TRANSCRIPT

PENSIONS FOR PURPOSE PODCAST – SERIES 1, EPISODE 3

IMPACT AND THE TRANSITION – WITH CHARLOTTE MOORE, CHARLOTTE O'LEARY AND PIERRE ABADIE

Charlotte Moore: Hello. Welcome to the latest edition of the Pensions for Purpose podcast. I'm Charlotte Moore and I'm your host for today. Joining us from Pensions for Purpose is its Chief Executive, Charlotte O'Leary. And we're delighted to welcome our first Community Partner onto the show, Pierre Abadie, Group Climate Director from Tikehau Capital, will be helping us delve into the issue of impact investing today.

So let's kick off with a question straight to Pierre. Can you tell us, Pierre, is impact investing a misunderstood concept? And, if so, why is that the case?

Pierre Abadie: Yeah, I think that impact is clearly misunderstood. If we look at historically, impact was seen as something that is very close to philanthropy. So, when it comes to institutional investment, the people usually always think that impact is at the expense of return, when the reality is that there is values, a way of doing impact. If you think, you know historically, for example, having built and invested into a coal power plant in the fifties did give access to electricity to people that did not have access to electricity. So, at the time, you know, having a coal power plant was making positive impact on the life of people and was basically displacing deforestation, using like biomass to have energy with electricity.

Today, this is a problem because since we've got far too much fossil fuels used, we end up, you know, having far too much CO_2, which is basically the Paris Agreement statement, and then we end up, you know, having a problem with the coal power plant.

So, at the end of the day, you know, the question of impact, for me it's more a question of time to market. Each investment has got a positive outcome and negative externalities, and you need to balance the two. So the question is, is not to say, "is there a right investment or right impact?". It's more being aligned with what you're trying to achieve. It's OK to try to re-generate mangroves but then, you know, you don't try to seek for return for it. You just explain what you're going to do and you do what you do.

It's OK to do decarbonisation or regenerative agriculture. I would say that the most important thing is to be very transparent about, you know, the type of impact that you are looking for. And then you have to also look at the balance in terms of amount of money that you can mobilize. And here it is very important. You know, we are discussing today, in the frame of the Pensions for Purpose.

Of course, pension funds have a fiduciary duty. And they think that, you know, and we can certainly comment the topic, if you make impact at the expense of return, then somewhat the pension fund cannot invest because you don't fulfil their fiduciary duty. So you need to find and it's up to us as an investor to find the right product that ultimately maximizes the amount of money to be invested into something that has got positive impact and this work needs to be done at the same time by the allocator but at the same time by the people that are going to invest and are defining the strategies.

Charlotte Moore: Charlotte, what's your perspective on this? Do you think it's a misunderstood concept?

Charlotte O'Leary: Yes and I think Pierre has really highlighted some of the key issues. The first one being that there's a perception that you have to give up return in order to pursue it. But the other one is that it's a sort of separate strategy that's only focused on positive impact.

Impact really needs to be understood as double materiality. And it's horrible to throw in another phrase there for people to get their heads around. But this is about recognising that every investment that you make has an impact. You can't only choose things that have positive impact. You have to understand negative impacts and positive impacts across your entire portfolio in order to be able to mitigate risk and pursue opportunities.

Now, the reason why that's been complicated in the past is it's a bit like Donald Rumsfeld's 'known unknowns'. We know that what we do has an impact. The difficulty has been trying to quantify that impact in a way that the market understands and can price in. So impact investing is very important, particularly for pension funds, because of the systemic risk.

Pension funds are large universal assets owners and, with consolidation, that's going to be even more the case. So they cannot, you know, circumnavigate systemic risks. There's no way of mitigating those or somehow pushing them outside of the pension scheme, not least the fact that their members are also subject to those systemic risks themselves. So you have to think about it in that context.

But all of that still has to be done within the bounds of fiduciary duty. So you have to think about how can you make systemic change to allow impact investing to happen, as investors? And some of that is also about collaboration. So we've seen, you know, the likes of Climate Action 100+ collaborating to, you know, push companies to transition and to have plans around renewables and investing into impact.

So it's really about understanding the whole concept and the systems framework that sits around it. And I think there's been a misconception for quite some time. In fact, we're in the process of working with The Global Impact Investing Network and also the Impact Investing Institute on a visual concept that removes this spectrum that sees impact investment right next door to philanthropy, because we think it's unhelpful.

