Capital Markets Day

Company Participants

- Kevin Whitaker, CEO
- Laura Mason, CEO
- Nigel Wilson, CEO
- Stuart Davies, CFO
- Symon Drake-Brockman, Co-Founder and Managing Partner
- Unidentified Company Representative, Unknown
- Wes Erlam, Director of Urban Regeneration

Other Participants

- Alan Devlin, Analyst
- Andrew Baker, Analyst
- Andrew Crean, Analyst
- Dominic O'Mahony, Analyst
- Fahad Changazi, Analyst
- Greig Paterson, Analyst
- Larissa Van Deventer, Analyst
- Louise Miles, Analyst
- Ming Zhu, Analyst
- Steven Haywood, Analyst

Presentation

Nigel Wilson {BIO 1535703 <GO>}

Thank you, everyone, for attending today. I hope you enjoyed the brief video on specialist real estate. All four of LGC videos are available on our website, free of charge. I'm looking forward to and indeed proud to be introducing LGC to the investment community.

As usual, the forward-looking statements apply. While LGC is a large and successful business already, I'm confident it will become larger and more successful in the future.

We have set some clear objectives for today.

We will remind everyone about our track record, including our financial performance and provide data that answers some of the key investment issues. LG's competitors we think of as BlackRock, Blackstone, KKR, Brookfield and Apollo.

In respect of LGC, we will also demonstrate why it exists, and what it does -- coupled with the size of our many opportunities. You'll hear from several of our management team, explaining why returns from this business are sustainable.

One objective is to provide you with data on why LGC may be undervalued by the market. The consensus valuation for LGC is around GBP 4 billion compared to its book value of around GBP 9 billion. LNG and LGC, as one of our five divisions can be seen through the retirement solutions lens with our strong commitment to inclusive capitalism and ESHG, which includes health. We are a globally trusted brand.

Our business model is unique, combining our collaborative culture with multiple synergies and outstanding management teams. In addition, we have consistently delivered a 20% ROE. The 20% ROE is just one of our strong financial metrics. Operating profit growth of 9% per annum, sits alongside EPS growth of 10% and dividend growth of 11% and book value per share growth of 7%.

In addition, we have a very strong balance sheet. We're also making good progress on achieving our five year cash capital and dividend ambitions, GBP 8 billion to GBP 9 billion of cash and capital generation and GBP 5.6 billion to GBP 5.9 billion of dividends. However we do recognize that there are issues which investors have highlighted, and that they would like to better understand.

Some comments on the specific questions. Our share price has reacted disproportionately to exogenous events, which as our 10-year financial performance record indicates have had limited impact on how we manage the business, or how it has performed. On credit, since 2007, our default provision has grown from GBP 0.5 billion to GBP 3.4 billion. That's a 680% increase, with the bond portfolio only increasing by around 480%, hence the coverage has increased.

Also, the percentage of investment-grade credit has also increased from 90% to 98%. We've also had no defaults for 12.5 years and just GBP 24 million since 2007 despite various credit events. My colleagues at LNG have simply done a great job. There does need to be some myth busting around capital use in the PRT business as well. Since Solvency II was introduced, we've seen our S2 surplus rise by GBP 1.8 billion. Our SCR has only risen by GBP 1.2 billion despite writing GBP 47 billion of new business, and our coverage ratio today is 12% higher than in 2016.

We are also very strong believers in the importance of ESG or ESHG. We don't see any trade-off between doing the right things for the right reasons, delivering the right outcomes and earning attractive returns. Our 20% plus ROE is compelling evidence for that.

Now on to Lee LGC. Laura will cover most of the detail, but some headlines first from me. LGC exists to deliver healthy returns while successfully competing in attractive frontier markets. We all know how quality alternatives have been growing and expect to grow further in the future. We have set up LGC in four strategically selected markets: housing, SME finance, specialist commercial real estate and clean energy.

We have deep subject matter capabilities in all of these lines of business. LGC has been on a great journey from 2014 when we started working with Simon at Pemberton. I've always really enjoyed our frank, honest and respectful conversations. They very much enjoy a similar relationship with Kevin and Carla, but we also started our journey in 2014. These two businesses have successfully grown quickly, and you will hear from both of them about their plans for future growth.

Continued growth in frontier sectors is supported by long-term trends, notably increasing investments from DB and DC pensions, which bring in additional third-party capital and provide valuation and realization points for our shareholders. There is a live list of examples on this slide. LGC is a competitive advantage for LNG. We are confident that we will deliver strong returns. We have created a first-mover advantage. We are delivering 50 to 200 basis point uplift over the same rated credit for LGR, GBP 25 billion to GBP 30 billion of third-party AUM is our ambition, and we continue to support ESH&G.

I'll now hand over to Laura.

Laura Mason {BIO 20420360 <GO>}

Thank you, Nigel. Good afternoon, everyone. I'm Laura Mason, the CEO of Legal & General Capital. Today marks a welcome return for me in my first capital markets event back in LGC since I left the business at the end of 2017 to run LGR, our institutional annuity business. As you will see throughout the presentations today LGC has undergone a significant transition over that period and is now firmly established as a key pillar in legal in general.

In November 2020, at our last capital markets event, we set out a vision for the future growth of LGC. I wanted to talk about those ambitions today as well as to provide greater clarity on how our asset creation platforms work in practice. LGC is a key part of the Legal & General business model, investing to create assets for the group. Our business uses shareholder capital to achieve three clear goals: The first, to deliver attractive financial returns for our shareholders by creating and investing in real assets.

The second is to self manufacture, matching adjustment eligible assets for LGR's global annuity business. Our asset sourcing also provides investment opportunities for third party investors, looking to access private market opportunities in new cutting-edge sectors. And lastly, we aim to ensure our investments secure lasting value for society.

In 2016, two years into LGC's journey, we held only a small allocation, around GBP 1.1 billion in alternatives. 2021 shows a very different picture. Alternative NAV is expected to grow to GBP 3.5 billion by the end of the year and constitute around 40% of LGC's total NAV, up from 18% in 2016. In the last five years, we have shifted towards alternatives to access higher returns across a broad range of asset classes and work collaboratively with our colleagues in LGR and LGIM to establish asset platforms in LGC that create assets to back annuities and third-party liabilities.

As our alternatives portfolio has grown and started to mature, the blend of 8% to 10% returns we can now achieve have driven LGC profit growth. We expect full year 2021 operating profit from alternatives to reach around GBP 340 million, constituting around 75% of total LGC operating profit, up significantly from 2016. We intend to increase our alternatives allocation towards 60% by the end of 2025 to further capitalize on the higher returns available.

We expect LGC's capital base to grow modestly over this time frame so that by 2025, we expect to be managing approximately GBP 5 billion in alternatives. It is worth highlighting that our portfolio is dynamic. We will continue to realize profits in some of our investments. In the coming months, we'll be announcing a series of external realizations that will release growth capital ready for deployment in new ventures.

