



BRIDGING THE GAP: MATCHING SUPPLY AND DEMAND FOR LONG TERM ASSETS

Investing in Long Term Europe:
Re-Launching Fixed, Network and Social
Infrastructure
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The Demand for LT Assets

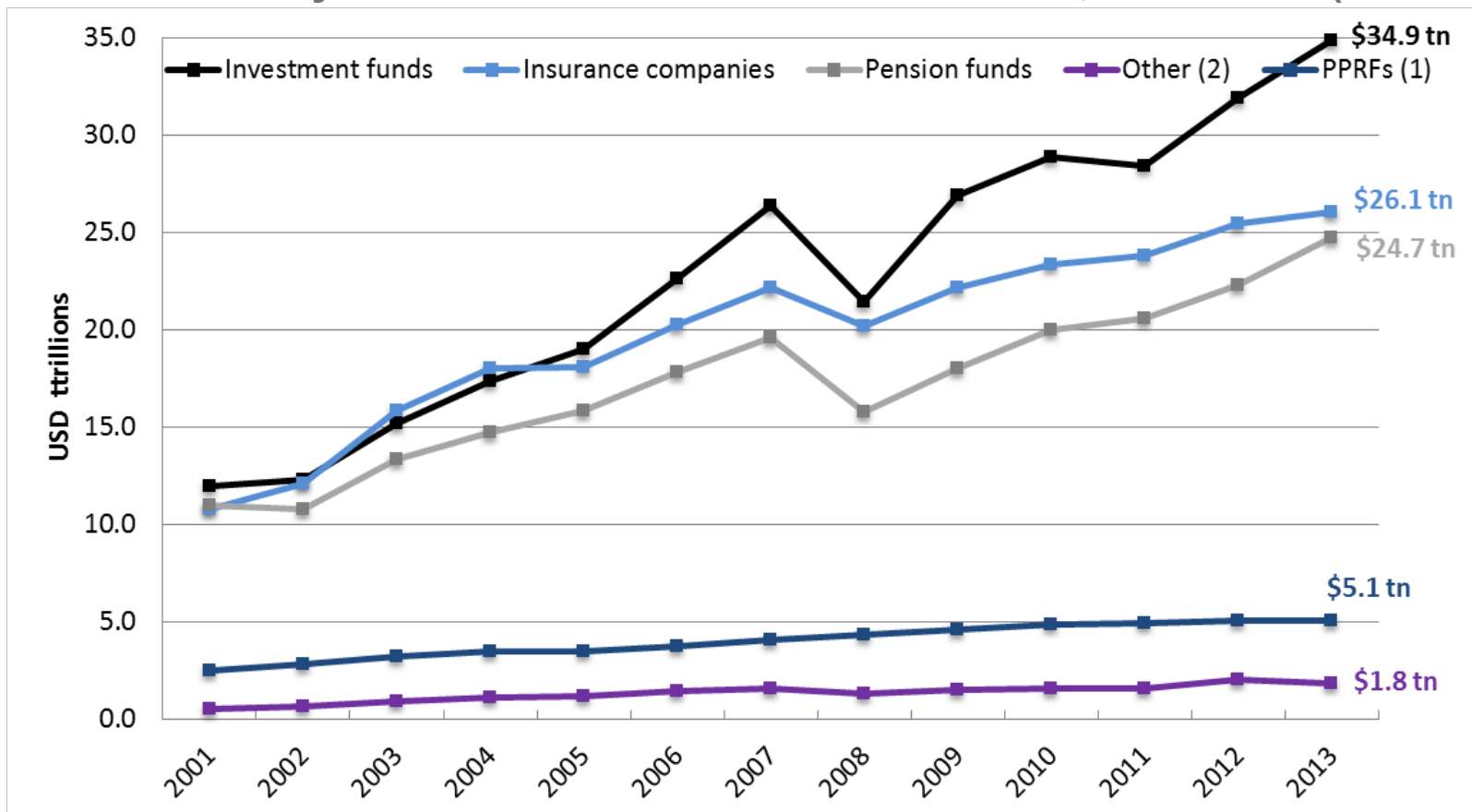
THE LARGE PENSION FUND SURVEY



Role of Institutional Investors

Inst Investors AUM have been growing to USD 92tr AUM in OECD countries

Assets held by Institutional Investors in the OECD, 2001-2013 (USD Tn)



Source: OECD Global Pension Statistics, Global Insurance Statistics and Institutional Investors' Assets databases, and OECD estimates.