Charlotte Moore: So, I mean, what you seem to be talking about there, I know it's complex and you talked about how people confuse it with philanthropy. If we keep the bigger goal in mind, which obviously is transition, I think there can be a confusion between impact and transition in that sometimes people focus so heavily on having a net positive impact that they almost forget the ultimate goal of the exercise is to transition the whole economy. Can we talk a bit more about the difference between those two concepts? Again, Pierre, if you could kick off the conversation.

Pierre Abadie: Yeah, for sure. At the end of the day, you know, impact is something that you try to measure. So you say, "I would like to have an impact on this topic, this SDG or this KPI" and you can have it in the form of output. So, you know, it could be a number of square metres of solar panel that you've installed or the number of gigawatt-hours that you have produced or it can be like an outcome. If you produced energy from solar, you are going to displace certainly at some point fossil fuel somewhere and therefore you can have a CO_2 avoidance. So the materialisation of impact at the end of the day, we try to have it in a framework of a KPI.

Transition is a bit different. Transition is basically the tool that you have to implement if you want to have impact. I would say that, you know what, the usual question is more that, you know, people believe that impact is some kind of next layer that you add onto the top of the cake. Well, we should not forget the cake itself! I mean, what is generating all the negative externalities and this is what Charlotte was referring to when she spoke about the double materiality. Our economy is doing two great things. It's generating well-being and wealth, and they are not the same. And it's generating two bad things which are like pollutants and waste, if you want, or emissions and waste.

So the transition that you have to do is how do we maintain well-being and wealth, or even improve well-being at least and potentially wealth on Earth, while limiting ourselves to the planetary physical boundaries, the ability of the planet to still function. Which means limiting our emissions and our waste. This is transition. So basically, you know, we are looking at the system as it stands today. We acknowledge that the system is generating negative externalities and we see what can be changed into the system to minimise it.

And I think that the main error that we may do when we think about impact is restricting the impact to something new. That will be the icing on the cake. I mean, if you look at the data from the UN PRI right before the COP 28, it was clearly stated that if we keep the current asset base as it stands, so we don't do anything else, we just keep it and we keep it running off, well in seven years we would have used our full carbon credit. So the impact is not to invent a new tech or a new thing that we can add on the system. The impact is how do we retrofit the existing to urgently reduce its ecological footprint; in the case of climate, meaning reducing the CO_2 emission.

So we are mostly talking about the real economy, the real asset, the real company, the real people, the real money, and we see what can be done in emergency to reduce its carbon footprint. And here we're talking about mostly developed areas such as Europe or US. You are mostly talking about renovating buildings, so changing doors, changing windows, putting insulation, putting heat pumps. It's mostly electrifying transport. But when I say this, it's public transportation as well and first, because it's 50% of the population. It is, of course, a bit of electric car. It's putting intermodal transport with bike infrastructure. It is basically improving the energy efficiency in factories, then increasing the electricity demand, investing into the electricity grid, and then fulfilling this demand with a low carbon source of energy that will range from nuclear to, let's say, renewable or biomass.

When I talk about it, I'm just talking about the world economy. So I think that we should not be misled by the idea that impact is something that is small and narrow when it comes, for example, to the, let's say, low carbon value chain. When it comes to the energy, we are already talking about a market that is more than 2 trillion of investment per year. It's twice as big as the fossil fuel industry. If you narrow that, for example, to the climate-tech, climate-tech is less than 50 billion. So, you know, we should not forget the elephant in the room.

The elephant in the room is the current asset base. It's this current asset base that is putting pressure on our biosphere. And we live in our biosphere. So human survival means that we need to keep this economy within the planetary boundaries. Otherwise, at some point, you know, we go off-piste and, you know, we don't really care about having growth into the economy if there is no human being to benefit, you know, from the wealth and well-being that is produced by this economy.

Charlotte Moore: Charlotte, do you have a view to share on that? I mean, I think Pierre has put it really, really well. We do need to keep it real and grounded in the real economy.

Charlotte O'Leary: We do. And I think the best analogy, you know, I've seen, is a bit like the Easter Islanders; you know, cutting down every last tree until there's no food to be able to feed anyone and actually there's no people. If you think about that from a pension scheme perspective, they are operating in order to provide the best outcomes for their members. Now, those outcomes are obviously providing a pension in retirement, but it's also making sure that they are healthy, well and alive to be able to enjoy that retirement. So we need to, that's the point about understanding this double aspect.

