










# THE PEOPLE'S TRUST

Our purpose: better returns for you and a better impact on society

## Highlights

- **Focus on sustainable wealth creation:** Investment objective is to optimise cumulative absolute total returns, measured over rolling seven-year periods
- **Bespoke, long-term investment portfolio:** Global coverage from five outstanding equity managers, each managing a high-conviction, low turnover portfolio
- **No index benchmark constraints on managers**
- **Absolute return target of 7% p.a. over 7 years:** Based on 2% inflation assumption and a target of Consumer Price Inflation + 5% p.a. compound (net of costs) over rolling seven-year periods<sup>1</sup>
- **Social impact:** 1% allocation (max 5%) to social impact investment with Big issue Invest
- **Truly independent:** A true mutual with no commercial backer, an independent Board and CEO to ensure economies of scale reduce costs
- **Independent Shareholder Committee:** To raise issues directly with Board and write annual report
- **No performance fees:** No performance fees for portfolio managers. No bonuses for executives
- **Discount/Premium control:** Seeks to ensure that the share price remains close to NAV

## Portfolio Managers

Manager	Lead manager	Morningstar Fund rating <sup>2</sup>	Strategy	Market Cap	No. of stocks
 ARTEMIS The Profit Hunter	Mark Niznik	 Silver	UK Smaller Companies	Small	25 – 30
 COMGEST	Arnaud Cosserrat	 Gold	Pan Europe	All	20 – 25
 First State Investments	Martin Lau	 Gold	Asia Pacific incl. Japan	All	25 – 40
 JO Hambro Capital Management Group	Ben Leyland	 Gold	Global	Mid/Large	25 – 40
 LANSDOWNE PARTNERS	Per Lekander	N/A <sup>3</sup>	Clean Energy	All	15 – 25

## The Issue

- **Issue price:** 100 pence
- **Estimated opening NAV:** 98.5 pence
- **Prospectus published:** 7 September 2017
- **Closing of offer:** 10 October 2017
- **Admission:** 17 October 2017
- Placing, Offer for Subscription and Intermediaries Offer
- Premium Listing and traded on the Main Market of the London Stock Exchange
- Winterflood – Sole Sponsor and Placing Agent
- ISA and SIPP eligible (UK investors)

## Social Impact

- **Catalyst for change** in investment industry: from short-term, relative returns to long-term, sustainable wealth creation
- **Support for long-term strategies and responsible behaviour** at investee companies
- **Developing the market for Social Impact Investment** with allocation to Big Issue Invest
- **Ambition to drive financial inclusion** through access to The People's Trust via micro-investing

<sup>1</sup>This is a target only and not a profit forecast. There can be no assurance that this target will be met.

<sup>2</sup>Morningstar rating as at 30 June 2017 of: Artemis UK Smaller Companies Fund, Comgest Growth Europe Fund; First State Asian Equity Plus Fund; and JOHCM Global Opportunities Fund.

<sup>3</sup>Per Lekander does not currently manage a fund available to retail investors.

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## Model Portfolio

- Assets are **well spread across different regions**, with a relatively lower exposure to North America and more exposure to the UK and Europe
- The focus by the managers on businesses with attractive operating characteristics leads to **limited exposure in highly cyclical industries**
- Portfolio characteristics show a **low portfolio beta** with **lower absolute volatility** than equity markets, suggesting potentially more resilience to market falls
- **Active share is high**, which reflects both how different our portfolio is from global indices and the absolute return objective. At The People's Trust, we believe that attempts to control performance relative to an index are likely to be harmful to long-term returns

## Social Impact Investment



- 1% allocation (5% max) will be invested in funds managed initially by Big Issue Invest. Investments will typically be loans to, or Social Impact Bonds issued by, UK Community Interest Companies and Charities
- Target return of 4% p.a. compounded (after costs)

### Nigel Kershaw, Social Impact

"We lend to social enterprises and charities across the UK. **Anyone can donate to charity but it's exciting to have the opportunity to invest in organisations which not only benefit some of the most deprived areas in the UK but also seeks to generate a financial return**"