Adapting to a Challenging Environment

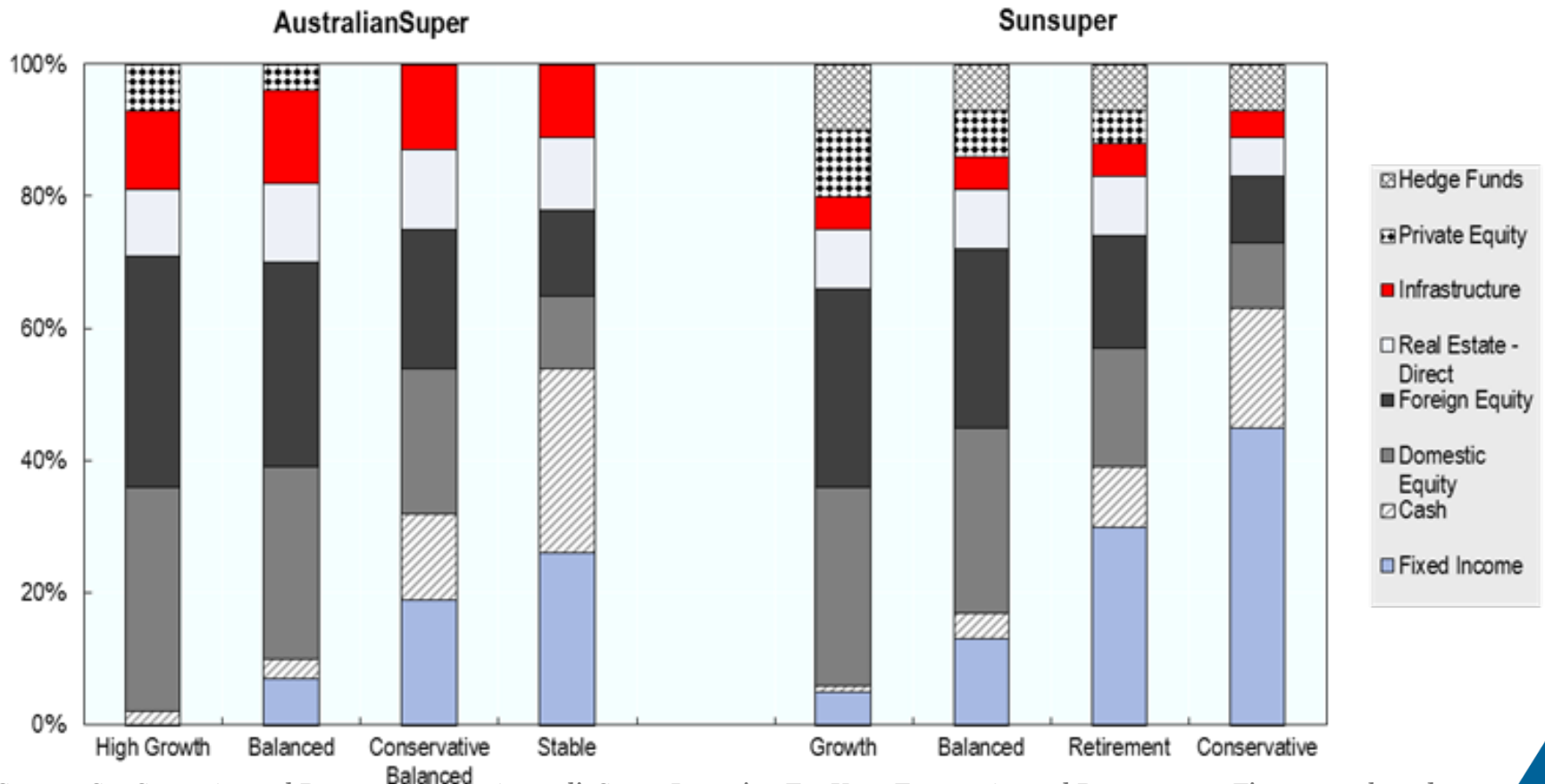
Emerging Trends and Practices

- Alternative Investment in DC systems
- Credit Opportunities
- Opportunistic Strategies and Alternative Techniques
- LDI and De-risking Glide Paths
- Emerging Markets
- Green & ESG Investment
- Hedge Funds