And I completely agree with Pierre. This isn't about thinking you can just have a separate impact strategy. This is about it filtering through everything that you do, from the way that you run investments, through the way you run business. And so we do need to start thinking about that in that context. And the reason why I wanted to mention that is that Pensions for Purpose has done research looking at the ability for impact investments over the long term to make market-rate risk-adjusted returns. And we found that in every asset class, bar private debt where we didn't get data for that - but we are looking to add that in - we saw that impact investments over the long term outperformed their, their sort of market equivalent. And that, you know, that's really, really significant. But the key thing in this is only a tiny fraction of what we looked at was investing in emerging markets.

So we can think we're having brilliant impact. But if we are not bringing the rest of the world with us, we are going to have a significant problem. This is why we need to think about it holistically. You need to think about it in terms of all geographies. You need to think about it in terms of all asset classes and sectors.

Charlotte Moore: Is that what you were alluding to, Pierre, when you talked about an impact framework? Because Charlotte's raised a very interesting point that we could be as green as we like in the developed world and a lot of the time we have effectively, basically pushed our carbon emissions into the developing world because they have become the world's manufacturing base. So is that part of what forms what an institutional investor should think about when they're putting together that impact framework? Is that how they should think about potential sources of return? And then also managing transition risk?

Pierre Abadie: I would not say because, you know, ultimately, it's not up to us to define what the allocators want to do. It's up to them to define what type of impact they will want to act on. And again, you know, when it comes to the current pressure that our world is putting on the system, it's not really a question of emerging.

So for me, there is like two main questions. One, which is how do we reduce as quickly as possible our pressure on our ecosystem? And this is, to be honest, mostly a topic linked with US and Europe, because this is where we have basically consolidated all the wealth of the world. And then there is one part of the world, which is China, that is indeed in the supply chain of Europe and US providing the goods and services.

So the two are working a bit together if you want. So if, you know, if we talk in technical terms, you've got the scope 1, 2, which is more or less your direct emissions and you've got the Scope 3, which is the value chain. And I would say that if you look at the carbon footprint of a typical European or French man, usually you've got more than 50% of the emissions that we put on the system that are imported, ok, and they are mostly imported from China. But basically by acting on the end-user side, you are going as well to force the supply chain to move along.

When Charlotte is referring to the emerging, I think that we are talking about the pressure of the next wave of people that are going on Earth, because in all our developed countries in reality, our birth rate is below two, more or less. So that means that we've got less and less people. But on the developing world you get a birth rate that is more than two. So therefore you've got more and more people being there. And those people, they still don't have the right access to water, to power, to education, to everything that, you name it. So here when we talk about the just transition, for example in the COP format, we are talking about at the same time, how do we reduce, and this is our role, our current ecological footprint.

I would say that the legacy economy, if you want to name it this way, and how do you transform the developing economies like leapfrog economies? How do you go directly, for example, when you've got access to energy, to solar and distributed grid instead of going through the fossil fuel? And this is totally doable. For me, it's much more challenging and this is what is about transitioning, it is much more challenging to change the system of the people that are currently having most of the wealth, which is ourselves, because you are talking about the stock of asset that is putting the pressure, then leapfrogging the people that are to come. We should not forget it but the reality is that the utmost emergency for us is to reduce as much as we can, as soon as we can, our footprint, because this is the one that is currently putting the pressure on the biosphere, but also unfortunately the climate event that results from us being totally out of the planetary boundaries.

Mostly and likely usually they materialise into the emerging countries, but this is where it's a bit unfair. And this was the discussion that we had at the COP last time, is that the reality is that those countries, we tell them not to use their natural resources when they are fossil fuels. At the same time, they experience adverse change from climate because of our way of living and, at the same time, their transition is difficult to finance because the risk-reward adjusted ratio is complex. I mean, you are talking about countries that are not yet developed, with a country risk that is more complex. Ultimately, the investor expect to have a better return or higher return to compensate this risk. And, at the same time, we are not transitioning at the right pace. Therefore we're putting more and more pressure on those people.

So I would say that it's up to everyone to decide what they want to do. But, for me, as, when we talk about institutional finance, we are mostly talking about the global savings, of course, of the legacy economies. And for me, those global savings should be routed first to try to minimise the impact of what we do ourself. And this is Europe, US and their suppliers, which is mostly China and Southeast Asia. But usually when you, when you invest and when you handle the end user, you are able to have a positive impact on the value chain.