Our historic returns from alternatives have been growing and becoming more consistent over time as our businesses continue to scale and mature. As such, we expect the 8% to 10% return per annum that we generate currently to increase to 10% to 12% by 2025. Therefore, we expect to generate total LGC operating profits of around GBP 600 million to GBP 700 million by 2025, of which around GBP 500 million to GBP 600 million will be from alternatives.

We're long-term investors of the group's capital. Therefore, the group's six strategic drivers are key pillars of our investment philosophy. To address the expected shift in aging demographics, for example, we have invested in our LEG living retirement communities. Our city regeneration work is a clear example of us investing in the real economy. Achieving double-digit percent returns on alternatives consistently requires significant scale.

And over the last eight years, we have built a differentiated investment approach that is difficult to replicate. We have strong investment teams in LGC with deep sector expertise, who invest selectively and with conviction. We don't restrict ourselves to traditional models of fund investing. We have built strong, scalable asset creation platforms in the sectors we cover and are supporting the growth of these platforms through ongoing capital investment.

In delivering this growth, our teams can draw on an impressive wider network brought together by the convening power of LNG. Internally, we can lean on the group's institutional rigor to build resilient businesses fit for long term. We can access different funding sources across the group and its client base to help accelerate investment in our platforms.

We invest across all major asset classes, housing, SME finance, specialist commercial real estate and teen energy. We provide a range of housing by tenure and type to support local communities. We invest in SME businesses to stimulate economic growth and support emerging technologies.

And we provide specialist commercial real estate solutions to support urban regeneration and to provide the digital infrastructure needed for the 21st century. We invest in clean energy to support decarbonization and to provide growth equity for innovative clean energy solutions. Together, the amount for a comprehensive proposition to support and transform our local communities.

We'll share further details on our investments in each of these sectors later. You'll also hear from several of our business leaders, from Kevin Whitaker, CEO of CALA; Simon Drake Brockman, CEO of Pemberton; and two of our more recent additions to the LTC team. Wes Erlam, Director of Urban Regeneration; and Pete Mayer, Director of Venture Capital. They'll share with you updates from their business areas and give some insights into the way that they think about investing.

As I've highlighted, our model allows us to choose the right asset creation platform to address each of the opportunities we've identified. We can invest to 100% owned operating businesses like CALA or affordable homes. We access third-party capital funds through stakes and boutique asset management GPs like Pemberton and NTR. We partner with sector experts and strategic investors through joint ventures, such as branded Sitec and KO.

And we can also invest directly in portfolio companies, such as Podo or Kanzer, overseen by our LGC investment teams. Being able to choose from a range of models allows us to tailor investment approach to meet the particular challenges of the market we're investing in. We're experience and picking the right management teams to back and in selecting the right platform from which to grow and support these businesses. So on to asset creation for LGR and other long-term investors.

Through its investment through its investments, LGC demonstrates a positive cycle of asset creation. We invest growth capital through our LGC asset creation platforms to create investment assets suitable for long-term buy-and-hold investors. On completion, we are able to realize the LGC created investments to LGR or third-party long-term investors. We can then redeploy the capital, integrating more of these types of assets.

To bring this to life further, I want to take you through the investment model for one of our fastest-growing asset creation platforms, affordable homes. We've developed an innovative and repeatable funding model with LGR to provide affordable housing assets to support new pension risk transfer business. The business expects to create GBP 1.7 billion of assets for PRT business by 2025 as well as potentially attracting third-party equity. LGC provides the initial capital to invest in affordable housing developments.

Our wholly owned operating business oversees the development and once completed an income generating; our PRT business uses the housing income to back long-term liabilities. The returns are therefore, multiple in nature. LGC typically earns 15% or higher development returns on equity and benefits from fee generation on the development and long-term management of the assets. We are then able to recycle the growth capital for deployment and new opportunities to further support an EPRT business. With the structuring now play this model can scale rapidly.

As our -- as our investment platforms continue to scale, they will increasingly generate assets for the group and for third-party investors. We have identified a significant pipeline of capital opportunities for LGR to invest in U.K.'s pension money into LGC originated assets. For example, in partnership with Oxford University, we plan to create GBP 4 billion of assets that support the university's growth plans, funding new academic facilities and world-class research centers and providing accommodation city's academic population.

These types of investments will ensure LGC can create assets to support LGI's ambition of writing GBP 40 billion to GBP 50 billion of U.K. PRT over the next five years. We expect to attract GBP 25 billion to GBP 30 billion of third-party AUM by 2025, firearm beauty asset management, driven by Penson. We also expect to scale up our deployment of strategic co-investment through bespoke deals with like-minded investors.

Asset creation, therefore, would generate significant incremental value for the group, above and beyond the value created in LGC. LGC benefits from 10% to 12% returns on investments. LGR benefits from yield uplifts on LGC created assets, allowing it to write higher PRT volumes, and we can generate incremental future fees on third party funds, which are growing all the time.

On this slide, we have provided a breakdown by business of how we expect third-party AUM to grow from our full year 2021 estimate of GBP 12 million to GBP 25 million to GBP 30 billion by 2025. We expect our existing platforms to continue to manage the majority of the third-party AUM by this time, building on their impressive growth to date, but we also see significant potential upside to create third-party assets in our other businesses. Whilst these are at an earlier stage of development, they have significant long-term growth potential, and all of these businesses are expected to grow their AUMs by 2025.

LGC's interest in responsible investing is deep rooted, and we have been investing in ESG assets since our inception. Our positive environmental impact centers on our clean energy business, investing across the energy sector. In renewable power generation infrastructure, in new and more efficient technologies and in innovative businesses looking to drive positive changes in society's consumption.

We are deploying charging point and heat pump technologies in the buildings we create to accelerate the transition to a net zero economy. And as I showed you earlier, our social impact is inherent in the sectors that we invest in, creating affordable housing, regenerating the U.K. cities by investing in new communities and spaces and investing in businesses, delivering incremental jobs to the U.K. economy.

Our investments are transforming and reshaping Britain's landscape, bringing jobs and housing back into cities and improving infrastructure. We're continuing to bring forward major projects at scale across our U.K. cities. In Oxford, we are supporting the local community with a pipeline of GBP 4 billion of investment opportunities into new homes, affordable housing, clean energy and health and life science technologies. In Manchester, we have already invested GBP 400 million into new homes, life sciences and media and technology.

Our investments touched nearly every quarter of the U.K., and we are delivering holistic impact in local communities. There are, of course huge alternative investment opportunities outside the U.K. Global alternative AUM stands at $9.5 trillion, but governments around the world recognize that significantly more investment is required to meet society's challenges.

An estimated $130 trillion is required to address climate change globally. And as we look to grow, we are looking increasingly at international deployment opportunities. We're already investing in Europe through Pemberton NTR and are looking to expand in the U.S. in a number of our sectors through asset creation platforms with like-minded investors.