Superannuation Industry in Australia

Target asset allocation of select pre-mixed fund options:



Source: SunSuper Annual Report 2012-13, AustraliaSuper Investing For Your Future, Annual Report 2013. Figures are based on strategic allocations for selected pre-mixed options.



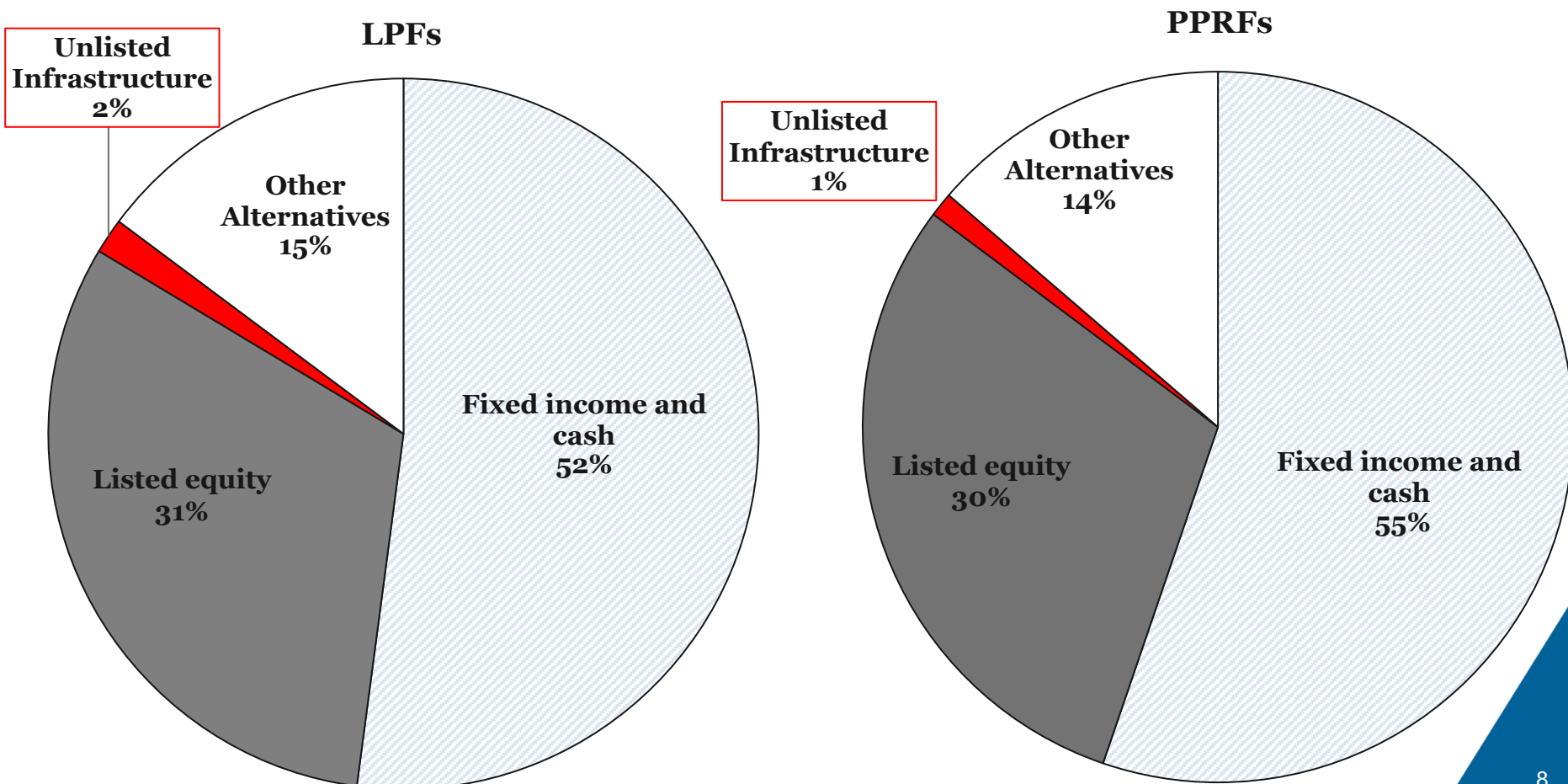
Green Investments and ESG

Country head office	Name of the fund or institution	Total investments in 2013 (in USD m.)	Green investments (as a % of total investments)			
			Green equity	Green bonds	Alternative green asset classes	Other green investments
Netherlands	ABP (1)	445,303	1.5	0.0	1.2	..
Netherlands	PFZW	189,397	1.4	..	..	..
United States	New York City Combined Retirement System	150,853	0.3	..	..	..
South Africa	GEPF	133,428	..	0.2	0.6	..
Brazil	Previ (2)	71,997	..	..	..	0.0
Netherlands	PMT	66,595	..	..	0.1	..
United Kingdom	USS (3)	66,442	0.0	0.0	0.0	0.7
Denmark	PFA Pension	54,515	0.2	..	0.1	..
United States	United Nations Joint Staff Pension Fund	51,366	..	0.2	..	..
Sweden	AP2	41,207	..	0.6	2.6	..
Sweden	AP4	40,456	2.7	..	..	..
Sweden	AP3	40,234	0.0	0.9	0.0	0.0
France	ERAFP (4)	23,832	27.0	0.0	..	..
