What investors want
BIEE Conference

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F&C’s history financing long term projects

- Early investor in North Sea oil exploration companies in 1970s
- Early investor in Eurotunnel in 1980s
- Recent investments in oil and gas exploration companies and renewables funds and related businesses
Who are the major investors

<table>
<thead>
<tr>
<th>Domestic</th>
<th>Global</th>
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</thead>
<tbody>
<tr>
<td>Pension funds</td>
<td>Sovereign wealth funds</td>
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<tr>
<td>Insurance companies</td>
<td>Hedge funds</td>
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<tr>
<td>Wealth managers</td>
<td>Global fund managers</td>
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<tr>
<td>Individuals</td>
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</tbody>
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In 2012 only 13% of defined benefit schemes were open to new joiners compared with 43% in 2005.

In 2012 only 9.9% of assets were invested in UK shares.

Continuing switch from defined benefit to defined contribution.
Risk versus reward

- Limited appetite for high risk and high reward investments
- Reducing appetite for large companies operating across the value chain
- Increasing appetite for income producing inflation-linked assets
What is an ideal investment

- Income producing
- Inflation linked
- Long term contracts
- Low correlation to equity and bond markets
- Low visibility
What is selling now

- Onshore and offshore wind
- Solar
- Up and running assets
- Long lives
What happens next

- Supply rises to meet demand
- Projected returns fall
- Inflation and interest rates go up
- Customer resistance?
- Government changes the rules?
Conclusions

- Huge market for perceived secure income producing assets will only increase
- Small market for high risk high reward investments will not increase
- Great opportunities for those who can create attractive structures
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