

The Global Sustainability Trust

“Creating a better world”

The Global Sustainability Trust Plc (GSTR) is a new investment trust that aims to access investments that are creating a better world. GSTR’s primary focus will be on unlisted/unquoted private market investments (see page 5). GSTR’s manager can draw on the resources of Aberdeen Standard Investments, which has a c400-strong team dedicated to investing in private market investments.

The manager will deploy the money GSTR raises across a range of investment opportunities. Each of these will be selected to have both a positive environmental or social impact and to generate an attractive financial return. GSTR’s reports to its shareholders will detail how its investments are creating positive change as well as reporting investment performance. GSTR’s shares will be listed on the main market of the London Stock Exchange.

Long-term capital growth

GSTR aims to generate capital growth over the long term by investing in a diversified global portfolio, primarily consisting of private market investments, which aims to create positive measurable environmental and social impact. The portfolio will be positioned to generate attractive risk adjusted returns by investing in sectors of the investment market which are underserved by traditional investment funds. The portfolio may include investments in private equity, infrastructure, real estate, natural resources and private credit located around the world. These investments may be held directly, or indirectly via other funds (including those managed by the investment manager or its affiliates).

The details of the share issue, including the risk factors that investors should take into consideration, are more fully described in the prospectus published on 5 November 2018 and we urge readers to read this before making any investment decision.

Sector	Flexible Investment
Ticker	GSTR
Base currency	GBP
Domicile	England and Wales
Closing dates:	
Offer for subscription	1pm 11 December
Initial intermediaries offer	1pm 11 December
Initial placing	3pm 12 December
Admission date	17 December 2018
Manager	Team at Standard Life Investments

IMPORTANT INFORMATION

NB: Marten & Co was not paid to prepare this note on behalf of The Global Sustainability Trust but has entered into an arrangement with the sole bookrunner under which Marten & Co is entitled to a share of the bookrunner’s fee contingent on the success of the IPO.

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How to invest

Potential investors can apply for shares through the initial placing, offer for subscription and/or the initial intermediaries offer. Private wealth managers and other investment professionals can invest in GSTR on behalf of their clients through the initial placing. Investors may also invest directly through the offer for subscription by visiting www.computershare.co.uk/gst, or by completing and returning the application form which is available on the company's website: www.globalsustainabilitytrust.co.uk

UN Sustainable Development Goals

The UN Sustainable Development Goals are a collection of 17 global goals established by the United Nations General Assembly. These were set out in its 2030 Development Agenda, entitled “*Transforming our world: the 2030 Agenda for Sustainable Development*”, published on 25 September 2015.

They cover social and economic development issues including poverty, hunger, health, education, global warming, gender equality, water, sanitation, energy, urbanisation, environment and social justice.

Goal 1: No Poverty

Goal 2: Zero Hunger

Goal 3: Good Health and Well-Being for People

Goal 4: Quality Education

Goal 5: Gender Equality

Goal 6: Clean Water and Sanitation

Goal 7: Affordable and Clean Energy

Goal 8: Decent Work and Economic Growth

Goal 9: Industry, Innovation, and Infrastructure

Goal 10: Reducing Inequalities

Goal 11: Sustainable Cities and Communities

Goal 12: Responsible Consumption and Production

Goal 13: Climate Action

Goal 14: Life Below Water

Goal 15: Life on Land

Goal 16: Peace, Justice and Strong Institutions

Goal 17: Partnerships for the Goals (the promotion of international cooperation and the use of public-private partnerships to achieve the goals).

The goals set out to tackle climate change, rising inequalities and unsustainable production and consumption. The UN estimated that globally, between \$5trn and \$7trn needed to be invested, each year, to achieve its goals.



Impact investing

The term 'impact investing' describes investments made with the intention of generating not only financial return but also measurable environmental and/or social impact. The World Economic Forum estimates that \$1trn of assets will be committed to impact investing by 2020.

However, for a private investor, these impact investments can be hard to access. Many of them are held by funds that are often only open to institutional investors. **GSTR can provide access to these types of investments.**

GSTR's investment manager will use the UN's Sustainable Development Goals to help guide its capital allocation, with its own, established impact pillar overlay.

Eight impact pillars

GSTR will be managed by a team of investment managers within Aberdeen Standard Investments (ASI), one of the world's largest asset managers with \$736bn of assets under management or advisement at the end of October 2018. More information on the manager is provided on page 9.

