

Standard Life Aberdeen

Inside Track Series

November 2018

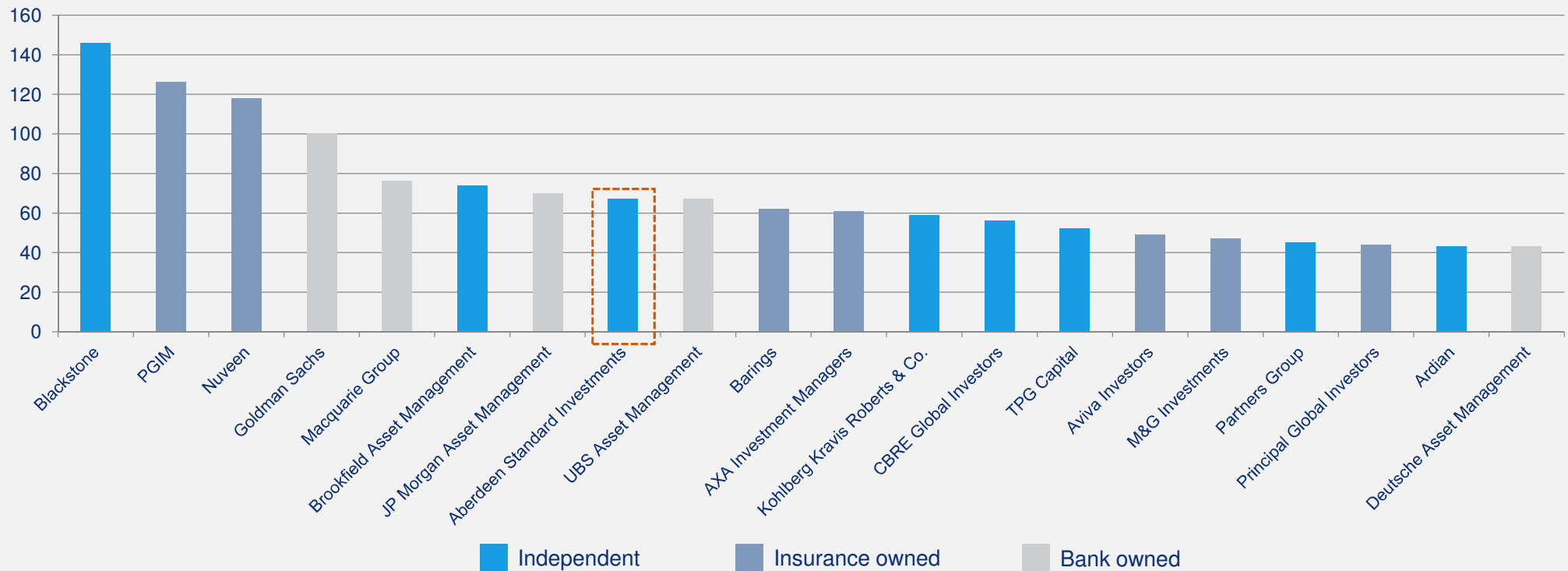
Private Markets

Peter McKellar, Global Head of Private Markets

Aberdeen Standard Investments is one of the largest private markets managers globally

Pure-play asset management – not bank or insurance owned

Largest global private markets managers – private markets AUM £bn

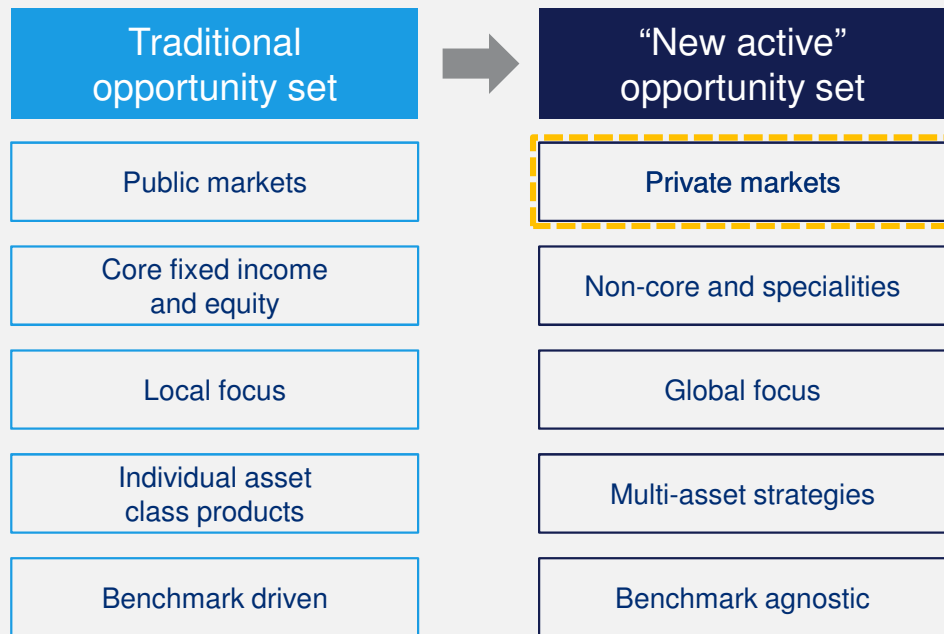


Source: Willis Tower Watson Global Alternatives Survey 2017. Aberdeen Standard Investments as at 30 June 2018 (includes cross holdings).