Charlotte Moore: And so going back to that institutional impact framework, how does that feed into all of that, managing all of that risk and that transition. Maybe, Charlotte, you can input and we can go back to Pierre afterwards?

Charlotte O'Leary: Yeah, I think Pierre's just highlighted exactly why it is needed by allocators because, you know, consultants, asset managers are all looking to get guidance on the impact that their clients want to achieve. So an impact framework for an institutional investor is absolutely critical because you can't guarantee that it's being fully integrated into the process by, you know, different managers, they're all approaching it slightly differently.

They're applying different types of frameworks. And this is the same for the investment consultants. And this is why it's important, because it's a way of looking at risk and return. That's how we need to start thinking about it. You've got layers of risk which are physical transition and systemic risks, and within those there are also opportunities that come about, you know, in different markets, in different asset classes.

If you don't have that impact framework in place, you are potentially missing risks that you could be subject to or open to. That could also sort of collide with sort of regulatory risk, political risk, but also you're missing out on potential opportunities. Now it makes sense, particularly for pension funds, to have an impact framework because of the timeframe that we're thinking about here.

And the reason why I say this is that even for defined benefit pension schemes that are thinking about buy-out, they still need to be thinking, as part of that buy-out process and beyond, what is the ability of that insurer to be able to deal with these systemic risks. That should all be part of the process and for defined contribution pension schemes, where we're talking about the next generation, where we're talking about 30, 40, 50 years more, even more so the case that you need to be thinking about your youngest members as well as your oldest members when you are thinking about impact, that social and environmental impact. And the reason why it's important to consider both of those things, because often climate does get talked about, is that we are going to have a clash between our social goals and our environmental goals, you know, very, very soon. And you can see these issues coming up, even with the likes of AI and technology, and murmurings about the need for governments to consider universal basic income.

So, you know, you need to have that wider view. And what we're starting to see at Pensions for Purpose is that instead of just focusing on sustainable development goals like climate action or renewable energy, we're starting to see pension funds go further than that and look at other systemic risks, such as clean water and sanitation, and decent work and economic growth, and those sorts of things, as well as health and well-being and that's really important because the Institute and Faculty of Actuaries have said that economic, social and environmental factors have a way of cascading and compounding.

So, if you set yourself a net-zero target, you can't say "I'm not going to look at biodiversity" or "I'm not going to look at..." because they all have a potential to derail you in terms of your net-zero goals. And so we just need to start thinking a bit more holistically about the nature of the problem, the nature of the risks. And that's why it's so important for asset owners to start bringing in an impact framework. Even if you start with a few SDGs and you start to really get to understand them, you can then start to build out that framework.

Charlotte Moore: And I think you've, I think you've explained very well there, you know, the role that pensions can play in making actual change. And I think maybe something else that we need to touch on is people follow pension schemes. They are big institutional investors. We see that trends they set, others follow. So maybe, Pierre, you could talk to us about the role they can play in helping to stack capital into the right sorts of investments that's going to have positive impact on SDGs and help us fulfil the transition.

Pierre Abadie: Yeah, I think that ultimately, you know, Charlotte mentioned it, it's a question of putting the right like net-zero target for example. And I would say that what is key to me is to focus on what you can control. And, to be honest, I'm not entirely convinced that if you put like a net-zero asset management framework and you've got targets of CO2 avoidance etc, it's something that you can really grasp, because we see that we are talking about investing indirectly into managers that will themselves invest indirectly into companies that may try to have a reduction of their own supply chain. So you are talking about indirect, indirect, indirect. And at the end of the day, you know, the graph that you have on this direction is very, very complex.

I think that if you look at what you could do, an allocator is to be aligned with basically the financing gap that we require. Why? Because when you look at the global saving worldwide, I would say that one third of them are inside pension funds. So they are a substantial, you know, player into routing and guiding the global savings towards the right direction.

And if we just summarise this on the, for example the climate action when it comes to decarbonise the economy, which is just a chunk of what needs to be done, today we are investing, as I said, 2 trillion per year collectively into the topic. Six years ago it was 1 trillion. So it's two times what was like six years ago, which is great. It's twice bigger than the fossil fuel industry. So it's also showing you the size of the collective effort that we are currently having. But if we look at IPCC data or International Energy Agency data, you can see that usually we are talking about 4.3 trillion or even more to be invested on a yearly basis as of today, if we would want to achieve the Paris Agreement and the right, I would say, pace of decarbonisation.