The manager has formulated eight initial investment areas (which it calls 'impact pillars') that map onto the UN's Sustainable Development Goals. These may evolve over time but at launch are:

Circular economy

Using resources efficiently, recovering and reusing materials

Sustainable energy

Enabling access to energy, generation of clean energy and promoting energy efficiency

Food and agriculture

Access to nutrition, improving food quality and ensuring agriculture is sustainable

Water and sanitation

Access to water and hygiene, providing clean water and promoting water efficiency

Health and social care

Access to health and social care, better healthcare and new therapies including drug development

Financial inclusion

Access to financial services

Sustainable real estate and infrastructure

Affordable housing, eco-construction and improved access

Education and employment

Access to education and skills development. Quality employment and job creation.

Investments that have a positive impact

Go beyond 'do no harm' and make investments that positively impact on society and the environment... but make money too

Investors appear to be increasingly cognisant of the link between their investment activities and real-world issues. There are quite a few examples of funds that claim to invest in businesses that 'do no harm', avoiding arms manufacturers or tobacco companies, for example. Far fewer can claim to make investments that seek to have a positive impact on society and the environment. The Global Sustainability Trust (GSTR) has that ambition.

GSTR will invest in a range of opportunities selected for their ability to create a positive measurable environmental and social impact. GSTR is not a charity. It is aiming to deliver capital growth for its investors over the long term (targeting long-term returns for shareholders of 6%-8% a year, once fully invested). Its focus will primarily be on private market investments (those that are not traded on any stock market or other exchange).

The GSTR believes that there are three core characteristics of its approach to impact investing:

- **Intentionality:** Every impact investment must have a clear intent to generate positive environmental and/or social impact.
- **Financial Return:** Every impact investment made by the GST must be expected to deliver an attractive market return.
- **Measurement:** The GST must be able to measure and report on the environmental and social impact of its impact investments.

Private market investments

There are many good reasons why GSTR intends to focus on private market investments:

- private market investment supports new capital investment (it is easier to effect change when setting up a new venture);
- GSTR will have access to a much wider range of assets than are directly accessible through listed companies (increasing diversification);
- a wider range of assets can translate into a wider range of potential impacts;
- private market investments can have much longer-term investment horizons;
- investors in private market investments can exercise greater control; and
- there is some evidence that, because investors demand higher returns on investments that cannot be turned into cash quickly, the returns on private market investments can be higher than those on equivalent public market investments.

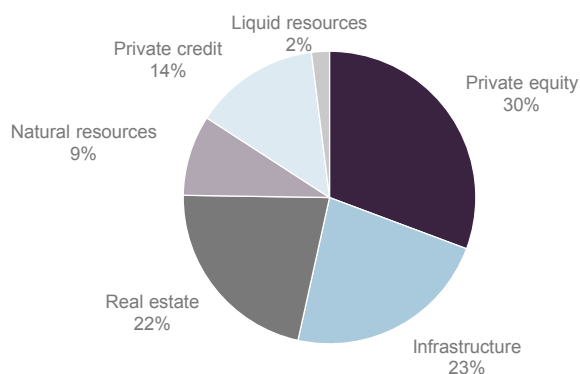
Types of private market investment being considered by the manager for inclusion within the portfolio include:

- **Private equity** – investment into businesses whose shares are not traded on any exchange. This includes venture capital (investing in start up or early stage businesses), providing money to expand existing businesses, providing funds to buyout existing investors, and supporting the restructuring of a struggling business.
- **Private credit** – as for private equity but providing debt rather than equity capital. This area includes specialist lending such as microfinance.
- **Infrastructure** – anything from roads, schools and hospitals to energy generation.
- **Real estate** – investing in the development or improvement of property.
- **Natural resources** – agriculture, fisheries, aquaculture and timber, as well as other physical commodities.

Possible shape of the portfolio

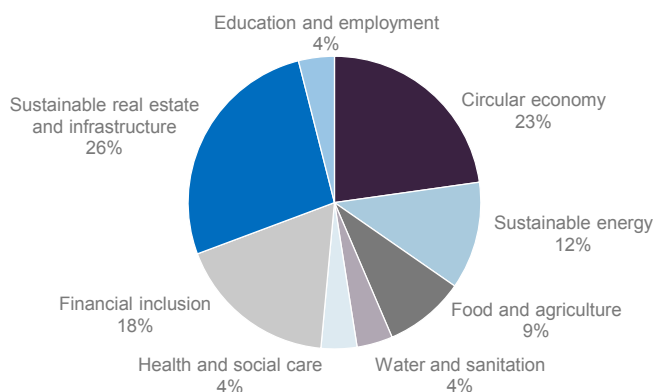
The manager expects the portfolio to take 18 months to be fully committed and up to 36 months to be fully invested.

