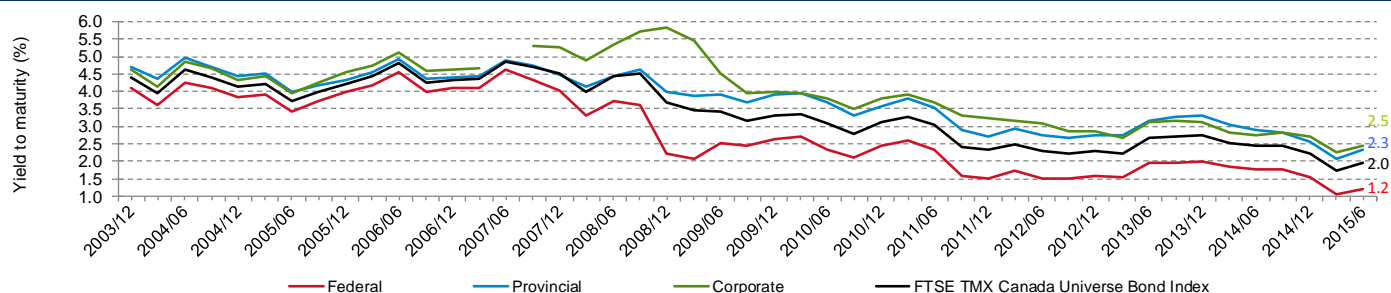
Year-to-date index sector performance



Short-term performance analysis

- Year-to-date, the fund produced returns that were in line with its benchmark.
- Sector allocation detracted from the relative performance, primarily due to an overweight position in cash.

Long-term yield-to-maturity analysis



Long-term performance analysis

- n/a

Significant corporate events

Corporate

- In September 2014, Manulife Financial Corp. announced the acquisition of Standard Life PLC's Canadian operations. This transaction was closed on January 30, 2015, and the company is now part of Manulife.

Fund specific

- In May 2015, as part of the planned integration process, Manulife Asset Management (MAM) implemented changes to some investment teams and capabilities.

Going forward, the fixed income team responsible for all actively managed Canadian fixed income strategies would be headed by Terry Carr, the Head of MAM Canadian Fixed Income Team in Toronto. Jean-Pierre D'Agnillo, Ara Froundjian and Jose Saracut from the former SLI Canadian fixed income team have joined the MAM team, expanding its membership to 14 investment professionals..Terry Carr assumes the management of the Tactical Bond Fund (SLMF)

Quality & Choice commentary

- The Fund is comprised of a diversified selection of fixed-income securities, which may include bonds, asset-backed securities, mortgage-backed securities or other fixed-income instruments. The Fund may also invest in Canadian and foreign issuers in Canadian or foreign currency. The portfolio manager will utilize a strategy of tactically allocating investments among various fixed-income asset classes. Tactical Asset Allocation (TAA) decisions are derived from the portfolio manager's analysis and reports that assess a number of factors which include, but are not limited to, available yields and quality of management.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- In September 2014, Manulife Financial Corp. announced the acquisition of Standard Life PLC's Canadian operations. This transaction was closed on January 30, 2015.
- In May 2015, the management responsibility of the Fund is transferred to MAM Canadian Fixed Income Team in Toronto and going forward the Fund will be managed by Terry Carr, Head of the MAM Fixed Income Team. We have since met with the team, and we are confident that the MAM team offers great depth and experience, has a proven track record and applies an investment process that is well structured and rigorous. We expect the Fund will be managed in a similar manner going forward.

Conclusion: Due to the fact that 1) we are confident that the change of management responsibilities to the MAM Fixed Income Team will not have a negative impact on the day-to-day management of the Fund, 2) the Fund will be managed in a similar manner going forward and 3) the Fund has produced returns that were in line with the benchmark over the short term, we continue to rate it a PASS.

Manager outlook

- The Fund manager believes that it is prudent to avoid having high sensitivity to interest rate changes. The Fund manager has a positive outlook for corporate bonds and believes that spreads may tighten on improving fundamentals. The Fund manager also believes that the demand for corporate bonds may remain robust as investors continue to search for yield in an environment of persistently low interest rates.

⁽¹⁾ Quartile rankings are based on the underlying fund's returns.

This report card is provided by Standard Life as a tool to assist you in the governance of your retirement plan.

Standard Life makes no representation or warranty, express or implied, as to the accuracy or completeness of the information provided. Though Standard Life has taken all reasonable measures to provide you with relevant information and professional opinions, based on reliable sources*, it reserves the right to correct any error or omission.

The opinion of Standard Life expressed in this report card shall not be the only factor to consider for decisions related to your plan's portfolio. Standard Life is not responsible for the outcome of decisions made based on the information and opinion provided in the report card.

* Sources may include, but are not limited to, Mercer MPA, Morningstar, Principia and Thomson Baseline

All rights reserved © 2015 The Standard Life Assurance Company of Canada

Standard Life Assurance Limited