Private Markets

Providing expertise across private, unlisted asset classes designed to deliver differentiated sources of investment outcomes
“Aberdeen Standard Investments is among the top 10 largest private markets investors globally*. As a result, we can offer our clients access to a wide range of private markets capabilities, all backed by long-term investment strategies and experienced investment teams.”

Peter McKellar
Global Head of Private Markets

Our private markets capabilities

We have a long track record of managing private markets strategies spanning private equity, infrastructure, natural resources, real estate and private credit. Today, we work closely with investors from large pension funds to private wealth clients to help them harness the potential of private markets to meet their specific investment goals.
“Investors, from large pension funds to private wealth clients, can look to private markets solutions to help them meet future liabilities or funding requirements. They can use various private markets assets, offering a mixture of income and growth, to build a bespoke solution to help meet their particular investment goals.”

Roger Pim
Global Head of Private Markets Product Strategy and Solutions
Introduction

Delivering a world of private markets opportunity

As one of the world’s leading managers of private markets assets, we can give our clients access to unlisted investment opportunities worldwide.

At Aberdeen Standard Investments, we offer investors extensive access to opportunities across all key private markets asset classes.

We are one of the top 10 private markets managers in the world, managing assets in private markets solutions worth over £60 billion. We are truly global in our reach, with over 400 professionals dedicated to private markets, based in 21 offices around the world*.

Core beliefs drive client outcomes
All our activities across private markets are driven by three core beliefs:

- High-quality research and fundamental investment understanding underpins sustainable outperformance
- Connected, collaborative teams deliver better private markets investment outcomes by harnessing their collective expertise
- Embedding environmental, social and governance (ESG) and impact investing into the investment process is key to being an active and engaged manager of private markets assets.

By adhering to these three principles, we look to generate positive, reliable and sustainable outcomes for our clients throughout all market and economic conditions.

* Source: Aberdeen Standard Investments, as at 30 September 2018.
What we offer

Private markets assets – a compelling addition to client portfolios

By offering superior return potential and effective portfolio diversification, private markets assets offer a powerful means to help achieve investor goals.

Private markets assets are investments that are not traded on a public exchange or market. Whether considered individually or in combination, these assets can play an important role in helping our clients achieve their longer-term investment objectives.

There are three key reasons why we believe investors should consider making an allocation to private markets.

1. Potential for superior returns compared to traditional assets
   It is widely accepted that an allocation to private markets can improve the risk-adjusted return potential of a long-term investment portfolio. The graph we see below highlights the potential to benefit from an illiquidity premium of between 200 and 300 basis points above listed assets, which is a very substantial opportunity.

2. A lower correlation with other assets
   One of the advantages of an allocation to private markets is the low correlation with other asset classes. This is particularly important in an environment where the performance and value of traditional asset classes, such as equities and bonds, come under pressure. In these circumstances, private markets assets should retain their ability to deliver a potential smoothing effect on total portfolio volatility and support more sustainable returns over the long term.

3. Effective portfolio diversification
   An allocation to private markets can improve portfolio diversification. Spreading investment across public and private markets can maximise the potential for returns while also spreading risk. As the chart below demonstrates, this can make for a more efficient portfolio that offers better returns without materially increasing the level of risk.

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Chart 2: Private markets offer higher returns than traditional assets
Private markets capture illiquidity premium of c.200-300bps above listed markets

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.
Private markets encompass a wide variety of investment opportunities, many of which are familiar and linked to our everyday lives. At Aberdeen Standard Investments, we have the resource, expertise and experience to offer a range of strategies to meet all our clients’ needs.

Private equity (£12 billion AUM)*
This involves investment into companies not quoted on a stock exchange. Our capabilities span primary investments, secondaries (the buying and selling of pre-existing investor commitments), co-investments and niche direct strategies.

Natural resources (£659 million AUM)*
We invest in natural resources including forestry, agriculture and energy production. Our capabilities span primaries, secondaries and co-investments.

Infrastructure (£4 billion AUM)*
We invest in significant infrastructure projects, such as roads, rail, bridges, power and water facilities. We primarily focus on direct concession and economic infrastructure.

Real estate (£39 billion AUM)*
This involves commercial real estate investments, such as offices, retail (e.g. shopping centres and retail parks) and industrial buildings (e.g. distribution warehouses). We invest across direct real estate, listed real estate and multi-manager solutions.