Figure 1: Possible split by asset class



Source: ASI

Figure 2: Possible split by impact pillar



Source: ASI

Five potential investments

The manager has provided some examples of possible investments. These are used as an illustration only and may not feature in the final portfolio.

Private equity



A fund managed by Bridges Fund Management. Bridges says it focuses on backing investable solutions to social and environmental challenges in four areas: health & well-being, education & skills, sustainable living and underserved markets.



Infrastructure

A portfolio of Nordic 'run of the river' hydroelectricity plants, which other funds managed by ASI already have exposure to.

Real estate



Park 20 is a business park in the Haarlemmermeer near Amsterdam designed to be sustainable, they have even put thought into how the park might be disassembled and recycled in future.

Natural resources



The Lyme Timber Company is a forestry company with 700,000 acres of timberland holdings in North America. The company says its forest management practices help maintain the ecological health and biological diversity of the forest. Some buyers of timber may be prepared to pay a premium for timber sourced this way.

Private credit



Symbiotics is a company that aims to contribute to sustainable development in emerging and frontier markets by providing traditionally underserved businesses increased access to capital and financial services.

Accountable to investors

The prospectus stresses the importance of reporting not just on investment performance but also on the environmental and social impact of the company's investments to shareholders.

A meaningful and transparent account of the impact generated by GSTR's investments

The directors say that impact measurement and reporting is a developing area and the board will remain open to exploring new measurement and reporting approaches, especially where they will help deliver a standardised approach across the impact investment sector. The priority in reporting will be to present an accurate, meaningful and transparent account of the impact generated by the GSTR's investments while acknowledging the challenges that will continue to exist in impact measurement.

Capital structure and life

GSTR is an investment trust, that will be listed on the London Stock Exchange. It will be owned and controlled by its shareholders. Investment trusts can make much longer-term investments than an open-ended fund (such as an OEIC or a UCITS fund) could.

More information about the workings of investment trusts is available in the [QuotedData guide](#)

An independent board of directors (whose details are given on page 10), governs the relationship between the company and its suppliers (including the investment manager). The board is accountable to shareholders for its actions. If you want to know more about how investment trusts work, we suggest you read our guide which is available on the QuotedData website.

GSTR may expand in future. The board has permission to issue up to 500m shares in total before 4 November 2019

At IPO, GSTR will issue ordinary shares to its investors. The prospectus says that the minimum number of shares that will be issued is 100m and the maximum is 500m. If GSTR does not issue the maximum number at the time of the IPO, it will be able to issue the balance up to 500m at any time between the IPO date and 4 November 2019. The directors may ask shareholders for permission to issue more shares beyond that date and that limit. Shares will not be issued at a price that is a discount to the prevailing NAV. The board will therefore, subject to the conditions outlined above (and a few other legal restrictions detailed in the prospectus), be able to issue shares to meet demand.

Cash diverted to buying back shares in certain circumstances

Once the portfolio is fully invested, if the shares trade at an average discount of 10% or more over any rolling six-month period, the board intends to use any cash realised from the portfolio to buy back shares until the discount is back under the 10% level.

From the outset, the board will be able to buy back up to 14.99% of the shares in issue. Shareholders will be asked whether they want to renew this permission at each annual general meeting.

Continuation vote in 2026 and every five years thereafter

The company's accounting year end is 30 June and it is expected that its AGMs will be held in November each year. All shareholders are entitled to attend and vote at AGMs.

GSTR is intended to be a long-term investment vehicle and does not have a fixed life. However, at the company's AGM in 2026, shareholders will be asked whether they want the trust to continue. If they say no, the board will consider how best to return cash to shareholders. If they say yes, the question will be asked again every five years.

Fees and costs

The costs of the issue are estimated to be 1.65% of the issue proceeds

The costs of the issue have been estimated at 1.65% of the funds raised (£1.65 for every £100 invested). This is because the sponsor has agreed to bear any cost above 2% of the issue price and the manager has agreed to contribute to the launch costs by way of a management fee waiver. This equates to 0.35% of the first £200m of the initial proceeds of GSTR's IPO and 0.325% thereafter.