New Zealand	New Zealand Superannuation Fund	20,629	0.0	0.0	0.0	..
Spain	Fonditel	3,941	0.9	0.0	0.1	0.0
Brazil	FAPES	3,479	0.2	0.0	0.0	0.0



Trends in Asset Allocation

Average asset allocation of Large Pension Funds (LPFs) and Public Pension Reserve Funds (PPRFs) in 2013



Source: OECD



Policy Implications

Adapting to a challenging environment: new opportunities and new risks

- Financing the real economy
- Risks at investor level
 - Risk Management
 - Governance of Funds
- Systemic risk – Financial Stability
- Role of Regulation



Investing in the Real Economy

Matching Demand and Supply for Long Term Investment



Potential Demand for Infrastructure

High Demand... facing major barriers..

Country	Name of the fund or institution	Actual allocation to Unlisted Infrastructure (2013)	Target Allocation to Unlisted Infrastructure
Canada	OMERS	14.9%	21.5%
Australia	AustralianSuper	9.8%	11-14%
Mexico	Afore XXI Banorte	0.3%	5.0%
Netherlands	ABP	1.5%	3.0%
Canada	OTPP	8.4%	8.5%
United Kingdom	USS	4.4%	5.0%
Australia	Sunsuper	5.1%	4-5%
Canada	Quebec Pension Plan	4.0%	5.0%
Netherlands	PFZW	2.4%	3.0%
Netherlands	PMT	0.6%	1.0%
Argentina	Sustainability Guarantee Fund	13.6%	5-20%

