



The Quality & Choice Investment program Report Cards provide detailed qualitative and quantitative information on funds offered in the program. They provide additional reporting and transparency in conjunction with the other compliance and governance tools offered.

**US Equity Fund (SLI)**  
**Standard Life Investments Inc.**

Lead Manager(s): Jeff Morris

Performance Review Date: December 31, 2013

**Investment Objective:**

Provides information on the fund's asset class, style, philosophy and benchmark. This can be of assistance in determining the suitability of a particular fund within a group savings and retirement program.

primarily in equities listed on a recognized U.S.

**Investment Style:**

Equity-based fund Report Cards are produced semi-annually, while Fixed Income and Real Estate funds are produced annually.

**Annual Fund Performance (%)**

**US Equity Fund (SLI)**  
 S&P 500 Index (Can\$)  
 Value Added (+) / Lost (-)  
 Quartile Ranking <sup>(1)</sup>

Detailed performance results including rate of return for the last 5 years, comparison against the stated benchmark, % value added or lost and the funds quartile ranking vs. peers. In a snapshot answers the question "how did the fund perform?"

	2010	2011	2012	2013	5 yrs
Value Added (+) / Lost (-)	3	2.68	15.68	42.16	14.29
Quartile Ranking <sup>(1)</sup>	3rd	3rd	2nd	1st	3rd

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

3 years	2 <sup>nd</sup>
5 years	3 <sup>rd</sup>
7 years	2 <sup>nd</sup>
10 years	3 <sup>rd</sup>

Quartile rankings for 3, 5, 7 and 10 year performance.

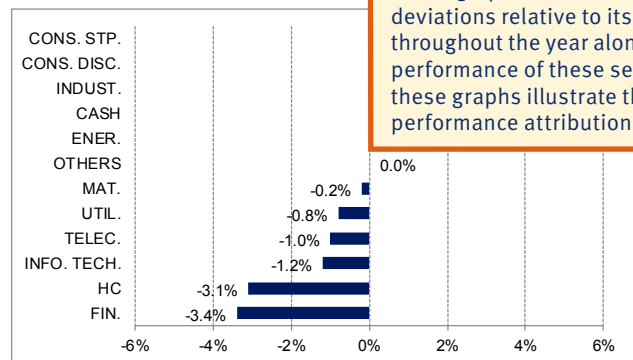
**Risk Characteristics**  
 (5 years ending December 31, 2013)

Downside Volatility	2.42%	4 <sup>th</sup>	Quartile
Standard deviation	11.28%	3 <sup>rd</sup>	Quartile
Tracking error	2.13%	4 <sup>th</sup>	Quartile
Information ratio	-0.07	3 <sup>rd</sup>	Quartile
Beta	0.99	3 <sup>rd</sup>	Quartile

Various quantitative information.

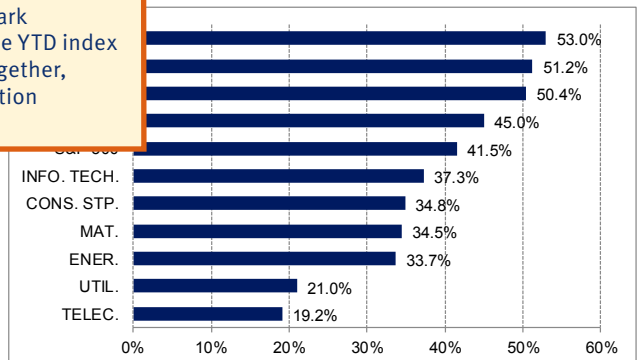
**Portfolio Positioning**

**Fund Sector Deviations**



These graphs show the fund's sector deviations relative to its benchmark throughout the year along with the YTD index performance of these sectors. Together, these graphs illustrate the allocation performance attribution.

**Index Sector Performance**



**Short-Term Performance Analysis**

- In 2013, the fund outperformed its benchmark relative to its peers.
- Security selection was the main driver of relative performance in the Consumer Discretionary and Financials 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.

Information relative to the contributing factors to short-term performance (one year) 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 the long term. This long-term performance ranks it in the third quartile of its peers.
- Sector allocation was the main detractor of relative performance on an annualized basis.
- Security selection produced mixed 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.

Information relative to the contributing factors to long-term performance.

## Significant Corporate Events

### Corporate

- There were no significant corporate events.

### Fund Specific

- Effective December 15, 2011, Standard Life Investments announced that U.S. equity funds would be managed by the Boston office of SLI, a team composed of 10 investment professionals. Following the change, Valerie Checchini, Vice President North American Equity, has decided to leave the firm.

As part of the regular and ongoing fund and manager evaluation process, details on significant events at the fund manager level (personnel changes, ownership, structural, etc.) are reported. In addition any events significant to the operation of the fund are reported.

## Quality & Choice Commentary

- The US Equity Fund (SLI) is a bottom-up, conservative management, solid financials, sustainable earnings growth, and primarily a factor of superior stock selection.
- Based on our due diligence, we are confident in the fund's investment philosophy and style.
- In late 2011, Standard Life Investments decided to transfer management of the larger U.S. equity team located in the Boston office to a larger U.S. equity team located in the Boston office. We are confident that the group of professionals in the Boston office has a reputable track record and will prove to be more robust than the previous management structure.
- Since these events, the fund has consistently added relative value and ranks in the higher quartiles. Outperformance has primarily been a factor of security selection, which is in line with expectations.

Commentary from the Quality & Choice Investment program team summarizes the results of the Report Card. Particular attention is paid to adherence of investment style and performance relative to benchmark. All funds are issued a grade of either PASS or WATCH or NO LONGER PROMOTED.

**Conclusion:** Due to the fact that 1) we are confident that the decision to transfer management responsibilities to the Boston office will provide a more robust US equity team structure for this asset class, and 2) the fund has consistently added relative value since these events, we continue to rate it a PASS.

## Manager Outlook

- While a gradual improvement over Fed 'tapering' will continue, European economies may remain weak. There is an element of caution as the manager continues his evaluation of the strength of SLI's non-core holdings. The manager is supportive, rising longer-term interest rates and uncertainty stabilization and even a little improvement in the Chinese and on bottom-up stock selection, seeking companies where appreciated by the market. As such, the manager will appropriately align the fund with the conviction levels and

Based on regular and ongoing communications with the fund manager, they provide their "view" of the fund's prospects, market conditions and outlook for the short to medium term.

<sup>(1)</sup> 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 © 2013 The Standard Life Assurance Company of Canada  
Standard Life Assurance Limited

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

The Standard Life Assurance Company of Canada  
Standard Life Assurance Limited

GE13673 GS 04-2014 ©2014 Standard Life