Private credit (£6 billion AUM)*
This is debt provided directly to businesses, which is not traded on an exchange. It includes private placements, infrastructure loans, real estate loans and junior corporate debt. Our capabilities range from mid-market debt and asset-backed securities, to commercial real estate lending and infrastructure lending.

World-class ESG and impact strategies
We aim to be the industry leader in ESG and impact investment, helping to protect and enhance the value of our clients’ investments, while contributing to a more sustainable world.

Private markets solutions
We also work in partnership with investors to create a variety of open-ended and tailored one-stop private markets solutions designed to meet our clients’ needs for capital growth, income yield and/or risk diversification.

* Source: Aberdeen Standard Investments, as at 30 September 2018.
What we offer

Private equity

Drawing on our deep, long-standing relationships with private equity firms worldwide, we look to bring together best-in-class primary, secondary and co-investment opportunities.

At Aberdeen Standard Investments, we are ideally placed to leverage our large and connected private equity team, extensive networks and deep research capabilities to identify and access attractive investment opportunities for our clients.

Excellent resources

- We have over 50 private equity professionals globally, bringing invaluable on-the-ground insight and expertise
- £12 billion AUM*
- Presence in Europe, US and Asia
- We offer a huge range of private equity solutions for our clients, having raised over 100 vehicles, backed over 500 private equity general partners (GPs) and having made over 1,000 fund commitments
- We hold over 400 advisory board seats.

We are also able to leverage huge resources from across Aberdeen Standard Investments, including industry-leading economic research, a global distribution network, dedicated legal, due diligence, finance, operations and risk teams. We also have a dedicated global ESG resource. This means our clients have access to the best investment insights from across our entire business.

Primary investments

Primary investments are those made in private equity funds during their initial capital-raising. A portfolio of primary fund investments, also known as a fund-of-funds, gives investors access to the expertise of multiple fund managers and a variety of companies through a single investment.

Our long experience as a primary investor means our clients can benefit from the following:

- A rigorous, time-tested evaluation process
- Access to leading managers globally, providing exceptional choice of opportunities
- More than 25 years of relationship building, so we fully know our general partners and can be confident in our investment decisions
- A process with ESG interaction at its core.

Secondary investments

Secondary investments involve the buying and selling of pre-existing investor commitments to private equity funds. We are well placed and active in the secondary market where our deep relationships, strong reputation and network of intermediaries give us a distinct advantage and allow us to offer our clients excellent access to this market.

Co-investments

Private equity co-investments, or direct investments, are investments made alongside another GP directly into companies. There are many benefits to co-investing, including the ability to gain exposure to what we believe are attractive investment opportunities whilst avoiding a layer of fees.

Again, our strong, long-standing relationships with GPs, combined with our proven experience, mean we are leading players in this segment of the market.

* Source: Aberdeen Standard Investments, as at 30 September 2018.
“Investing in private equity across the globe requires experience, specialist knowledge and shrewd judgement – exactly the critical combination we offer our clients.”

Graham McDonald
Head of Global Private Equity
500+ investors in our client network*

400+ investment professionals*

* Source: Aberdeen Standard Investments, as at 30 June 2018.
Natural resources

By providing hard-to-access opportunities across energy, timber, agricultural and other commodities markets, we provide clients with another valuable source of portfolio diversification.

As economically essential commodities, natural resources can provide a source of long-term sustainable return that keeps pace with inflation and offers low correlation with traditional listed asset classes. Through our natural resources offerings, we enable our clients to invest in timber, agriculture, oil and gas, commodities and niche strategies such as water and mitigation banking. This means our clients can gain exposure to investments that are hard to source, hard to access and on which it is often hard to perform due diligence.

Our capabilities
• Focus on timber, agriculture, oil and gas, and commodities managers
• Broad access to primary fund investments, secondaries and co-investments
• Excellent track record of targeting managers with high operational and asset-level expertise
• Our strategy is becoming more global, from a US base, with an increasing focus on secondaries and co-investments – offering our clients a wider range of choice.

Oil and gas  Timber  Niche strategies*

Mining  Agriculture  Power

* Refers to emerging sectors of the natural resources continuum such as water and mitigation banking.
What we offer

Infrastructure

Our highly-resourced global infrastructure team seeks out compelling investments across infrastructure markets – each designed to deliver attractive, stable and more predictable long-term returns.

Through our infrastructure equity offering, we give our clients the opportunity to invest directly in economic and concession infrastructure assets that provide essential public services and that generate economic growth. These assets can provide attractive, stable and more predictable long-term returns given their importance in a functioning society.