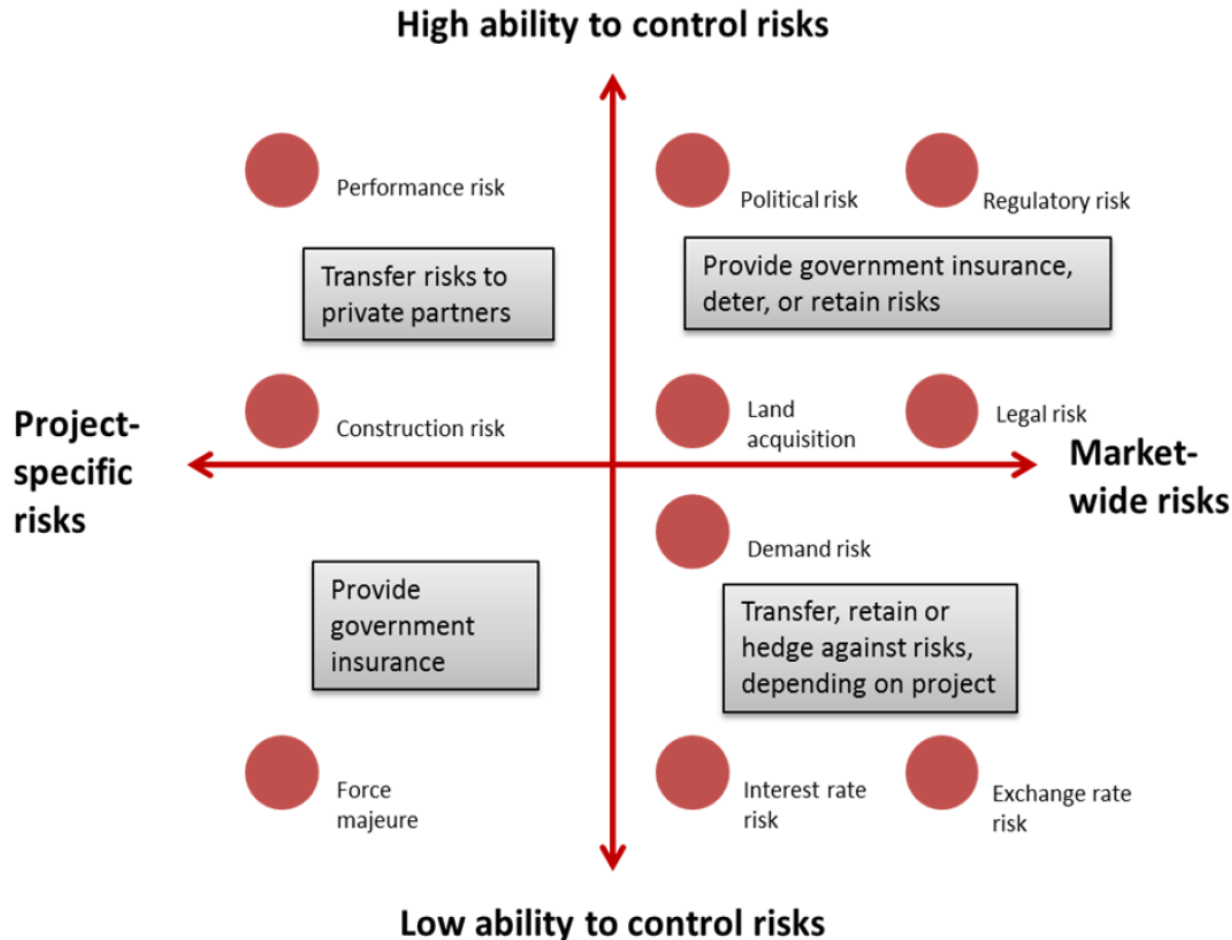


Policy Role - Risk Transfer

What are the risks? How are allocated bt public and private sector?