We'd now like to take you on a deeper dive into the sectors that we cover, explaining our investment strategies and providing further details on our investment performance to date as well as the potential growth opportunity in each of our sectors. We plan to break for Q&A after the housing section before closing for a final round of Q&A at the end of the presentation.

But we'll start with housing. LGC has built its housing platform to address many of the structural issues in the U.K. housing market. For the last 50 years, we have seen chronic undersupply of U.K. housing with the government now identifying the need for 345,000 homes be built per year. In 2020, only 123,000 new homes were built, the lowest annual total since 2012. In LGC, we are building a market-leading multi tenure housing platform to meet these challenges head on.

This is helping us to achieve above-market risk-adjusted returns as a principal balance sheet investor, generate platform volume, value through fee revenue and produce assets at scale for our retirement platform as well as attracting third-party capital. All while making an important societal impact by providing quality homes for all tenures and demographics.

As a business, we have the access to capital, the expertise and the commitment to continue to scale up this platform. Our housing business currently stands at a little under GBP 2 billion of NAV, having grown from just under GBP 400 million in 2016 and is expected to generate operating profits of around GBP 180 million at year-end, 3x the level of 2016. Our largest housing business is CALA, our wholly owned build to cell platform, which represents 30% of LGCs now. CALA's valuation represents the carrying value of the business at NAV.

We have five other market-leading housing businesses across a range of 10 years and types, supported by land holdings, as listed on the slide. I'll talk more about these in a moment, but for now, I'm going to hand over to Kevin Whitaker, CEO of CALA.

Kevin Whitaker {BIO 17821179 <GO>}

Thank you, Laura. Welcome, everyone. My name is Kevin Whitaker. I'm CEO of CALA Homes, Legal and General's wholly owned house building business. As a company, we have significant growth ambitions, and we have seen strong growth since legal in general, take a 50% stake in the business in 2030. Having now grown to the U.K.'s 10th largest house builder by revenue, CALA has been central to LGC's performance in recent years.

In the last eight years, CALA's profit has increased 10x, and we've increased the number of homes we deliver each year from under 1,000 to nearly 3,000. Continuing this trajectory of growth, we are targeting the annual delivery of around 4,000 homes by 2025, with turnover increasing to GBP 1.5 billion and profits nearly doubling again to GBP 240 million. The delivery of this strategy has been driven by our experienced management team, the local regional directors.

Our approach to quality and customer service is highly rated, continually being rated in the top three house builders in the United Kingdom. Across CALA's regions in England, we have the capacity to deliver organic growth through additional operational sites in our regional businesses.

The organic approach would deliver an additionality of around GBP 365 million of turnover to the business, some of which is already in play. This will be supported by our existing teams, continuing to deliver additional outlets in our current areas. In addition, we have the opportunity to consider suitable acquisitions to further supplement the existing land bank or enhance the operational area.

With regard to margin and return on capital employed improvements across the businesses, as it stands, they have been improving but remain behind our listed peer group. The main focus in terms of return on capital employed is to reshape our largest sites using the land bank to improve the range of opportunities in LGC, bringing sites forward on a multi 10-year basis, releasing and recycling cash in a shorter timescale than originally planned. By 2025, we are forecasting an operating margin of around 16% plus, with return on capital deployed in excess of 20%.

Our main focus is towards contracting, purchasing and delivering sites at a hurdle rate of 23% gross margin. Our overheads will reduce to 5% of turnover from the current 6%, in line with the growth plan as the business becomes operationally efficient. Other areas of improvement are a switch to digital sales and marketing platform, consistent digital approach towards our construction management, along with a focus on maximizing our net prices on our sites. These initiatives are all part of our plan and benefit color in the short term.

As with all legal and general's businesses, sustainability and the road to net zero is a top priority for us. In line with LGC's wider residential commitments, we are targeting for all our homes to be operational net zero by 2030, with a further plan to become embodied carbon net zero from 2040 to 2050.

We remain just one of three householders currently measuring our embody carbon, emphasizing our commitment to lead the way as we seek to set science-based targets and align with the UN Paris agreement. An example of our approach is the change to timber kit construction on all of our sites. This creates a 20% reduction in our embody carbon as an example.

Turning to each of the regions. We have a strong management teams in place across each of our operating areas, with business plans to focus on additional sites, operating margins and the development of their experienced teams to support the growth. These specific organic regional opportunities will deliver the growth plans over the next five years. Examples of this will be a regional business in Northam Counties covering Heartport and ESX on the map. We currently have 10 operational sites in the area where a solar competition would have up to 20 to 25 operational sites. This growth can be delivered within our existing market geographical areas.

In summary, CALAs strong growth ambitions over the next five years with significant improvements forecast in profits, operating margins, return on capital employed and turnover. This will lead to the production of many more homes, alongside additional sites to help tackle U.K.'s chronic undersupply of housing. We will deliver this with the experienced management team with a proven track record of delivering growth. Our land bank, we used to create opportunities for CALA and the wider LGC businesses.

At the same time as recycling and releasing cash to support a wide range of additional sites to support the growth. Continual focus on the quality of our product and our customer service, and making the most of the geographical opportunities that exist for CALA, along with a clear focus on the path to delivering our operational net zero homes and our targets. The size and range of our land bank supports the delivery of growth in the CALA business and provides for wider opportunities for other LGC housing businesses on the sites.

A typical large sight could have four different LNG housing proposals on-site at any one time. CALA built to sell, Legal & General Homes, communities built to sell, affordable housing and build to rent. These opportunities are starting to happen with initial sites being delivered at Kroton and North Horsham. As a mature business with a track record of delivery, we're actively knowledge sharing with LGC's wider housing platform, providing opportunities for its scale up and start-up businesses as they enter the early stages of growth.

These sites provide additional opportunities for the wider LGC long income housing decisions. As these businesses mature, key strength within LGC will be its ability to develop the multi tenure place making sites and deliver large-scale master plan developments. This will help accelerate the overall delivery of housing and increase our build-out rigs, while creating compelling and enduring communities for all.

Our current master plan at North Osram is an example of this, bringing together CALA build to sell product, Legal & General Homes Communities built to sell product, along with LGC, suburban built to rent, affordable and modular housing businesses. North Horsham, we'll be able to offer a unique, sustainable multi-tender site across its 2,750 homes master plan. This will also allow us to deliver important infrastructure for the local North Horsham area, including a new primary school, sports facilities, medical facilities, public respace and the potential for a new railway station, all delivered by Legal & General.

I would now like to hand you back to Laura to take you through the rest of the LGC housing platform.

Laura Mason {BIO 20420360 <GO>}

Thank you, Kevin. And North Horsham is a great example of our housing businesses working really well together. The NEPOOL housing in the U.K. is well understood, but this is not just a shortage of housing, also a question of the suitability of the U.K. housing stock, the different demographics and how to meet the U.K.'s environmental goals.

Our housing platform, which in addition to CALA, comprises affordable homes, later living homes, build-to-rent and modular looks to address these challenges. I'm talk a little bit about these other businesses, which are managed by Simon Century, our MD of Housing; and Rosie Duked, CEO of on macular housing business.