So what a pension fund could do instead of saying "I want to have a framework" and they do something very complex in terms of reporting, is to be more about what can I, you know, control and what I can control is where I allocate money. We know that now the plan of decarbonising, decarbonising the economy, is fairly, you know, identified. You take the working group tree of the IPCC and then you take on a yearly basis or the net-zero pathway report of the International Energy Agency. You've got basically where the money needs to flow if you want to be aligned with the Paris Agreement. In fact, you could have an allocation process saying, "I would like to invest X, Y, Z percent of my assets under management towards decarbonising the economy, aligned with the collective effort that we must do".

If we look globally at the global saving, you know, 4.3 trillion per year means that we should reallocate roughly 3% to 4% of the stock of global savings to decarbonisation. So this could be, for example, a target for a pension fund. I'm not even entering here into like the type of asset class, but at least saying I want to route 3% on a yearly basis. I want to rotate 3% of my portfolio towards decarbonising the economy and decarbonising the economy, it means mostly decarbonising Europe, US. It means mostly doing building thermal renovation, it mostly means the electrification of transport, it's a bit of energy efficiency into the industry, and it's upgrading the electricity grid and doing renewable. So basically, you know, you could have this kind of framework.

And when I talk about an impact framework, for me, I'm much more interested by action framework rather than KPI reporting framework. Instead of trying to justify that what you have done is good, well just use what collectively is existing, which is IPCC and IEA and say directionally this is where the money should go if you want to implement the plan and then just allocate a bucket of money directionally, going toward this direction. If you do this, that means that strategically you are going to have the right output. If I invest more or if I route 1% of my AUM every year into renewables, well at some point it would be fairly easy to back-calculate the number of gigawatt hours of renewable energy that I've been producing. And therefore, you know, the amount of CO_2 that I've been avoiding, rather than saying "I want to avoid that amount of CO_2" and then making plenty of calculation on all the different portfolio companies, some of them, you know, being very complex to calculate.

So for me, you know, the key here is to remain extremely simple, rely on what is already existing and then focus on what you can control. And from a pension fund, for example, what they control is where they allocate money, where they commit.

Charlotte Moore: Charlotte, any thoughts to add on that, on how pensions can help to stack capital? Pierre gave a very good explanation there of their goals and where they should be going. How can that influence other investors or other people or even policymakers?

Charlotte O'Leary: Yeah, I think that there are a couple of things to mention here. And, you know, I really want to emphasise these. You know, pension funds, given growing, growing levels of financial inequality in our population, and we see this in the UK, the US, you know, we see it all over the world. Pension funds are one of the best forms of democratised finance, of members being able to impact the way that companies run, the way that governments run and are funded, and how we lend money. And they also have a governance structure to be able to do that, in a particularly effective way. They're also universal asset owners because of their size. So they have the ability to impact in a different way to other types of investors. Or if you're just making your own individual investments. So it's also, it's about starting from the premise that you understand your market position and your ability to influence the market. Because, in an impact scenario, there are different ways that you can contribute to that impact.

So, as Pierre mentioned, one of those is capital allocations. So how are you, you know, diverting capital - either away from companies that have a negative impact or resizing your positions and investing it into innovative companies, private companies that are trying to disrupt? You know, that's an additional way of having impact.

The other way that you can do it is stewardship and engagement. This gets talked about a lot, You know, making sure that you collaborate with others and bring shareholder resolutions to the table that are going to affect change and lead to that impact. And the other thing that often doesn't get mentioned is changing market standards. So we often have a tendency to default to "well, we're subject to regulation. We are not the people who set it."

And the reality is that, with the shift in the way governments are financed and the way that local authorities are financed, they are heavily relying on institutional investors and private capital. That means that the balance of power is shifting and it means that institutional investors have an important role in helping to set market standards. And if you set a market standard, you mitigate risk, you create opportunity, you start to understand the market better.

And so I think it's really understanding those three key points. You have, you know, capital allocation, where you're putting your capital in public or private markets. You have engagement and stewardship, and making sure that's active and often in collaboration with others. And then there's setting new market standards. And it's really important to get this into that, the mindset of pensions, they don't think that they have to arbitrarily take whatever's in the market rather than actually helping to, to create that change. And the other thing about the capital stack is that often pension funds are not in the same room as development finance institutions, multilateral development banks, endowments and foundations. And this is something we found at Pensions for Purpose. You've got groups of financial actors that speak in entirely different languages, with very different ways of understanding impact. And what we need to do is get them to talk to each other better, because often pension funds can come into a capital stack, if there are people who are willing to take first losses or to invest in the innovation needed to get a technology up to a level where they can invest. And so it's really about making sure that we're approaching this in a collaborative way rather than trying to compete amongst ourselves.