Private markets are key to success in a world of “new active” investing

Client demand for broader and deeper sources of performance and diversification

“New active” calls for a much broader opportunity set



Private markets – investment in unlisted assets

Real Assets

- Real estate
- Infrastructure
- Natural resources

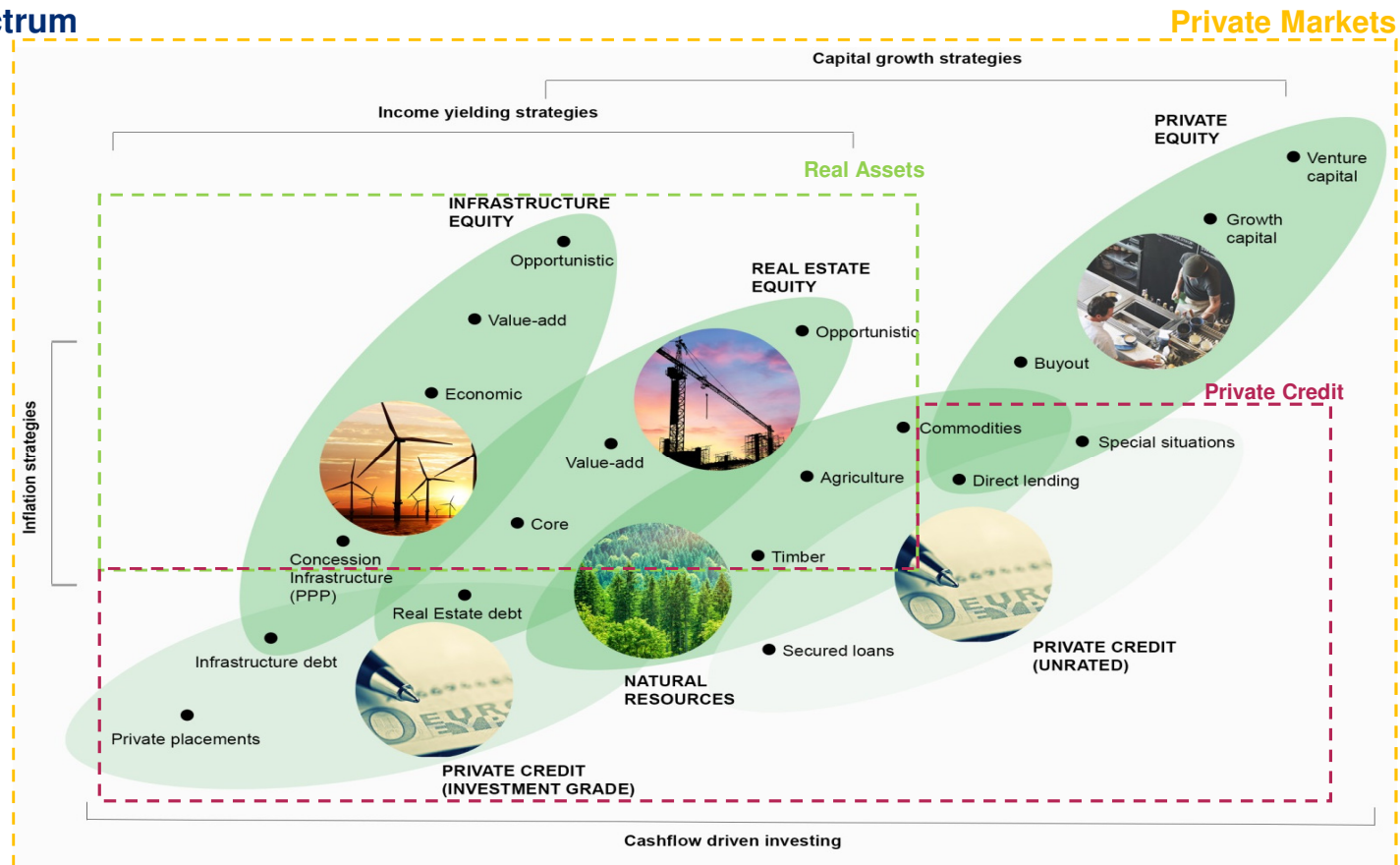
Corporates

- Private equity
- Private credit

Private markets investment universe is broad and varied

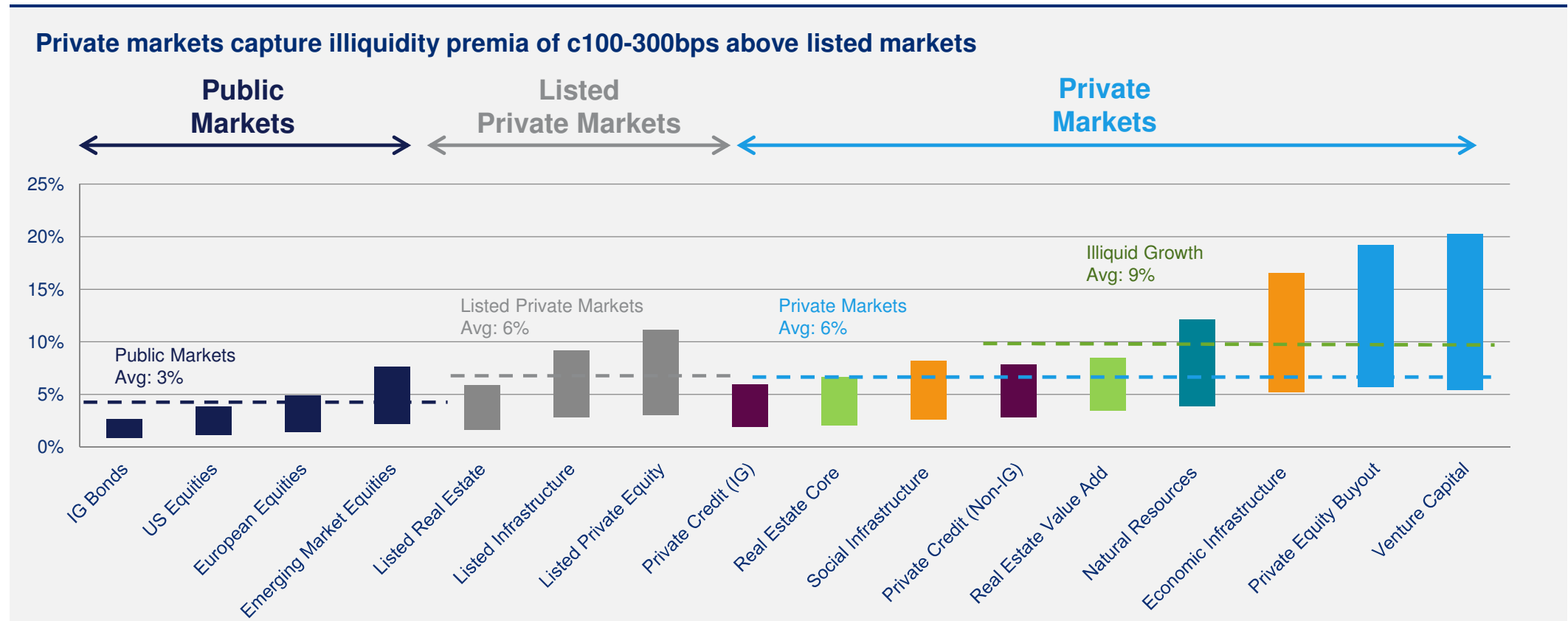
Helping to meet a range of client outcomes

The private markets spectrum



Why private markets?

Potential to offer higher returns than traditional asset classes



Note: Listed public markets dispersions were calculated based on volatility of relevant asset class in the period of Q2 2008 to Q2 2018. Dispersion of private markets assets estimated based on top quartile managers from Cambridge Associates data, time periods are subject to data availabilities. Source: Aberdeen Standard Investments (Long Term Outlook 2018 and Private Markets House View 2018), Thomson Reuters, Cambridge Associates

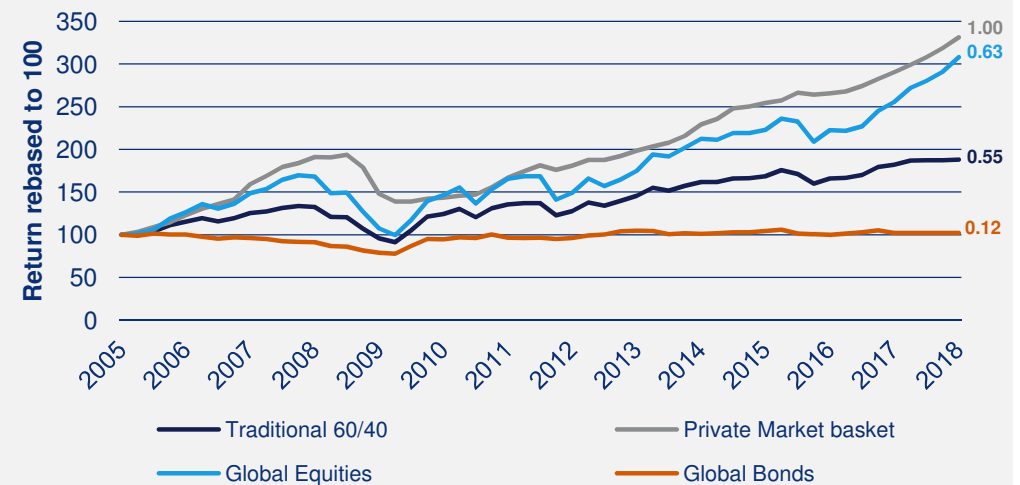
Why private markets?

Private markets offer lower correlation than traditional assets