Our LNG affordable homes business was established in April 2018 to address a lack of capacity in the affordable housing sector as traditional providers, such as housing associations are significantly constrained in their ability to meet the growing demand for affordable housing. From a standing start just three years ago, we have grown our pipeline to only 7,000 homes across the country and forecast operating profits of GBP 100 million by 2025.

Testament to our position in the marketplace, the business is now a homes England backed strategic partner with GBP 120 million of funding provided by government to support further growth. We're well on track to deliver over 3,000 new affordable homes each year once the platform is fully scaled. We're accelerating the growth of affordable homes by accessing funding from LGR and third party financing.

We established our later living provider inspired villages in 2017 to meet the growing demand for age-appropriate housing. Since its inception, the business has scaled rapidly. Inspired villages now has over 2,300 homes within its pipeline and a gross development value of GBP 2.1 billion. As we look to lead the way on the road towards net 0, this business has also recently broken ground on the U.K.'s first operationally net zero carbon later living developments, which will create more than 350 energy-efficient homes.

In August this year, we announced a new JV with a NatWest Group pension fund, selling 50% stake in our first 11 sites, the follow-on commitment will help to build a portfolio of up to 34 sites with 5,100 homes and a gross development value of around GBP 4 billion. This JV has the potential to create a platform, enabling other pension funds to invest in the sector. This would allow U.K. pension funds to be deployed at scale to match long-term liabilities and support great outcomes for later living and U.K. society as a whole.

L&G's urban build-to-rent proposition is a demonstration of the way that LGC and LGIM work together to create solutions for third parties. The business is scaling quickly into a diversified portfolio of best-in-class build-to-rent assets across the country with 5,000 homes in operation or development.

Rental properties are developed in a bespoke joint venture, funded by LGC and one of our strategic partners, PGGM, and then once established assets are sold to the L&G managed build-to-rent fund. This fund currently stands at around GBP 600 million of AUM. Our suburban build-to-rent business, which launched in November 2020 and is not included in these numbers, has similar high-growth plans. We plan to use both LGR financing as well as third-party capital to scale these businesses further.

So to conclude, we are confident in the current trajectory of our diversified housing platform. We're on track to meet our ambition to have GBP 2.5 billion of housing NAV by 2025, which will deliver significant enhanced returns. By continuing to bring in group and third-party capital, we can support asset generation at scale. And as we look to the next five years, we will continue to innovate across each of our businesses and be both environmentally and socially impactful. We are helping to address society's housing needs and are committed to being a leading player in the sector on carbon emissions targets.

Nigel is going to join me on stage now, and we'll take some time for questions on what we've presented so far.

And for those of you joining by webcast, please send your questions via the platform.

Questions And Answers

Q - Andrew Crean {BIO 16513202 <GO>}

It's Andrew Crean from Autonomous Research. A couple of questions. In terms of your growth ambitions, I think you've grown by -- in the first 4.5 years by about EUR 2.3 billion, and you're looking to grow by GBP 1.6 billion in the next 4.5 years, which I think is a growth rate of about 9%. You put up a slide there saying alternative assets were going to grow at 10% per annum. So that would imply a lot of market share.

I'm sure that's not how you'd like to portray things, but could you give us a bit of an explanation behind that and whether you'd be applying some more pressure on Laura to up that target? Then the second question is, I really understand the incremental future fee generation, bringing a lot of excess or third-party capital in. Can you start charging them performance fees and management fees to incrementally your revenues, and how much of your revenues are you planning to get from third-party fees?

A - Unidentified Company Representative

Yes. I think I'll answer the first question and then talk a little bit about the second one because I think some of that's going to be revealed when my colleagues get to speak. So you're right, Andrew, I say but you're right. It doesn't trip easily off the time. That the numbers we put in are on the measured prudent side, I think of what we could achieve as a group. I think you've seen in Kevin's presentation that there's a degree of ambition.

But it's -- in one sense, it's not going as fast as it was in the past in terms of the projections that we're presenting to you today. When you added them all up, we felt as though that was sufficiently ambitious to keep people like yourselves and our investors happy that these are deliverable and realistic across all of the business. If you look at the underlying math, which you've highlighted very quickly, then I might add, Andrew, we're hoping to get away with it just for today that they -- we could easily do better than that because the markets are in our favor.

And when you listen to all of the presentations, that's one of the conclusions that we hope you arrive Ariat actually these are well grounded, not extravagant in any way or not all the aggressive forecast for the future. We've captured in the word ambition rather than forecast. But as you rightfully said, I think I'll be pushing a little bit harder with everyone for -- across all the different businesses in terms of what we think these businesses are capable of delivering. But we feel as though we've got to take investors and analysts on-site with us.

And if we put down some of the targets that we've already achieved today three or four years ago, you would have just said, well, actually, those are just ridiculous. They're way too ambitious. As Kevin said, we've grown CALA's profit 10x. If we said, by the way we're going to grow at 10x, it would have been very skeptical about it, but that's what we've managed to deliver. I think if you -- when you listen to the other presentations, you'll get the same feeling.

On the question of fees. I suggest we cover that after you've heard the presentations on SME finance. Rest assured that the people who are sitting in the room pretty aligned to your own thinking. And 10%, who you're going to hear most about from Simon and the most advanced in terms of the businesses, but they're all following a similar trend. If you look at the numbers we produce just in our half yearly results, we only had GBP 14 billion of ambition.

We're at GBP 25 million to GBP 30 million today and that's only a few months later. And -- but if you extrapolate that, you'll come up with some ludicrous numbers. But we have enormous opportunities. The point that we made suddenly in the presentation is we think that the government will change the rules around DB and DC pensions and encourage them to invest in absolutely the sort of assets that we're talking about today.

And if that happens, then sort of all bets are off in terms of what we can achieve, given that we are, by far, the biggest pension provider in the U.K., but it's a natural trend. These are the assets that society wants, the government wants to see, we're market leaders in pretty much all of these asset classes. There's been a massive opportunity, we think in addition to the one that we've articulated today when a DB and DC.

And the fact is, as Laura mentioned, networks, the pension fund came in to co-invest alongside us with a huge financial commitment, I think but to build out our later life living business, which is hugely successful in America and Australia and Korea and New Zealand. What around the world. Massively underserved.

When we knocked on the door, we suddenly realize there's huge potential, and we got planning much easier than we had expected. So that's why we wanted to bring in one of the U.K.'s largest, maybe the largest pension provider to co invest. So we can keep those assets to develop those assets and really realize the potential for this business opportunity.

Operator

Can you just -- can you keep handing the microphone now.

A - Laura Mason {BIO 20420360 <GO>}

We've got sinusitis.

Operator

All right, sinusitis. I'll go quickly, but no chance.