Proper risk transfers in public private partnerships

Figure 3

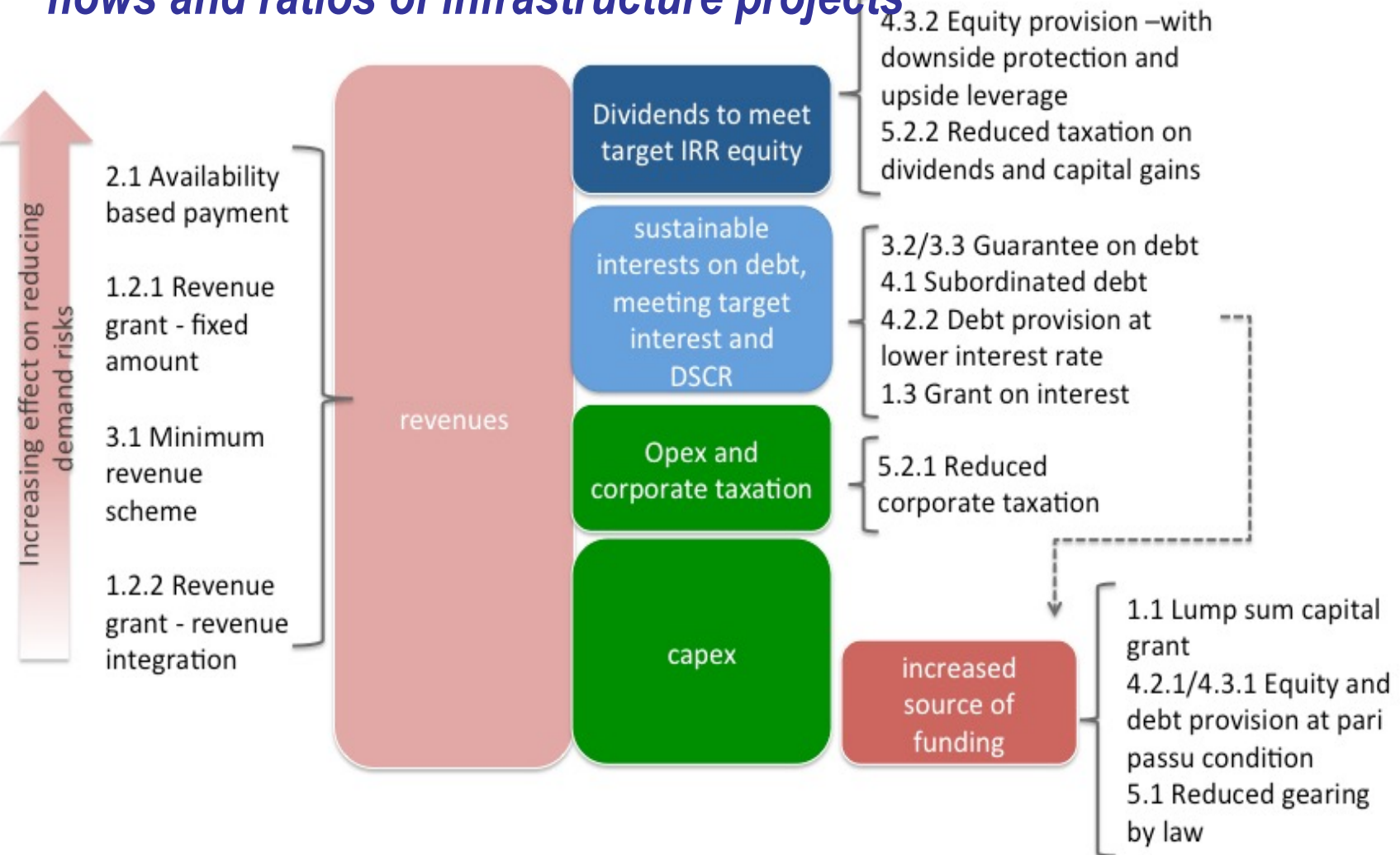




Taxonomy of Instruments - PART I

Addressing the Risks