Private markets asset classes offer low correlation of returns to public markets

Correlation table	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1 PE Global Buyout	1.00															
2 PE Global VC	0.80	1.00														
3 Infra Global	0.89	0.74	1.00													
4 RE Global Value Add	0.62	0.61	0.72	1.00												
5 RE Global Opportunistic	0.80	0.70	0.78	0.84	1.00											
6 Natural Resources	0.56	0.38	0.55	0.33	0.46	1.00										
7 Private Debt Global	0.87	0.68	0.71	0.40	0.62	0.54	1.00									
8 Listed PE	0.63	0.49	0.47	0.25	0.46	0.27	0.81	1.00								
9 RE Listed (Global)	0.46	0.32	0.34	0.16	0.36	0.15	0.63	0.85	1.00							
10 Listed Infra (Global)	0.12	0.08	0.10	0.02	0.13	0.15	0.17	0.39	0.65	1.00						
11 European Equities	0.59	0.44	0.4	0.16	0.35	0.32	0.66	0.83	0.75	0.54	1.00					
12 US Equities	0.37	0.38	0.20	0.11	0.28	0.16	0.47	0.72	0.75	0.75	0.77	1.00				
13 Barclays Global Aggregate Bond	0.27	0.10	0.18	0.13	0.03	0.09	0.57	0.63	0.68	0.30	0.61	0.37	1.00			
14 UK Equities	0.66	0.50	0.49	0.18	0.41	0.41	0.77	0.86	0.76	0.52	0.96	0.78	0.64	1.00		
15 Pacific (ex-J) Equities	0.73	0.49	0.61	0.22	0.40	0.43	0.81	0.77	0.64	0.23	0.80	0.48	0.70	0.86	1.00	
16 Japanese Equities	0.49	0.52	0.43	0.24	0.37	0.25	0.61	0.67	0.41	0.14	0.56	0.51	0.30	0.62	0.56	1.00