Q - Andrew Baker {BIO 20402705 <GO>}

Andrew Baker, Citi. I guess similar but slightly different to Andrew's question. So if I look at Slide '18, the total NAV growth goes from -- it basically increases like GBP 400 million from '21 to 2024. Obviously there's mix changes within that. But I guess what's the constraint to the total NAV growth of LGC? Is it surplus capital the ability of LGR to generate such capital, the ability to...

A - Unidentified Company Representative

I think looking at it through the long lens. I mean we try to produce reasonable projections around it. Clearly, if we do better, we'll invest more capital because we're actually not capital constrained really in any way. We didn't want to produce numbers that were so ambitious that you guys do cover highly skeptical.

We wanted to get you on side that actually, these are all quite well grounded numbers. They're very realistic. I think as you'll see from the management team today they're all convinced that they will be able to deliver those numbers or even better, and they're absolutely capable compared to the market opportunity.

You're right in a sense; we could have put much bigger numbers in there if we wanted to. But the key thing was what actually, even if we keep the capital constant we can deliver a fantastic return for our shareholders with amazing momentum behind all of the subdivisions because you'll all see they've got the same J-curve momentum behind these businesses.

Q - Andrew Baker {BIO 20402705 <GO>}

No, that's really helpful. I guess just one more point of clarification. The GBP 25 billion to GBP 30 billion third-party capital, is that L&G share? Or does that include all Peman assets as well, all?

A - Unidentified Company Representative

Yes.

Q - Larissa Van Deventer {BIO 20764470 <GO>}

Larissa Van Deventer from Barclays. I had a similar question on the fee sharing, but I'll park that into after the later presentation. Two questions. The first one is on page -- on Slide 29, you show the 25% to 30% that was just mentioned. How do we think about that target versus the GBP 20 billion target that was there previously?

Then you didn't speak much about modular homes, recognizing that it is fairly new, but it's also fairly new to the U.K. How do you see demand for that housing sector? And how should we think about breakeven points considering the capital investments of the factory in leads?

A - Nigel Wilson {BIO 1535703 <GO>}

Yes Laura is going to take the first, and I'll take the second.

A - Laura Mason {BIO 20420360 <GO>}

Yes. So to answer your first question there, the apples to apples numbers. We've just increased, as Nigel said, we've increased how ambitious we're saying we're doing at the moment, but they are the same numbers.

A - Nigel Wilson {BIO 1535703 <GO>}

On module, we're very excited the other day the chancellor spent three hours at the factory, which surprised you three of us just spent in the factory, but was just about managed to make a hot himself in the journey round. If anybody hasn't seen the videos, so infused at it. We're getting real takeoff right now with three sites up and running, Selby, which is very close to the factories in a great position. Bustle, which several of the non executives went down to see things are there.

And we have a big pipeline now. I mean we're seeing modulars really happening. We want to get to about 3,000 units, and we're about 1,500, 1,600 units right now going through the factory. We look as though we have a terrific order book for 2022 and beyond, and people are recognizing that there's something to be some very positive about precision build housing where everything day one when you walk in it. We think it has an important role to play.

Interesting that several of that, the -- our competitors, we listed on the -- those list of competitors are investing in this. You also got Goldman's investor in a Swedish bonding organization earlier this week. This is one of the things that's going to happen. It's another J-curve business that we've got that's generating real momentum.

Clearly, it was hard to get it gone during the pandemic for obvious reasons. So we lost 18 months while that was happening, but it's allowed us to improve the technology, improve the productivity of the factory. If any of you are so enthusiastic, you want to go and visit it, we'll be delighted to have you there.

There's more demand for questions in this section than we. I promise we'll get everyone else here a reasonable time.

Q - Alan Devlin {BIO 5936254 <GO>}

Alan Devlin from Goldman. Two questions.

One, if you hit your GBP EUR 40 billion to GBP 50 billion PRT target and net GBP 15 billion to GBP 20 billion of real assets, how much am will come from LGC? How important is the LGC to the LGR?

Then the second question. Just to clarify. The 2025 target, GBP 600 million to GBP 700 million, does that include the third party fees? I include you assured of the Pamet profit?

A - Nigel Wilson {BIO 1535703 <GO>}

I'll answer the second one, and then Laura can do the long answer, that would quite the first one. The second one is yes. That's one.

A - Laura Mason {BIO 20420360 <GO>}

I mean Alan; I guess all of the U.K. investments have come from a combination of LGC and LGIM managed assets. I think one of the LGC assets is becoming an increasingly big proportion of that. We've talked quite a lot over the years about the urban regeneration assets, which have given us a real sort of benefit compared to our competitors. Increasingly, we're now starting to see them from our operating businesses, like the affordable housing.

Example, we didn't sort of explicitly say this in the presentation, but we'd expect the same model from the urban regeneration and some of the other asset classes that we're going to be talking about later. So it’s quite a significant proportion now, but will be growing. I think the other thing is all investments are not sort of created equal. So actually, these assets where we do sort of create them ourselves and they're not sort of just the ones that ever announce at our competitors are competing for. We get a sort of disproportionately higher benefit from a sort of yield upon.

A - Nigel Wilson {BIO 1535703 <GO>}

Yes. Self manufacturing is very important. If you looked on this slide there, you can see things like affordable housing, which are demonstrably just in LGC. But if you looked at the Sky Project or the Oxford Project or the Cardiff Projects, what we want is everybody to collaborate. We say this is an LGC product. This is L&G projects. It's just not the way we operate as a firm. The two teams work very closely together.

And often, there's people from both -- all three parts of the group, LGR, LGC and LGIM represented on the board of these companies. So it is a truly collaborative statistic solution. But the self manufacturing component is definitely rising as we're adding the products. You'll see that very clearly in the next section, where, in particular, talks about what we're doing. Indeed, Laura talks a bit more about clean energy, further areas where we're going to have new asset classes going into the LGR portfolio. Sitting on the wrong side, Greg. Can somebody give Greg, guys?

Q - Alan Devlin {BIO 5936254 <GO>}

Just one question for me, please, is from Shore Capital. Just a big picture question really. You mentioned at the beginning, some listed peers. I'm just wondering what's your ambition with LGC down the line? Are you sort of thinking of potentially listing this business given that the peers have significantly higher valuations.

A - Nigel Wilson {BIO 1535703 <GO>}

I think it's a very interesting question. We're still in the very, very early stages as we think of in respect of LGC. The things within LGC that we'll be listing in Pudong, you're going to hear about shortly. There's one of the many examples at the portfolio companies that we've invested in have a truly exciting future. So we're going to talk much more about the micro rather than the macro. The macro is LGC is a very important part of the group. We're really happy to have it as a part of the group. It's very synergistic.

So therefore, breaking any one of the bits out is really difficult because of all of the collaboration and transfer pricing that goes on in a very collaborative way and that would obviously have to change. What we're trying to do today is just get everyone to sort of ground is just a reasonable understanding of what's going on in the business, what the dynamics and what each of the different lines of business of, and where we are in the maybe in three or four years time.