We have a large and experienced team of infrastructure specialists. The team is well placed to leverage its extensive networks and deep research capabilities to source attractive investments across economic and concession infrastructure markets, creating positive outcomes for our clients.

Our capabilities

Economic infrastructure
- Core and core+ infrastructure assets in Europe, with a lower mid-market focus
- To deliver reliable returns, we target assets with established regulatory framework or contractual cashflows
- We focus on ‘brownfield’ assets which, thanks to government support, means they have little development risk
- The assets yield from day one, with semi-annual distributions paid to investors
- Our team of 11 highly experienced investment professionals have a strong track record in delivering infrastructure solutions.

Concession infrastructure
- We are one of the largest concession infrastructure investors, with over £2.5 billion AUM*
- We invest in hospitals, schools, roads, rolling stock, government accommodation, social housing, waste and water in the UK, Europe, Australia, US and Latin America
- We focus on availability-based, partially inflation-linked cashflows with little or no correlation to economic cycles. Value resides in the contract, with no risk associated with residual asset value

* Source: Aberdeen Standard Investments, as at 30 September 2018.
Economic infrastructure

Utilities
- Gas, electricity, distribution, transmission pipelines, water and waste

Transport
- Regulated/major regional airports, ports, rolling stock, toll roads

Energy
- Operational renewables, district heating, combined heat and power, terminal storage

Concession infrastructure

Environmental
- Waste and water treatment

Transport
- Toll roads

Social
- Hospitals, schools, government centres
over £60bn

Private markets assets under management*

* Source: Aberdeen Standard Investments, as at 30 September 2018.
Our expertise

Real estate

As a major real estate investment manager, we provide exceptional access to real estate opportunities across local markets worldwide.

We have extensive experience in delivering strong, risk-adjusted returns from direct and indirect real estate, real estate multi-manager, listed real estate and real estate debt solutions for our real estate investors over the long term.

With £39 billion in assets under management* we are ranked as one of the largest real estate managers globally.**

We have over 270 real estate professionals across the world covering investments, transactions and developments on 1,600+ properties in 20 countries. They have a strong regional network of contacts and an ‘on the ground’ understanding of local market conditions. Our approach is global but implemented locally by real estate teams in 15 offices.*

We have a well-established and long-term track record of investing in real estate markets. Over that time, we have demonstrated an ability to adapt to ever-changing market conditions, while producing competitive returns and innovative solutions for our clients.

Our large and experienced team offers clients a one-stop solution for their real estate needs. We can provide a complete, end-to-end service covering all aspects of real estate investing from research and risk analysis to tax, finance and development. Transaction teams in local markets use their knowledge and expertise to ensure we achieve the best deals possible.

* Source: Aberdeen Standard Investments, as at 30 September 2018.  
** IPE Research, Top 100 Real Estate Investment Managers 2017 (AUM as at 30 June 2017).
As bank lending continues to contract, private credit markets are providing investors with new opportunities for yield, diversification and predictable cash flows.

Regulatory and balance sheet constraints have curtailed the amount that banks have been able to lend to businesses and projects, and the provision of debt from the private sector has seen substantial growth.

**A range of advantages**
Private and alternative credit offer investors the potential for higher yield and lower risk, relative to similarly rated public corporate bonds. Furthermore, exposure to economic drivers generally not available in the public credit markets can result in significant diversification benefits.

**Different portfolio roles**
The private credit landscape spans the spectrum of risk-return and duration characteristics. Given the variety of roles the different areas of private credit can play in investors’ portfolios, we expect the growth of private credit to continue.

**Our capabilities**
Aberdeen Standard Investments offers clients access to all major areas of private credit in Europe, including commercial real estate debt, infrastructure debt, corporate private placement debt, direct (mid-market) lending and syndicated loans, among other areas. We currently manage over £6bn of capital across these strategies.

**Chart 3: We offer capabilities across the private credit landscape, covering a broad range of asset classes**

- Corporate Lending
- Asset Based Lending
- Speciality Finance
- Infrastructure Debt
- Commercial Real Estate Debt
- Direct Lending
- Syndicated Loans
- Fund Finance
- Special Situations
- Insurance Linked
- Royalty, Litigation & Trade Finance
- Equity Release Mortgages
- Marketplace Lending
Why invest in private credit?