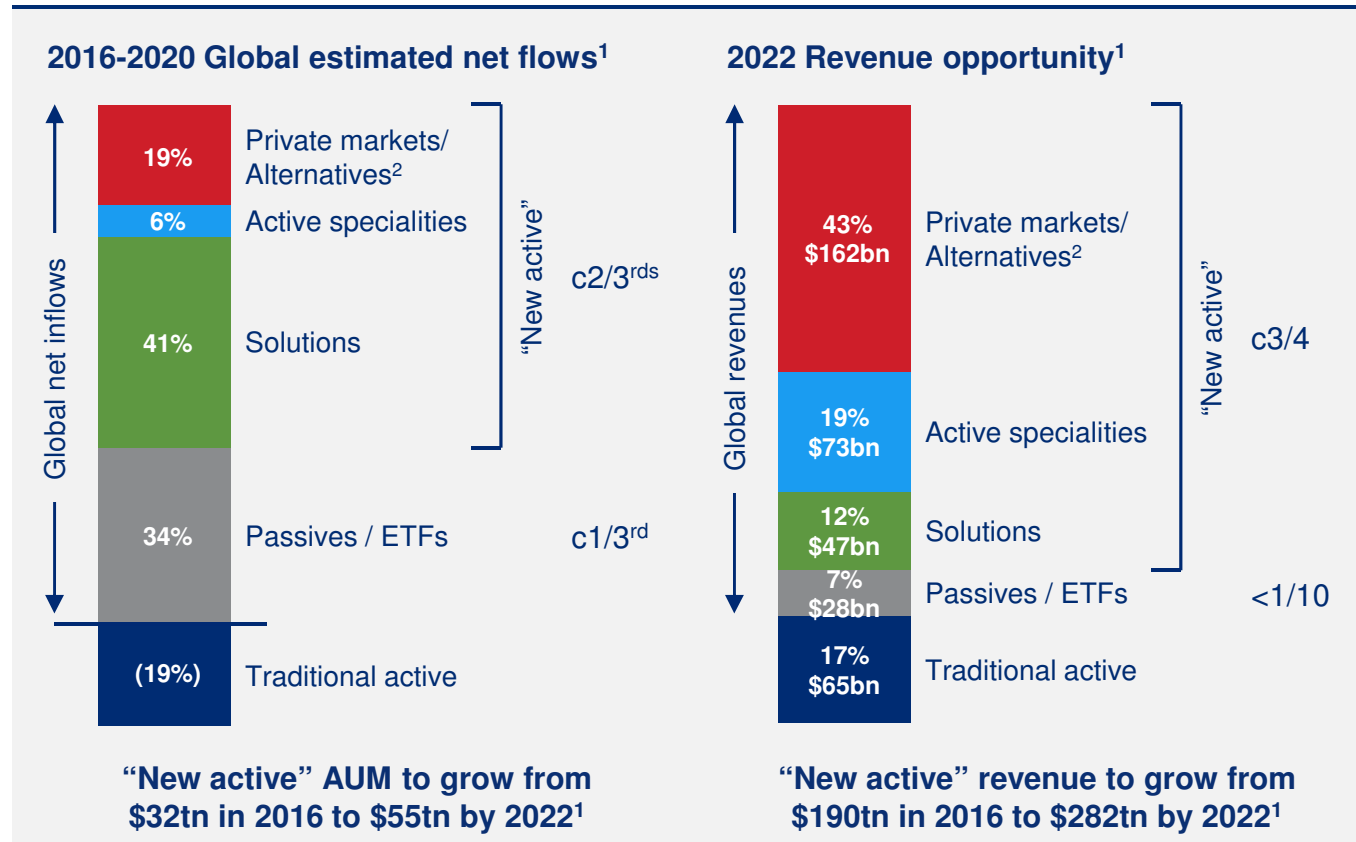
A private markets portfolio provides growth as well as diversification to a traditional 60/40 portfolio



	Global Equities	Global Bonds	Traditional 60/40	Private Markets Basket
Global Equities	1.00			
Global Bonds	0.58	1.00		
Traditional 60/40	0.97	0.71	1.00	
Private Markets Basket	0.63	0.12	0.55	1.00

Growing demand for private markets creates a significant revenue opportunity

Driven by mainstreaming of private markets asset classes



The opportunity to enhance returns by 'capturing' the illiquidity premia, generating alpha and 'dampening' listed market volatility

Evolution of portfolio construction with a focus on 'alpha' strategies supported by 'passive' or 'market' beta strategies

A greater focus on absolute return and fixed benchmarks in a lower return environment

A desire by larger investors seeking bespoke solutions to fill particular asset class gaps and return expectations