We'd have a wider discussion of the topic that you raise. But today is really focusing about the full lines of business we've got, what's the potential of those businesses? And why in aggregate, they're valuated a much less than book value, when even the book value is probably a very prudent estimate of what the underlying bits of the business are worth.

Q - Greig Paterson

This is a Greig Paterson, KBW. The two things I was thinking. One is the stock of alternatives that you have to generate up to 225. You've got -- obviously you got the LGCs NAV, which is 3.525. You've got alternatives -- sorry, third party payment, which is, I think 13 up to 25% to 30%. But there's two other big components. I think you've got ambitions to increase the percentage of alternatives in your current GBP 80 billion order book, plus the GBP 40 billion to GBP 50 billion also has to conservative.

Those latter two, I wonder if you could just give us a ballpark how much alternatives LGC will have to generate over the next few years because that swaps the other 2. That's question one. The second one is I'm wondering, I mean obviously for Solvency II, you sell bonds once they've been downgraded, so that's the reason why you never have any defaults.

So the key question to me is rather what has been the rebalancing post downgrade costs since 2008 because that's a true reflection of the actual default downgrade and default cost. Maybe another point another day. I know it's a complex calculation.

A - Nigel Wilson {BIO 1535703 <GO>}

Why don't I take the second one, and you take the first one.

A - Laura Mason {BIO 20420360 <GO>}

Yes.

A - Nigel Wilson {BIO 1535703 <GO>}

So I'll take one -- I'll take the second one first. I mean there's so many may there it's just not true that we sell bonds when they get downgraded, Greig. It's the best example of that. We have about 2% BB. So the portfolio is 98% investment grade, and that doesn't get sold when it's downgraded as it turns out. The biggest example of BB is test scores, and we held on the test goes all the way through. We were convinced by the management team. So it's a myth that we actually do that.

We ask the people to trade out the bonds at times, but it's very much a buy to maintain fully or not a high turnover portfolio. So at the end of the day we've upgraded the investment-grade portion from 90% to 98%, Greig. It's gone upwards over time. That maybe partially explains why we've had so few defaults over time. So it's left that's incredibly, I think well Posie that we've just got an investment-grade portfolio. Investment grid of very, very, very rarely default.

I mean Simon's much more of an expert on that than anybody else in this room by a long way. You can -- why don't you grill him afterwards about the -- what the real understanding of the bond market is because I know he and others were very impressed by the fact that we've had zero of a long period of time. But it's actually -- we've only got a little bit of universe that sits within the likely to default area. And now a BBB component of our portfolios tiny as well. Do you want to go on the first question?

A - Laura Mason {BIO 20420360 <GO>}

Yes. So I mean there were a few numbers there, Greig. But I think the key thing that probably to take away is we're trying to increase the alternatives or we are aiming to increase the alternatives within LGC in terms of our actual NAV there. Some of that will be through increasing the third parties that we've got, as we said, driven by Pantone. Then the asset creation platforms that we have that create -- that make up part of that NAV will be generating the assets for LGR to create the sort of GBP 40 billion to GBP 50 billion of PRT business.

Q - Greig Paterson

Just wondering another GBP 12 and GBP 30 billion that needs to be regulated?

A - Laura Mason {BIO 20420360 <GO>}

Yes. So those will...

A - Nigel Wilson {BIO 1535703 <GO>}

So depends where you treat lifetime mortgages in that. But we -- for the GBP 8 billion to GBP 10 billion, I'll just use AI for the moment. So I said four is we want to do per annum, three of which -- one of which is like our mortgages, so let's call that 3, the three across LGIM and LGC we've got more than that in the hopper. I mean if you just look at that one slide that Laura put up the GBP 4 billion for obviously a lot of that's going to go into the portfolio, GBP 1.5 billion for Manchester.

We put down GBP 1.7 billion for all. We didn't put down anything in that to build-to-rent and build-to-rent is going to be GBP 500 million to GBP 1 billion per annum. We're not short of opportunities right now, Greig, we're feeling really good about the capability to back the portfolio. Jeff and I have just been going through their budget reviews. We certainly got lots in the hopper, and it looks a lot perfect the other part of that is allowing us then to generate assets for third parties.

It's one of the reasons we didn't do it before. We didn't know a spare. We required every bit of asset that we generated for ourselves for our own business. Now we've realized we have tremendous capabilities around this. If you take NTR, do we think there's third-party money going to flow into NTR, offshore onshore wind and solar wind and the like. I mean you can answer that yourself, Greig, you know the answer is yes.

And we've got a great distribution vehicle for that, it's called LGIM. So you'll see us do different things than we've done in the past to generate third-party capital into these businesses as well. We're now going to move on to the next -- sorry.

Q - Louise Miles {BIO 20765435 <GO>}

Hi, I'm Louise Miles from Morgan Stanley. Just a really quick follow-up question, actually. So on Slide 24 and what Greig was talking about as well, when you're originating these assets, and then you start to have the access from LGR to potentially give to third parties, how do you actually decide which ones go to LGR and which ones are getting it to third parties? Because obviously there's some of them are...

A - Nigel Wilson {BIO 1535703 <GO>}

It's many going to be more trial in many instances. There's a thing of the matching adjustment and the matching adjustment is...

Q - Louise Miles {BIO 20765435 <GO>}

The ones that are eligible with data.

A - Nigel Wilson {BIO 1535703 <GO>}

Yes. I mean we managed to generate -- yes, there's lots of non matching adjustment assets that will create in certain situations. So. So me of the ones that are matching adjustment, we might split and give to third parties at the same time because our risk appetite or whatever for a particular -- something that's one point, GBP 0.5 billion in one particular asset, we'll say well, actually will take GBP 400 million and our third parties.

We've only done it once so far, and we made one phone call to get the asset, which tells you something -- there's huge demand for those assets if we want to do it. But now we've got the capability to do exactly that. I'm going to pass back and sit down, and we'll start again.

A - Laura Mason {BIO 20420360 <GO>}

Great. Thank you for your questions, everyone. I'd like to now turn to our SME finance businesses. There's huge potential for LGC to grow in the SME finance and venture capital sectors as banks have withdrawn from SME financing in recent years, alternative asset managers have stepped in. There are now 200 million SME businesses worldwide, which need financing to invest and to grow and to create new jobs. SME businesses account for nine out of 10 of all businesses, half of global GDP and two-thirds of jobs worldwide.

At the same time, the global VC market has grown significantly. The European BT market alone is now worth over $600 billion, larger than many of the European mid-cap industries. We're already capitalizing on this macro trend through our investments and the growth of Pembian in particular demonstrates this.

Currently, representing around 17% of LGC's alternative NAV, our SME finance business has been on a strong growth trajectory since 2016 and now stands at over GBP 0.5 billion of now, having grown at a 12% CAGR since 2016. Operating profits have grown even faster at a 40% CAGR to reach around GBP 80 million.