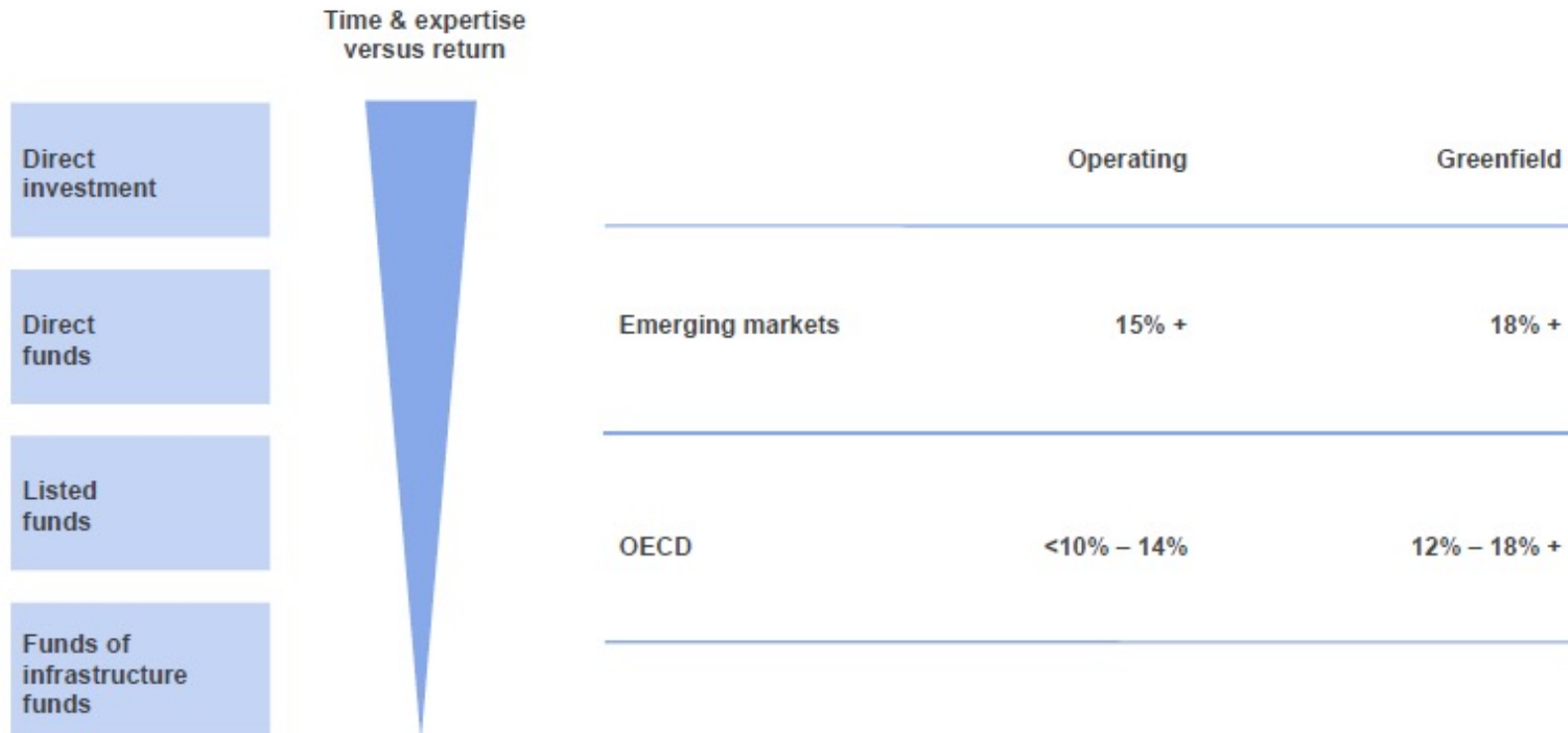
.. different Instruments have a specific impact on risks, project cash flows and ratios of infrastructure projects