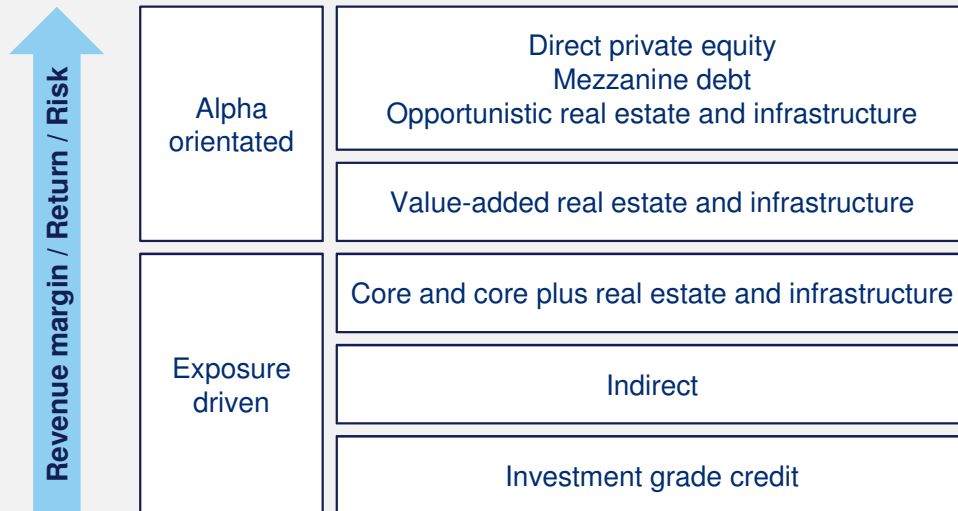
The convergence of traditional and private markets asset managers

1. Source: BCG, July 2016, July 2017 and July 2018. Percentages shown are as a proportion of global estimated net inflows into growth categories. 2. Includes hedge funds, private equity, real estate, infrastructure, commodity funds and liquid alternative mutual funds.

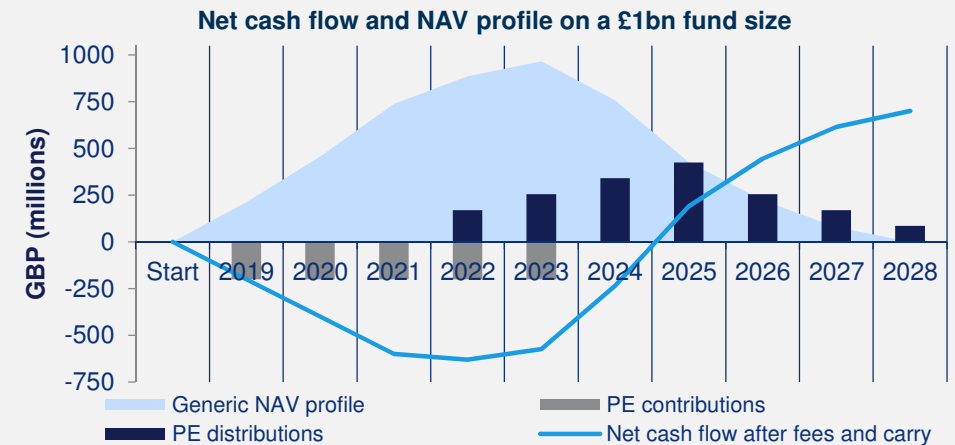
Superior revenue margins and stability of AUM in private markets

Attractive economics for asset managers

Superior client returns and value added through investment management expertise support higher revenue margins



Typical private markets fund profile improves stability of flows and AUM

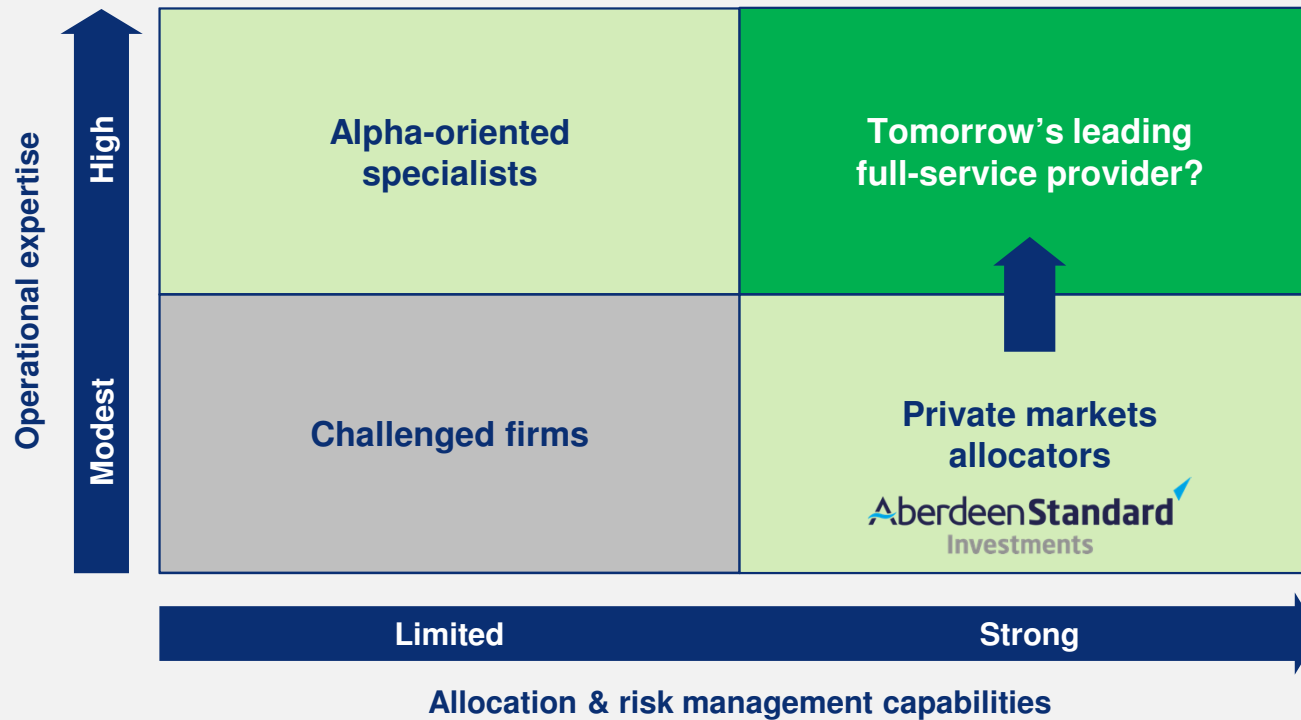


- Typical average private equity fund has a life of 7-10 years
- Predictable inflows during the investment phase and outflows during the realisation phase
- Stable revenue margins