The portfolio is made up of our GP stake in Pemberton as well as LP Holdings in Pemberton funds and our venture capital investments through our wholly owned manager, ADV and through our fund of fund portfolio. Pete Mayer, who recently joined us as Director of BC will talk a little bit more about our businesses in a minute.

But I'll now hand over to Symon Drake -Brockman, who will talk more about its impressive growth trajectory to date and the potential scale of opportunity from here.

A - Symon Drake-Brockman {BIO 1845631 <GO>}

Thank you, Laura. Good afternoon, everyone. I'm Symon Drake-Brockman, the managing partner of Pemberton, which is a leading European private credit manager with one of the largest investment teams and office networks in Europe. In just over six years, our platform has raised over GBP 12 billion of capital from 147 investors globally. And by the end of 2021, we expect to have just over GBP 8 billion of lending deployed to around 100 companies, actively working with them to support sustainable growth and expansion in their sectors.

Through our network of eight European offices, Pemberton has built a market-leading origination platform, which is able to provide borrowers flexible financing and solutions. We believe that the ongoing withdrawal of bank financing in Europe continues to create an exceptional opportunity for direct lenders like Pemberton to provide financing to leading mid-market companies across Europe as they grow their businesses.

From here, we expect to have over GBP 20 billion of fee earning AUM in our lending business by 2025. Pemberton has built this business around five key pillars: firstly, to be seen as an institutional lending platform across the whole of Europe and not just a credit fund.

Our partnership with Legal & General has played an important part in achieving this role. Today we manage capital for circa 35 leading insurance groups and 40 pension plans in Europe as well as a large number of investors in the United States, Middle East and Asia.

Secondly was to build an office network with people who had run the leading leveraged finance business in each of their key markets. This has enabled us to build strong partnerships with corporates, private equity firms, banks and to have a market-leading and highly successful origination platform.

Thirdly, to use this origination capability to build highly diversified portfolios across sector, geography and to provide our LLPs with access to leading companies in the key economies of the U.K. and Europe.

Fourthly, to have a dual track credit process with an independent Chief Credit Officer, sector analysts to challenge the investment team to create a highly sophisticated credit monitoring process. And finally, to provide our LPs with credit risk transparency through our advanced internal credit rating models to provide clarity about the risk-adjusted returns. These five pillars have helped us to build a market-leading business today.

As I highlighted, our credit assessment process has been the cornerstone of building the business. Our dual track credit process with separate papers from our portfolio management, showing the rationale and relative value of the deal and our credit analyst papers showing financial projections and market position together provide an in-depth analysis of each of the businesses we invest in.

We overlaid this with strict monthly monitoring of the financial data from our businesses. This enables us to monitor any underperformance and to intervene quickly if we feel that the management team is not performing as we would expect.

This table shows the range of strategies that we manage today. One of the key drivers of growth has been our ability to provide LPs and borrowers access to funds that are tailored to the yield expectations and risk profile. We now have three core lending strategies, which provide financing solutions for BB and single B companies and across the entire capital structure. This range of financing has led Pemberton consistently being one of the most active providers of financing to private equity transactions and private corporates across Europe.

18 months ago, we introduced our working strategy, which provides working capital facilities and short-term financing. With these four strategies, we see the opportunity to grow significantly over the next five years as banks continue to restructure their business activities and shrink from lending.

From a standing start in mid-2014, we've built one of the largest loan origination platforms in Europe. This table shows we have consistently been one of the most active originators lending across opportunities in Europe. We are particularly proud of our market position across all the key economies in Europe. Clearly, 2020 and 2021 was a challenging time for borrowers in their business. I'm extremely pleased to say that through our strong credit underwriting, monitoring and our portfolios have all performed extremely well.

The strength of our portfolio in 2020 meant that we were able to actively support clients through the past 18 months. As an example, in April last year in the midst of the COVID correction, we financed the acquisition of Hermes parcel delivery business by Advent. This transaction was one of the leading deals in the European mid-market in 2020 and was voted Deal of the Year by private debt investor.

We believe that it's this consistency that has differentiated Pemberton from our peers Private equity sponsors appreciate best-in-class coverage and execution and is this focus that has made Pemberton one of the leading financing platforms for many sponsors.

In the past 24 months, we reviewed over 1,200 financing opportunities and invested GBP 5.9 billion in highly attractive parts of the market. These include GBP 11.4 billion in food manufacturing, GBP 825 million in business services, GBP 685 million in healthcare and pharma, GBP 395 million in e-commerce and GBP 385 in technology and GBP 320 in financial services. We've seen a record number of opportunities through the first three quarters of this year. We expect to review 800 to 1,000 deals and by the end of the year, invest in approximately 50 transactions.

Europe continues to see record levels of M&A activity, particularly in the mid-market, we have a number of very positive trends and sector consolidation due to aging founders who are looking to retire and management teams who are looking for private equity sponsors to provide additional equity financing to drive growth in their businesses.

We believe our local presence in all the key European markets provide us with a strong competitive advantage in identifying these opportunities early and using our deep understanding of the local business and regulatory environment to be a preferred financing partner.

This slide shows a proven track record of growth. You will see that between 2015 and '21, we have increased the number of LPs from 11 to 147. We have growing committed capital from GBP 1.1 billion to GBP 12 billion grown deployed capital from GBP 320 million to GBP 8 billion and delivered revenue growth from GBP 9.5 million to GBP 80 million.

By 2025, our plan is to grow direct lending and working capital finance business lines into GBP 27 billion of committed capital, GBP 20 billion of deployed capital, and revenues of GBP 190 million per year. We see the European market continuing to develop rapidly. We believe we're well positioned to take advantage of this growth as we move forward.

In addition to our existing business, this slide shows we have several exciting adjacent areas that we are exploring for additional growth, which I'd like to share with you today.

We see considerable opportunity to expand our direct lending and working capital finance businesses into Asia, the U.S. over the next few years. Both markets provide significant opportunity in different ways.

We see working capital finance as a global business and have already established an origination team in the United States and a partnership in Asia. In direct lending, we think that Asia will grow significantly over the next 10 years as it is currently very similar to Europe a decade ago. We've also identified fund NAV lending, inventory finance and equipment leasing as highly attractive potential areas for growth as banks continue to adapt their business model.

We believe that these strategies will provide us with considerable opportunity to broaden the Pemberton offering to our LPs and to provide exciting additional growth for the Pemberton business. When it comes to ESG, Pemberton is a responsible investor with a proactive and innovative approach for which we have won awards not only doing the right thing but future-proofing the business as a leader in the direct lending market.

Pemberton became a signatory to the United Nations Principle for Responsible Investment in July 2018. In 2020, we joined the Net Zero managers initiative. Today Pemberton is a net zero carbon firm. Our rigorous investment approach incorporates negative screening, an ESG questionnaire, ESG-specific due diligence, ongoing monitoring and a partner-led ESG committee.