**Higher yield**
Illiquidity premia, complexity premia and origination fees can lead to a higher yield.

**Lower risk**
Robust covenants and collateral can lead to lower loss rates.

**Improved diversification**
Exposure to hard-to-access economic drivers can lead to improved diversification.

**Matched cash flows**
Predictable cash flows across a range of maturities can be suited to cash flow matching.
What we offer

World-class ESG and impact investing

As with all our investments, we have put ESG considerations at the heart of our processes and approach for investing in private markets.

We are active stewards of the investments that we make on behalf of our clients around the world. We integrate environmental, social and governance-related considerations into our investment processes for all our asset classes, and actively engage with companies and other investments on their strengths and weaknesses.

We have adapted this focus on ESG for private markets making it an integral part of our investment, due diligence and monitoring processes. This emphasis on active stewardship lies at the heart of our philosophy and who we are as an investment firm.

Our global ESG resource

We have a market-leading ESG resource in terms of the number of people, and their experience, expertise and talent. Our success lies in our ability to connect across teams, geographies, public and private markets to generate superior investment solutions for our clients. We also play a pivotal role in connecting our investment decision-makers more closely with the aims and objectives of our clients.

First-hand interaction is key

In private equity, for example, we ask all general partners (GPs) to complete our questionnaire, which is based on the four pillars of responsible investing laid out by the United Nations-supported Principles of Responsible Investment (PRI). We have also pushed for ESG to be a standing agenda item on the agenda of advisory boards of GPs so that we can monitor progress.

Most of our target managers now have an ESG policy. We are proud to have been instrumental in encouraging several small/mid-market GPs to adopt such a policy.

Impact investing

Private markets impact investing involves investing in opportunities which have an intentional and measurable positive environmental and social impact. We believe private markets provide a broad range of impact opportunities and that ASI is particularly well placed to provide attractive private markets impact solutions for investors.

“We aim to be the industry leader in ESG investment, working to preserve and enhance the value of our clients’ investments, while contributing to a more sustainable world.”

Euan Stirling
Global Head of Stewardship and ESG Investment
What we offer

Private markets solutions

We offer a number of comprehensive private markets solutions to clients, building outcome-based portfolios across the private markets spectrum.

Global Private Markets Solution

Our global private markets solution is a portfolio with a dynamic asset allocation strategy, investing in real estate, infrastructure, private equity and private credit, which offers liquidity and daily pricing.

Launched in February 2018, it has been designed as a 'one-stop' solution for pension funds seeking private markets exposure and is aimed at small and medium-sized DC, DB schemes and private banks, targeting annual returns of between 9% and 12%, net of fees, over a rolling seven-year period.\*

The strategy invests in businesses and projects that play an important role in growing and sustaining regional or global economies. Its portfolio includes social and economic infrastructure projects, such as schools, hospitals, transport and energy assets.

It also invests across a range of commercial and residential real estate sectors, lends to businesses and projects, and provides venture capital. The strategy could be especially beneficial for smaller pension schemes with less capacity to manage private markets investments themselves.

*This is an internal performance target which the Investment Manager aims to achieve as at the date of this document. This target is not based on past performance, may be subject to change and cannot be guaranteed. Investors should always refer to the investment objective and restrictions as stated in the latest offering documents.
21 offices around the world
Top 10 in global private markets ranking
Important information
Investment involves risk. The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested. Past performance is not a guide to future results.

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Risks of investing:
Equities: Foreign securities may be more volatile, harder to price and less liquid than domestic securities. They are subject to different accounting and regulatory standards, and political and economic risks. These risks may be enhanced in emerging markets countries.

Fixed Income: Fixed income securities are subject to certain risks including, but not limited to: interest rate, credit, prepayment, and extension.

Real Estate: Investments in real estate may carry additional risk of loss due to the nature and volatility of the underlying investments. Real estate investments are relatively illiquid and the ability to vary investments in response to changes in economic and other conditions is limited. Real estate values can be affected by a number of factors including, inter alia, economic climate, property market conditions, interest rates, and regulation.

Alternatives: Alternative investments may engage in speculative investment practices; involve a high degree of risk; and are generally considered to be illiquid due to restrictions on transferring interests. An investor could lose all or a substantial portion of their investment. Investors must have the financial ability, sophistication / experience and willingness to bear the risks of such an investment.

Diversification does not necessarily ensure a return or protect against a loss.

This is not a complete list or explanation of the risks involved and investors should read the relevant offering documents and consult with their own advisors before investing.

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