Leveraging operational expertise and skills in asset allocation to create solutions

Creating client solutions key to future success in private markets

Operational capabilities framework



Broad range of private markets capabilities including real estate

With global presence and 400+ professionals across 19 offices around the world

Two franchises working closely together

Private Equity

- £13 billion AUM
- Capabilities across primaries, secondaries and co-investments across venture, growth and buyouts

Infrastructure

- £3 billion AUM
- Capabilities across concession and economic infrastructure

Natural Resources

- £500 million AUM
- Primaries, secondaries and co-investments in natural resources

Private Credit

- £1 billion AUM (+£5 billion managed by credit team)
- Capabilities across mid-market debt, ABS, commercial real estate lending, infra lending, fund financing and strategic credit

Private Markets Solutions

- £500 million AUM
- Capabilities in investing across all five private markets asset classes

Real Estate

- £39 billion AUM
- Capabilities across direct real estate, listed real estate and multi-manager

Private Markets



Peter McKellar
Global Head of Private Markets

Real Estate

David Paine
Co-Head Real Estate

Pertti Vanhanen
Co-Head Real Estate

Private markets senior leadership team

One of the most experienced and established teams in the market



Peter McKellar
Global Head of Private Markets
Edinburgh
Industry experience: 30+
Years at ASI: 19



Graham McDonald
Head of Global Private Equity

Edinburgh
Yrs in industry: 30+
Yrs at ASI: 30+

61 FTEs
Edinburgh, London, Boston/Stamford and Hong Kong



Gershon Cohen
Head of Concession Infrastructure

London
Yrs in industry: 30+
Yrs at ASI: 19+

39 FTEs
London, Edinburgh, Paris, Madrid, Amsterdam, Sydney and Bogota



Dominic Helmsley
Head of Economic Infrastructure

London
Yrs in industry: 25+
Yrs at ASI: 5+



Jim Gasperoni
Head of Real Assets

Boston
Yrs in industry: 25+
Yrs at ASI: 12+

6 FTEs
Boston



Steven Murray
Deputy Head of Private Markets

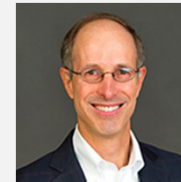
Edinburgh
Yrs in industry: 10+
Yrs at ASI: Joined in 2018



Nalaka De Silva
Head of Private Markets Solutions

Edinburgh
Yrs in industry: 15+
Yrs at ASI: 6+

5 FTEs
Edinburgh



Doug Cruikshank
Head of Fund Financing

New York
Yrs in industry: 25+
Yrs at ASI: Joined in 2018

10 FTEs
New York, London, Edinburgh



Ingrid Neitsch
Head of Strategic Credit

London
Yrs in industry: 25+
Yrs at ASI: 6+



Ajay Chitkara
Head of Asset Management Minority Investments

New York
Yrs in industry: 25+
Yrs at ASI: 1+

4 FTEs
New York

Increasingly global reach

Fast growing team with ability to attract leading talent

Our offices



Close to our clients and assets we invest in

- Over 400 professionals dedicated to private markets
- 19 offices around the world
- Enhanced by macro-research capabilities across Aberdeen Standard Investments

Attracting talent

- Private equity: 6 hires over last 12 months
- Infrastructure: 7 hires over last 12 months
- Fund financing: 6 hires over last 12 months, including acquisition of Hark Capital
- Solutions: 3 hires over last 12 months

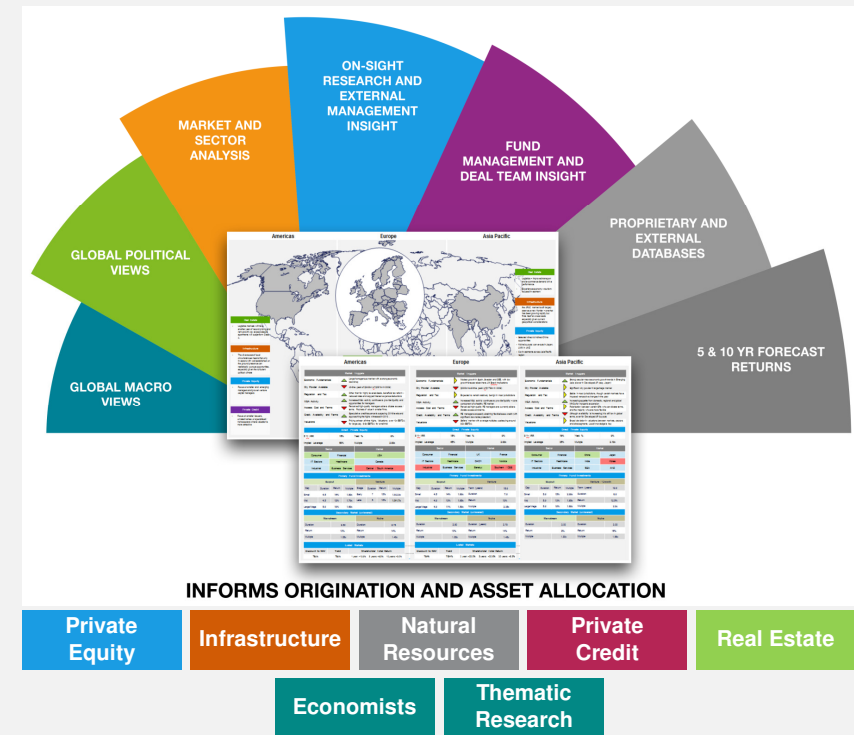
Focused on providing clients with exposure driven strategies across key geographies

