

For professional investors only. Capital at risk.



Could investing in areas like robotics and cyber-security make pensions cool?

✎ I suspect I know what you're thinking: Pensions won't ever be cool and that's that. But what if they were invested in areas of science and technology that people find fascinating, desirable and relevant to their daily needs?

Well, the unlocking of private market opportunities in DC pension strategies means that providers like Legal & General (L&G) have the opportunity to invest retirement funds in areas that could resonate with DC savers by helping to tackle real world issues.

And the result of investing pension funds in areas which people

find exciting might not only help to inspire savers to engage more with their pensions, but, we believe, could open new sources of potential returns for funds and offer greater portfolio diversification to help spread investment risk.¹

So what sort of investments are we talking about in terms of private market opportunities in the science and technology sectors?

At L&G, we've committed over £7.7 billion² to support entrepreneurial networks that have emerged from UK universities across our investments and partnerships. We've been an active supporter of these UK university ecosystems for more than 10 years, partnering with them across asset management, real estate development and supporting the scale-up and commercialisation of UK science and innovation through investment into university spin-outs.

Some of these spin-outs have already been sufficiently successful to result in exits – where private investors have been able to realise returns on their investments, often via an

acquisition by a large company looking for new products, or by listing on the public markets.

From just the top five UK universities by volume of spin-outs (Oxford, Cambridge, Manchester, Imperial College London and University College London), there have been over 650 such businesses recorded since 2011.³ Since this time over 180 companies have achieved successful exits² either via listings or via acquisition. Examples include businesses in areas such as AI-powered healthcare, DNA sequencing and companies developing successful treatments for disease.⁴ We believe there is now a real opportunity to support companies to grow and create industry champions here in the UK.

Therefore, at Legal & General, we believe there may be significant investment opportunities that could benefit DC savers in an area that has demonstrated long-term growth – with more than £14 billion of equity investment into UK spin-outs by domestic and overseas investors over the past 10 years.⁵

So, as part of our ambition to unlock potential investment opportunities in private markets to DC pension savers, we're particularly interested in companies that aim to:

- enable people to live longer, healthier lives;
- generate cleaner sources of energy and environmental innovations;
- drive breakthrough innovations in technology and computing.

Under these themes, the type of investments we'd be considering would be wide-ranging and constantly evolving to help tackle real-world issues. They could therefore include robots designed to enhance surgery and make it more accessible, AI to improve the way we diagnose and treat disease, technologies to improve the ways we use and store energy, and more advanced cyber-security systems.

So, while it's understandable that many DC pension savers might struggle to be fired-up by broad talk of fund investments, maybe the realisation that their pensions are investing in areas that matter to them such as health, sustainable energy sources and technologies to solve problems that we all face every day, would be more inspiring.

We believe that investing in private market assets in high-growth sectors such as science and technology could help boost the UK and global economy,

as well as helping to create value for the millions of DC savers saving for their retirement.

And investing in entrepreneurial ventures that have emerged from some of the most impressive hotbeds of innovation at universities in all four corners of the UK could see DC pension funds contributing to efforts to solve major global challenges across high potential target areas such as AI-enabled healthcare, next-generation computing and energy transition. Now, isn't that just a little bit cool?

Find out how we're giving pension savers access to private market investments www.lgim.com/uk/en/capabilities/defined-contribution/private-markets/

Private markets: Our top picks for future-facing portfolios by Robin Martin blog.lgim.com/categories/esg-and-long-term-themes/private-markets-our-top-picks-for-future-facing-portfolios/



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In association with



¹ It should be noted that diversification is no guarantee against a loss in a declining market.

² Legal & General data as at 30 June 2023, includes value of L&G direct debt and equity investments and aggregate commitments to be provided by partnerships with others. All investing involves risk.

³ Beauhurst data, 2024.

⁴ Sourced from Pitchbook.

⁵ 10 years to 2023, Beauhurst data.

Disclaimer

Key risks

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested.

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