Charlotte Moore: I think you mentioned private assets. Now we've got a few minutes left to the podcast, so I'd just like to get Pierre to give his very concise thoughts on how private assets can maybe achieve impact better than other assets and about matching the types of capital at different expenditure and why that's important.

Pierre Abadie: Well, I would say that it's not something that, it's not for global impact that I'm talking about. But when, for example, if we refocus on decarbonising the economy, if you look at the opportunity set right now, you will realise that decarbonising the economy means having an effect in geographical areas, usually they're countries, and it's something that is very 'boots on the ground' and that is very regional.

So if you try to name, for example, a company that is having an impact or positive impact or being an enabler of decarbonisation of the economy on a listed market, you will have difficulties to find some. You will find a few like credible players, just simply because the companies that are active on this market are not yet at the stage of being a big multinational that can be listed etc. And that's one of the, I would say, characteristics certainly of the transitional finance. When you transition, basically you come from point A to point B, and when you start point A, you are relatively, collectively small because you are starting step-by-step and baby step-by-step to make the modification. And then it's the sum of the baby steps that makes you big.

So this market, as I said, remains relatively big holistically, we are talking about a 2 trillion market, year on year, which is twice as big as the fossil fuel industry. But you have seen that fossil fuel industry is very mature. So now it's made of national oil companies and big companies. When it comes to decarbonise the economy, you are talking about regional leader that remains companies of 2,000 people, making a few hundred million euros of turnover so they are not small but they remain fairly regional. So it's true that in this case if you want to have a positive impact and if you are a pension fund, well, you cannot really address this market through the public market.

You will not find a company that is exposing yourself to this kind of thing. So you will have to enter into investment with fund managers that are basically multi-local, having buckets of allocation on those areas to do building renovation in one place, electrification on the other, renewable on the other, but the core of the market remains at this size, that is, let's say, 99% private. So it's not that private is better than public, it's just that the maturity of the companies that we are talking about makes them mostly mid-cap, mostly regional mid-cap, and therefore mostly private asset. So if you want to be exposed to those, you will have to invest into private equity or private debt and rely on local teams to be able to deploy this money because sourcing will be very local.

Charlotte Moore: Charlotte, anything to add on that?

Charlotte O'Leary: Just that, you know, the private markets have grown significantly and private companies are staying private for longer. They're not going to list in the same, in the same way. SpaceX is a significant example of this. And so these private companies are becoming larger, there's far more of a runway, which means that's an investment opportunity for pension funds. And there are a number of reasons why people are looking to do that. The founders want to stay true to the mission and they want to be able to keep a close eye on that and maybe feel the public markets is not a place where they're going to get the support to be able to pursue that, that mission in the same way.

And therefore, that makes a very, very good case for why pension funds from an impact perspective would look at the private markets. It also provides significant diversification. You know, private markets aren't just private equity, you've also got real assets as well. And within that you've got the ability to do things like liability match, inflation hedge and all of those other aspects that you need to factor in to making sure that you have a diversified portfolio.

So there are lots of reasons why it makes sense to go into private markets, particularly for pension funds. Often it isn't the investment argument that's the problem. It's often other things like costs, incentives and those sorts of things, and what we're starting to see is greater innovation in the private markets around impact incentives, ratchets and also fee structures.

So you've had, for instance, the introduction of the long-term asset fund, which creates greater liquidity, lower cost profile, which makes it particularly good for defined contribution schemes. So there's a lot of innovation. And so some of the perceptions that we've had, we need to revisit and make sure that we aren't making decisions on the basis of things that are a bit outdated. Because the private markets do offer a really good opportunity.

Charlotte Moore: I think that is a great place for us to end this good discussion. It’s definitely been in-depth. There's been lots of meat on the bones, so I want to thank both of you for your contributions and very much to Pierre for being the first Community Partner on the Pensions for Purpose podcast. Thanks to everyone and we're looking forward to you listening in for the next episode.

Charlotte O'Leary: Thank you.

Pierre Abadie: Thank you.