Opportunity to grow alpha and solutions capabilities

Our client focused approach

- Offer access to a global suite of exposures across all major private markets asset classes
- Effectively manage risk through the cycle
- Consistently deliver returns at or above benchmark
- Provide clients with access to market leading research
- Deliver cross asset class insights and solutions
- Enhance economics through market leading scale

Our house view – taking a holistic view of private markets



Real breadth and depth of capabilities

With initiatives in place to accelerate growth

Existing strengths and current initiatives

Private Equity		Infrastructure		Natural Resources		Private Credit		Private Markets Solutions	
Europe	✓	Europe	✓	Europe	✓	UK	✓	Global	✓
North America	✓	Middle East	②	North America	✓	Europe	④		
APAC	③	North America	✓	APAC	②				
		APAC	②						
		Value-add	①						

- ① Extend real assets further into value-add space, particularly in infrastructure
- ② Expand core and core plus real assets in APAC and Middle East
- ③ Solidify APAC indirect private equity presence to give global coverage
- ④ Deepen debt capabilities in Europe

Private equity capabilities

Experienced team supporting evolution to more alpha capabilities

Leveraging our large and connected team, networks and research capabilities

AUM: £13bn
Professionals: 65
Fund commitments: 1,000+

Locations: Edinburgh
London
New York
Stamford
Boston
Hong Kong

Capabilities: Primary investments
Secondary investments
Co-investments
Venture capital
Asset management minority investments

Strong track record across a range of capabilities

Primary investments

Fund of funds – investing in private equity primary funds

Secondary investments

Acquire illiquid private equity fund interests from another investor

Co-investments

Investing directly into companies alongside direct managers

Venture capital

Provision of capital to early stage companies

Minority investing

Acquiring minority interests in private markets managers

Infrastructure capabilities

Delivering attractive, stable and predictable long-term returns

Significant capabilities across concession and economic infrastructure

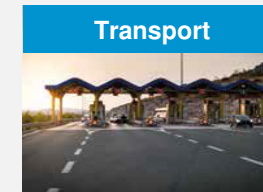
AUM: £3bn **Professionals:** 39 **Investments:** 124

Locations: Edinburgh
London
Paris
Madrid
Amsterdam
Sydney
Bogotá

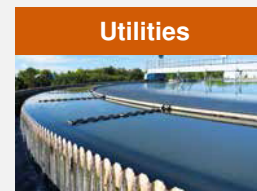
Capabilities: Concession infrastructure
Economic infrastructure

Assets with low volatility and little correlation to the economic cycle

- **Concession infrastructure** – Developing greenfield Public Private Partnerships through construction, into operation and then to exit



- **Economic infrastructure** – Core/core plus infrastructure assets that provide essential services with “monopolistic” characteristics



Private credit and private markets fund financing

Capabilities across the private credit landscape

Ability to leverage resource and experience of ASI Fixed Income business

AUM:

£6bn

(£5bn managed by credit team)

Professionals:

10

(+ leverage off ASI credit team)

Locations: Edinburgh
London
New York

Capabilities: Mid-market debt
Commercial real estate lending
Infrastructure lending
Fund financing
Asset backed securities
Strategic credit

Why invest in private credit?

Higher yield	Illiquidity premia, complexity premia and origination fees
Lower risk	Robust covenants and collateral can lead to lower loss rates
Diversification	Exposure to hard-to-access economic drivers
Cash flows	Cash flow matching against predictable cash flows and maturities

Examples of our capabilities:

Fund financing (£500m AUM)

- Launched in 2018 and co-created with Phoenix Group
- Provides credit facilities to private equity funds so that they can bridge investment requirements without having to draw capital from their investors
- Tailored to meet Solvency II requirements
- Captures the private markets illiquidity premia on an attractive risk adjusted basis

Strategic credit (\$300m AUM)

- Investing in specialist credit funds, with strategies focused on distressed debt, structured lending, and special situations
- Targeting returns of circa 10% net IRR, through income and capital appreciation, with investors benefitting from the illiquidity premia and taking advantage of cyclical opportunities

Natural resources capabilities

Investing across the natural resources continuum

Experienced, stable team, with sector leading credentials

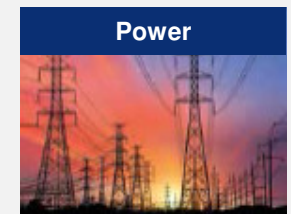
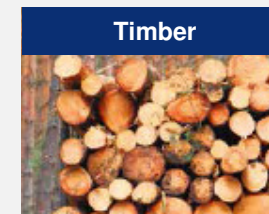
AUM: £500m **Professionals:** 6 **Investments:** 112