The main ongoing cost is likely to be the management fee. This will be calculated as 0.7% of the first £200m of net assets and 0.65% of the balance. These fees will not apply to investments that GSTR makes in funds or assets managed by Aberdeen Standard Investments. The fees on these funds will range between 1% to 2% a year. ASI have agreed to waive 50% of their base management fee in the first year to be offset against set up costs. As a result the AMC is estimated to be around 52bp in year one, due to the waiver, increasing to around 102bp in year 3, once the portfolio is more fully invested.

When the size of the fund exceeds £250m, GSTR will pay the AIFM an additional £130,000 per annum to cover the costs of company secretarial and administrative services. The AIFM will absorb these costs while the fund remains smaller than £250m.

The manager

More information is available at the trust's website:
www.globalsustainabilitytrust.co.uk

GSTR's alternative investment fund manager (AIFM) is Aberdeen Fund Managers. It has delegated responsibility for the portfolio management of the fund to Standard Life Investments Limited. Both these companies are wholly owned subsidiaries of Standard Life Aberdeen Plc. At the end of October 2018, Aberdeen Standard Investments (ASI – the asset management business within Standard Life Aberdeen Plc) was managing or advising on £67bn of private market investments, making it one of the 10 largest investors in this area globally. The investments included private equity, infrastructure, real estate, natural resources and private credit. ASI has around 400 investment professionals working in this area, distributed across 19 offices in 15 countries.

All return data are sourced from ASI and calculated from the launch of the strategy to the end of December 2017. Gross IRR data is before fees.

ASI's 50+ strong private equity team manages £13bn (as at 31 October 2018). The team has a track record of making over 1,000 commitments to invest in new private equity funds, generating an IRR (internal rate of return – an annualised gross return over the life of an investment) of 15.4% (calculated from the launch of the strategy to the end of December 2017 – as are all subsequent returns mentioned below). The team also buys existing private equity funds (making 1.4x their money on average and a 19.5% IRR) and makes direct investments alongside other private equity managers (making 1.6x their money and a 15.1% IRR).

ASI has £3bn invested in infrastructure assets – split between concessions (contracts to provide and manage things like schools and hospitals) and economic infrastructure (roads, highways, railroads, airports, sea ports, electricity, telecommunications, water supply and sanitation). It has made a 27% IRR on the former and 16.1% IRR on the latter.

ASI's 280 strong team of real estate professionals manage £39bn across the globe with a particular focus on the UK, Continental Europe, the Nordic countries and Asia.

ASI's natural resource strategy (including timber, agriculture, energy, commodities) has made an IRR of 14.5%.

Its £6bn of private credit assets is managed by 148 investment professionals with expertise in areas such as infrastructure debt, commercial real estate debt, private placement debt, direct lending and syndicated loans, asset backed securities, fund finance, alternative credit and private credit.

ASI is one of the largest managers of investment trusts and, over the past 19 years it also has invested over \$24bn in specialist funds managed by other managers.

The key individuals involved in supporting GSTR are:

- Roger Pim, global head of private markets product strategy and solutions;
- Amanda Young, head of global ESG investment research;
- Nalaka de Silva, head of private market solutions; and
- Sarah Norris, investment director.

The board

GSTR has six directors, each of which is non-executive and independent of the investment manager. Andrew Dykes, the deputy chair, will have an additional role in liaising with the manager on a frequent basis. Accordingly, for the purposes of the UK Corporate Governance Code Andrew Dykes is deemed to be non-independent.

Robert Elliott is GSTR's chairman-designate. He completed a five-year term as chairman and senior partner of Linklaters LLP, a global law firm, in October 2016 after a 25-year career at the firm, specialising in banking and corporate restructuring work. He continues part time with the firm as chairman emeritus and partner. Prior to joining Linklaters in 1990, Robert was a solicitor with Wilde Sapte where he was promoted to partner in 1981.

Robert became chairman of Permanent TSB, the listed Irish retail and SME bank, from the end of March 2017 and was appointed chairman of Saranac Partners, the wealth management advisory firm in 2017. Robert is also chairman of Windship Technology Ltd, a sail power concept that is being developed by a consortium of five key players in the global shipping industry, aiming to reduce marine fuel consumption by revolutionising the way vessels carry goods across the world's oceans.

Robert is also chairman of the Governing Body of Tonbridge School and serves as a Trustee of the 1851 Trust, the charity affiliated with INEOS Team UK, the UK challenger for the Americas Cup which focusses on supporting young people from disadvantaged backgrounds in STEM subjects in the marine context.