Taxonomy PART II: Access to Infrastructure

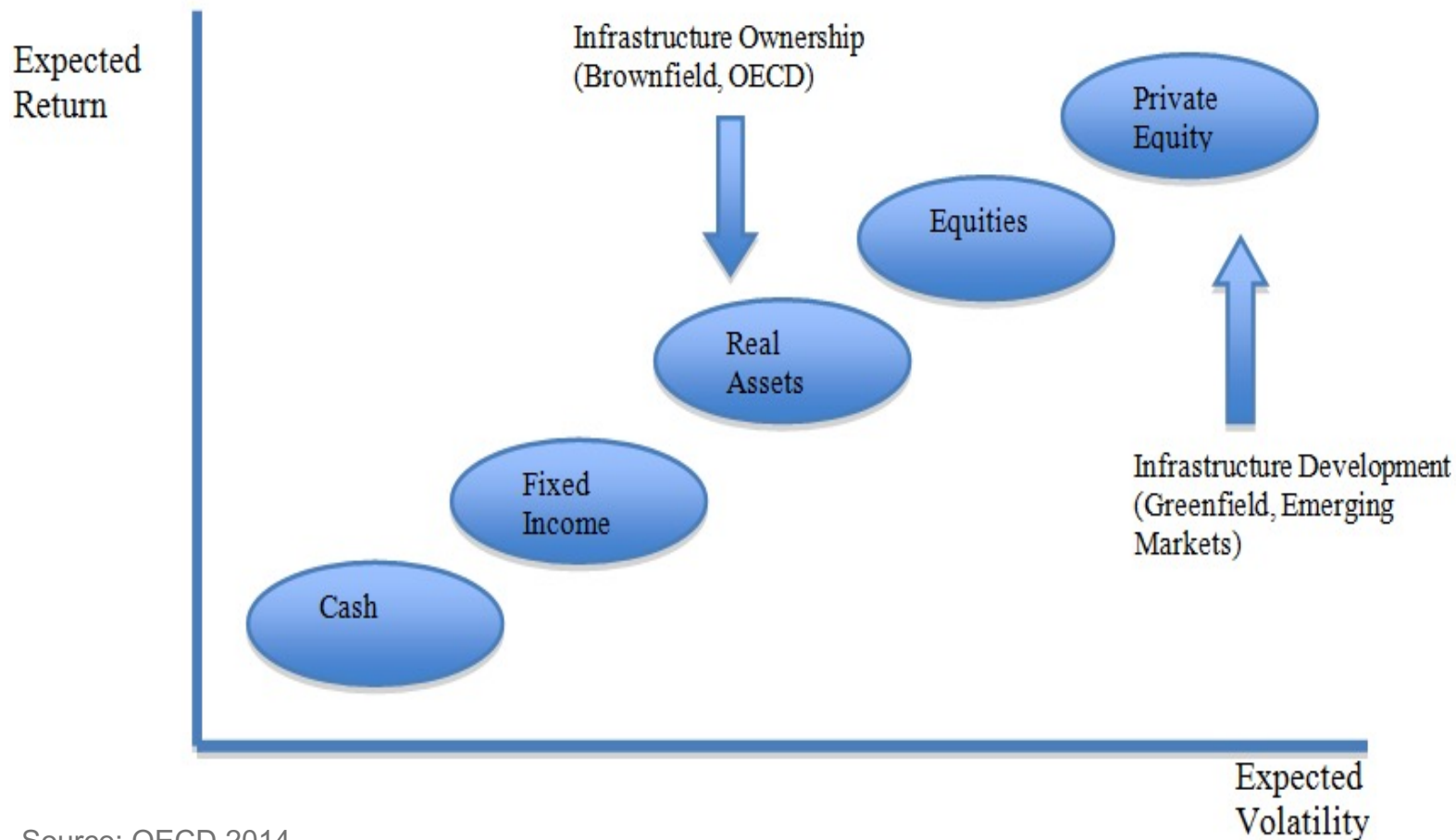
Different investment options imply different management capability, risk tolerance and returns i.e. different set of Investors





Matching Supply and Demand

Infrastructure as an Asset Class: A different risk profile will imply different expected returns from investors





Other OECD Relevant work for the Taxonomy

OECD is developing a large amount of work, in G20 context relevant for the taxonomy

- Enabling Environment for Investment: OECD Policy Framework for Investment
- Optimization of the role of MDBs : Measuring Official support for Private Investment in Developing Country Infrastructure (circulated to G20 IIWG Aug 2014)
- Development of PPPs : OECD Network of Senior PPP officials (i.e. review of Indonesia and UK PPP system)
- Infrastructure as an Asset Class (i.e. Large Pension Fund survey)
- Engaging the private sector: New Institutional Investors and LTI network



OECD LTI project Next Steps: Research & Events

- Forthcoming Research:
 - Large Pension Fund Survey – Dec 2014
 - Large Insurance Survey – Jan 2014
 - Taxonomy/ Analysis of Instruments and incentives for LTI -
 - Infrastructure as an Asset Class
- Future Events of the new LTI Network :
 - OECD/ADB Workshop – Tokyo March 2015
 - G20/OECD High Level Roundtable on LTI under the Turkish G20 presidency, 2015

www.oecd.org/finance/lti - OECD long-term investment project