Location: Boston

Capabilities: Primary investments
Secondary investments
Co-investments

Sectors: Oil & Gas Mining
Timber Agriculture
Power

Providing hard-to-access opportunities to clients



1. Emerging sectors such as water.

Growing demand for private markets solutions

Building outcome based portfolios across the private markets spectrum

Dedicated private markets solutions team

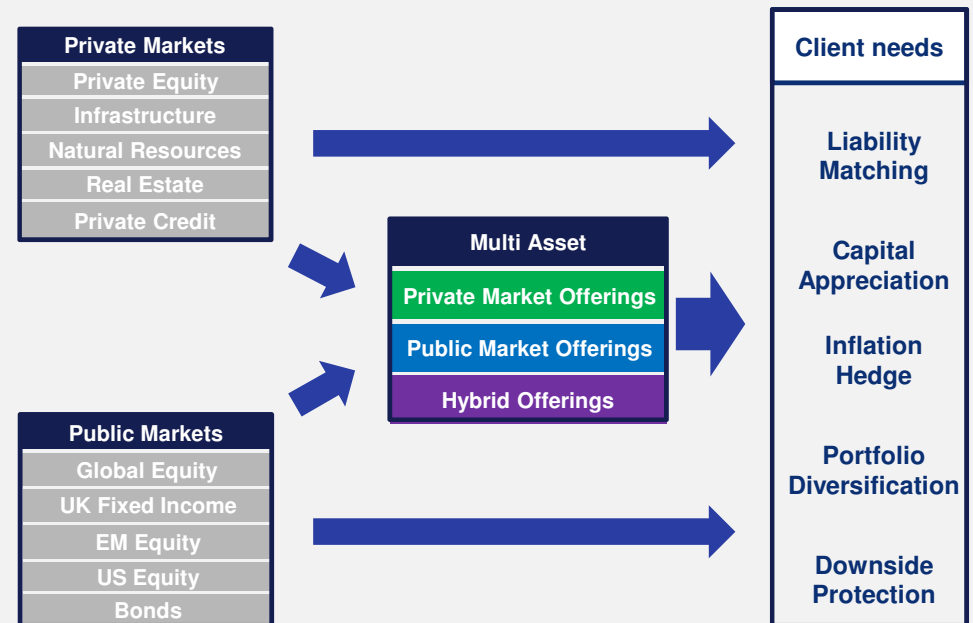
AUM:
£500m

Professionals:
5 (and growing)

Location: Edinburgh

Fund launches: Global Private Markets Fund
Secure Income and Cashflow Fund
Global Sustainability Trust (IPO before end of 2018)

Drawing on broad range of expertise across the private markets spectrum and beyond



Innovation momentum in private markets solutions

Making private markets accessible to a wider range of clients

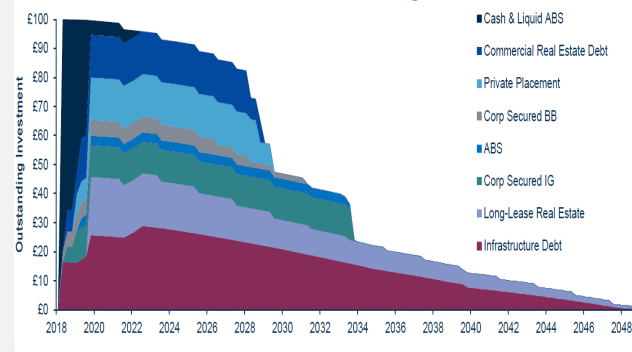
Global Private Markets Fund (GPMF)



- Launched February 2018
- Designed for growth by capturing illiquidity premia and providing greater economic diversification by investing in Private Equity, Infrastructure, Value-add Real Estate, Natural Resources and Private Credit in a single portfolio
- Innovative structure developed to allow access to Private Markets including, defined contribution and advised retail investors

Secure Income and Cashflow Fund

Predictable and diversified long-term cash flows



- Launched Spring 2017
- Combining private placements, infrastructure debt, commercial real estate debt, ABS and corporate loans
- Buy rated and attracted £421m into SICF I
- In the process of launching SICF II

Global Sustainability Trust

THE GLOBAL GOALS For Sustainable Development



- Appointed by Global Sustainability Trust community interest company following independent tender
- Investing in diversified portfolio of private markets assets with a positive environmental and social impact
- IPO targeting <£200m in November 2018

Organic growth accelerated by strategic in-fill acquisitions

Leveraging our global distribution while accelerating build out of our capabilities

Hark Capital:

- Acquired in May 2018, focused on mid-life and end of life fund financing
- \$300m AUM managed by New York based team
- Provides loans to the portfolio companies of private equity and venture capital funds, backstopped by security from the fund and manager
- Offers compelling relative value compared to other asset classes that deliver either lower returns or higher risk

Andean Social Infrastructure Fund:

- Joint venture with Latin American manager, LQA Funds
- Fund is targeting commitments of \$250m and will focus on social infrastructure investments in Columbia, Chile and Peru
- \$242m commitments raised, with final close expected at above target in H1 2019

21 Aberdeen Standard Investments:

- 50:50 joint venture with 21 Invest of Italy
- Launching a €300m+ fund targeting non-control, growth equity in European companies
- Based in London and chaired by 21 Invest's founder Alessandro Benetton

Private markets are essential to success in a world of “new active” investing

A key source of future growth for Aberdeen Standard Investments

- Demand for private markets capabilities is growing strongly
- Clients are seeking broader and deeper sources of performance and diversification
- We have real breadth and depth of investment capabilities right across the private markets spectrum
- Strengthened further by the merger of two highly complementary franchises
- We are well positioned to meet client demand and deliver long-term growth:
 - Strong fund raising momentum
 - Pipeline of product innovation and ability to attract talent
 - Strategic in-fill acquisitions to accelerate build out of capabilities
- Well on our way to building a leading global private markets business

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