Andrew Dykes is the trust's deputy chair. In 2015, he founded the Global Sustainability Trust initiative to help connect private and institutional investors to attractive but hard to access sustainable finance investment opportunities, via an investment trust. Andrew self-funded the early stages of the initiative by working on sustainable finance projects at the United Nations and the Unilever-led Toilet Board Coalition, before securing funding for the initiative from charitable foundations and private individuals.

Andrew started his career in investment management at Martin Currie in the 1990s, managing charity clients' money and working on several global and UK focused investment trusts. He also developed a strong interest in the financial system's role in supplying capital to small companies, culminating in him co designing and managing one of the world's first sustainable small cap equity funds at Berenberg Bank. He then

co-founded (in 2009) a Geneva based investment management company specialising in sustainable investment.

Caroline Roxburgh chairs GSTR's audit committee. She is a chartered accountant and was a partner at PricewaterhouseCoopers LLP until 2016. She has over 30 years' business experience advising boards in a range of industry sectors on business strategy, risk management, governance, financial reporting and internal control. Her experience ranges from small developing businesses to large listed companies including hotel, leisure, retail, technology and business services organisations in the UK and internationally.

Caroline was a member of PwC UK's supervisory board from 2012 to 2016. She is also a non-executive director and chair of the audit committee of Montanaro European Smaller Companies Trust Plc, Edinburgh International Festival and chair of the audit and risk committee of VisitScotland. She is also a non-executive director at the Royal Conservatoire of Scotland and a number of grant-giving charities.

Iain Henderson is head of international cooperation at the United Nations Environment Inquiry team. This team has worked on scaling sustainable finance in over 20 countries and was set up to examine how financial systems can be more aligned with sustainable development outcomes, including the Paris Agreement and the Sustainable Development Goals. In this capacity, he has been involved in international sustainable finance processes, such as supporting the People's Bank of China and the Bank of England as Secretariat to the G20 Sustainable Finance Study Group and regional and national processes including sustainable finance work in ASEAN, Kazakhstan, Mongolia and Nigeria.

Previously he led UNEP Finance Initiative's work on driving private capital into more sustainable land use. Prior to this, Iain spent over a decade in a variety of roles in investment banks such as UBS and Deutsche Bank. He also spent 2 years working for WWF on sustainable finance in Hong Kong. Iain is currently part of the World Economic Forum's Expert Network and was previously a member of the World Economic Forum's Global Agenda Council on Forests. Iain is a CFA charterholder.

Chris Hills has been chief investment officer of Investec Wealth and Investment since 1995 and has over 40 years of investment management experience, having previously worked at Sun Life Assurance, Target Investment Management and Baring Fund Management. At Investec, Chris has instigated and led the firm's research efforts into asset classes such as property, hedge funds and infrastructure vehicles. He was a key member of the Investec team that established the Charities Property Fund in 1999, the first common investment fund to enable charities in England and Wales to access commercial property. He has been a member of its advisory committee since launch, with the fund's property managers Cordea Savills.

Chris was appointed to the board of the Association of Investment Companies (AIC) in 2015, is a non-executive director of the Henderson Opportunities Trust Plc, and was formerly non-executive director of the Invesco Income Growth Trust Plc. He is a member of the investment committee of University College London and has provided investment counsel to his old Cambridge college for many years.

Professor Dame Anne Glover is a senior advisor to the principal at the University of Strathclyde, having previously been vice principal for External Affairs and Dean for Europe at the University of Aberdeen. Dame Anne is the current President of the Royal Society of Edinburgh. She initially pursued a distinguished career in microbiology, including the launch of a spin out company based on her research. Anne was appointed the first chief scientific adviser to the President of the European Commission (2012-

2014) where she provided expert advice on science, technology and innovation to policymakers and the Commission President. Prior to that, she was the first chief scientific adviser for Scotland (2006-2011). In both positions, Anne transformed the way science, engineering and technology were used and discussed within government and developed strategic initiatives to bridge the gap between science and policy. Dame Anne was also formerly joint chair of the Scottish Science Advisory Council and served on the Scottish Council of Economic Advisers.

Dame Anne was awarded a CBE in 2009 and became a Dame Commander of the Order of the British Empire (DBE) for services to Science in the UK and Europe in the 2015 Queen's Birthday Honours List.

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