### Social Impact Outcomes 2015/2016<sup>1</sup>



**436 people**  
moved into employment



**4192 children**  
received high quality innovative  
nursery education



**547 teenagers**  
improved their behaviour,  
attitudes and attendance



**710 qualifications**  
gained as a result of  
support or training



**207,000 hours of care**  
delivered by health and  
social care investees



**921 vulnerable young adults**  
have moved in to  
stable accommodation

<sup>1</sup>being the social impact outcomes from the Big Issue Invest Social Enterprise Investment Fund L.P. for the year ended 31 March 2016

## Our Equity Managers

### Mark Niznik, UK Smaller Companies

"The philosophy is to capture the smaller company effect. To invest in companies that show great cash-generation. What inspired me most about The People's Trust was emphasis on long-term active fund management. **To be given a seven-year time horizon is rare in our industry. That should encourage greater long-term thinking, which compounds up into better returns for investors.**"

### Arnaud Cosserat, Europe

"Our approach is characterised by quality growth, unconstrained and high conviction. **We are delighted to be working with The People's Trust, who share our values of long term investment and a desire to focus on a few high quality companies.**"

### Martin Lau, Asia

"When we invest, we don't invest in a company like a piece of paper. With investment there also comes responsibility and the role that we play for society. That's something I really have a passion about. We are attracted to The People's Trust because they have a long-term time horizon, which we share and they're really focused on doing the right thing. **We have always believed we should do the right thing for society and for our investors. I think we have a good match.**"

### Ben Leyland, Global

"Our mantra is **'heads we win, tails we don't lose too much'**. The People's Trust is a great example of someone trying to get the industry to change its focus away from that short term, relative benchmark mentality towards what we call old-fashioned investing. Making sure you are laying down capital to make good, risk-adjusted returns over the long-term."

### Per Lekander, Clean Energy

"Our portfolio aims to capitalise on the transformational changes occurring in the global energy sector and we expect the already rapid pace of technological change and policy developments to accelerate over the coming years, leading to some exceptional investment opportunities. **We are delighted to be partnering with The People's Trust as their long term investment horizon and focus on socially responsible investing aligns closely with our own philosophy.**"

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## Long-term, high conviction investment

- We believe that long-term time horizons and sticking with core investment beliefs can improve returns over time
- Typically, the majority of an investment manager's returns come from their highest conviction ideas
- However, managers often hold a more diversified portfolio to mitigate the risk of underperforming a benchmark or peer group over relatively short time horizons - but this may harm longer term returns
- This is why we have a seven-year performance target, backed up with seven-year contracts for our managers, and why we do not measure our performance against any index benchmark
- This allows our managers to focus on their best ideas, running highly concentrated portfolios
- We believe this can deliver better risk adjusted long-term returns, while the multi-manager approach delivers diversification
- **The People's Trust offers investors access to a unique portfolio of high-conviction ideas within bespoke mandates selected by a group of proven portfolio managers**

## Environmental, Social and Governance

- **Stewardship:** Emphasis on sustainable wealth creation, leading to improved long-term outcomes for shareholders and all stakeholders
- Working with our investment managers, we will **support and encourage** companies to:
  - structure their culture around their purpose and mission and develop long-term business strategies that support the mission to create value
  - ensure that they have appropriate and credible resources for implementation
  - consider the impacts of their behaviour on the environment, employees and all stakeholders
  - act purposefully and responsibly to control long-term risks

## Core beliefs behind our approach

- Companies are likely to deliver better financial returns and a better long-term impact on their employees, society, the economy and the environment if they themselves follow long-term strategies and provide genuine long-term incentives to executives
- Purposeful companies with a strong and healthy culture are more likely to succeed
- Responsibility across all the issues that are relevant to a company is a key factor in long-term success
- Companies that behave irresponsibly are unlikely to be successful in the long-term
- If there is no realistic likelihood that a company can be persuaded to change irresponsible behaviour, these are investment opportunities that we are willing to forego
- Collaboration with like-minded shareholders is a tool that can persuade or require companies to change
- We prefer a “positive impact” approach compared to “negative screening”. In our view, while divestment has a place in raising the profile of certain issues, there is also a need for investors who care about responsibility to drive change at companies that need it rather than to abandon the field to investors who may not
- Shareholders have powerful tools available to them to drive change. Ultimately, they can even replace directors - and they should be prepared to escalate action as required to achieve mission-critical objectives

### Daniel Godfrey, Chief Executive

Previously Chief Executive of the Investment Association, Director General of The Association of Investment Companies and Marketing Director of Fleming Investment Trust Management

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