We actively encourage our portfolio companies to implement ESG guidelines and processes. We've introduced an innovative financial incentive through a ratchet margin in our loans in order to financially incentivize borrowers to further strengthen their ESG commitments. We see ourselves as a steward of responsible investment supporting our borrowers and private equity sponsors and building value through sustainable growth. ESG is a critical part of the stewardship and responsibility, and we are committed to furthering the interest of our limited partners and the private debt community in this area.

As a firm, we also have a strong commitment to building social mobility and diversity in our business through our Pemberton ID, Inclusion and Diversity Council. I hope this gives you a good understanding of our business, and I would now like to hand you over to Pete Meyer to continue the presentations. Thank you.

A - Nigel Wilson {BIO 1535703 <GO>}

Symon, thank you very much for that overview of Pemberton. Where Pemberton provides debt financing to businesses venture program support start-ups in the U.K. and Europe with equity capital to turbo charge growth in the innovation economy. I'm very excited by the evolving opportunity set in Europe and L&G's strong brand positioning to execute on it.

And that's why I found it so compelling to join L&G earlier this year before I hand I worked to Cambridge Associates and institutional investment firm right advise large asset owners on private markets portfolio construction and manager selection.

By the end of my time there, I led our EMEA private equity and venture capital team responsible for originating evaluating and syndicating capital to invest alongside the best managers in Europe. The European venture market continues to grow quickly, record fundraising, rising valuations and rapidly scaling start-ups have resulted in 91 companies reaching unicorn status as of 2021, 3x the amount in 2018.

Total 2021 European deal value is on track to increase almost 12x since 2012. Material exits and IPOs have generated significant value for investors and resulted in repeat entrepreneurs securing capital for their best ideas. L&G provides capital of this opportunity through its fund to funds program and wholly-owned venture firm ADV.

In doing so, we back a traditionally capitally starved market that is quickly creating jobs at the leading edge of the digital innovation economy. We have hired a dedicated team of venture investment professionals and are leveraging LNG's brands to access the highest conviction investment opportunities while also contributing to our goals of inclusive capitalism. Pursuant to this, it's our ambition to raise their party capital into our venture capital program and scale it further. Doing so will enable institutions and individuals to gain exposure to a high-growth asset class that was previously inaccessible to them.

L&G is uniquely positioned to do this as it builds off of a strong performance in our venture fund funds program and ADB. Across both entities, we have nearly GBP 200 million committed to 29 funds, 19 managers, supporting over 300 start-up businesses across the U.K. and Europe.

On the fund of funds program, in particular, we began making commitments in 2016 and accelerate that deployment into 2017. Performance has been strong with our program returning 22% net IRR since inception. These returns are tracking ahead of initial forecasts, especially since the average fund life is still less than 2.5 years old. We've done this alongside ADV, our venture capital firm, investing in the U.K. start-up ecosystem that leverages strong sea stage manager relationships to help generate attractive direct deal flow.

On ADV, we're excited to announce that just this week, U.S. firm Best Buy has agreed to acquire current health, an ADP portfolio company that was founded in Scotland to advance remote patient monitoring and telehealth. In total, this is a pure-play venture capital portfolio with commitments made to some of the best-known seed and early-stage VC managers in the region. On this slide are some examples of the strong GP relationships we back with LP Capital and the businesses that they have built. Among this group, are several companies now valued at greater than $1 billion.

These companies are creating thousands of new jobs and are now category leaders, not just in the U.K. and in Europe but beyond. With these relationships, our track record, the experience of our team and L&G's brand, we're well positioned to increase capital deployment and raise third-party capital alongside L&G's balance sheet, with an ambition to reach GBP 1 billion of AUM by 2025. Thank you. I'll now hand it back to Laura.

A - Laura Mason {BIO 20420360 <GO>}

Thank you, Pete. As we grow LGC's role as a significant alternative asset contributor and value created for the wider L&G group. We'll look to replicate our successful model of GP investing and to leverage opportunities in the fund of fund strategy in order to deliver exceptional diversified performance and to generate LGC profits. We've shown through investments like the one in Pemberton that with relatively modest investments, we're able to accelerate growth for early-stage asset managers, attracting third-party capital and generate value for shareholders.

We have appetite to access more direct investment opportunities using this model I'm now going to move on to our specialist commercial real estate sector. Headed up by Red Elan, who will present with me; and Matteo Colombo, who heads up our digital infrastructure investing business.

Legal & General has been involved in the urban regeneration of towns and cities across the U.K. for over 20 years, and it's been a key part of our strategy for building back better and leveling up are now commonly used phases, and it's clear that as we emerge from COVID, there is a need for both the public and private sectors to play a role in creating positive economic and social change. Widespread in vessel is needed, not just in traditional sectors, but increasingly in growth sectors such as data and life sciences.

Taking the growth of data as an example -- the world's data was created in the last two years. The importance of life sciences research and business that can commercialize this research has been made particularly clear during COVID. The pandemic has been a further catalyst to growth in life sciences, a sector which is already critical to the U.K.'s health, wealth and resilience, employing more than 250,000 people and generating GBP 80 billion of annual revenue. We are supporting this team, in particular, through our Sitech real estate partnership, which (inaudible) will talk about more in a moment.

These themes are, of course global and therefore have potential to scale beyond the U.K. and our partnership model can be replicated globally. This part of our portfolio is relatively capital light from an LGC NAV perspective. We develop assets that on maturity are invested in by LGR or other long-term investors and capital recycled into new developments.

Over the last few years, we've created assets worth over GBP 3.6 billion of GDV for long-term investors in places, including Cardo, NewCastle and Manchester. As I mentioned as well as what we've done over the long term in urban regeneration, we're increasingly investing in high-growth real estate. The table shows the breakdown of investments at present -- and we'd expect a higher weighting to these newer sectors over time.

Before handing over to Wes to talk a little bit more about Sitech investment and his thoughts on what gives LNG a competitive advantage in the wider commercial real estate arena. A quick overview of our investment in KO. Our care investment develops and manages data centers across the U.K.

It provides facilities on the London Cambridge Innovation corridor the Genomics research at the -- Welcome Trust Sanger Center as well as hosting the U.K.'s most powerful supercomputer for the GBP 500 billion market cap WIDIA, also known as Cambridge One. In Video, supercharges Healthcare and life sciences research, including the COVID vaccine research for AstraZeneca, Pfizer, Oxaanopol and GeisenSt. Thomas's Hospital.

Since we invested in 2019, we've grown the enterprise value of the business by 2.5x, and we're aiming to increase this by a further 5x by 2025. Seeing the demand and growth potential for global computing, we want to expand internationally. To that end, we are co-investing in Ko with HR Morrison, who already own and have successfully grown one of Australia's leading data center platform, which manages some of the country's largest compute.

For example, amongst others, the Australian government and for Microsoft. With a great strong partners and therefore, well placed to scale this business further. We also see significant opportunity that LGR annuity capital and purpose-built data centers, the large investment-grade cloud players -- then I'm going to hand over to Wes Erlam, Director of regeneration.

A - Wes Erlam {BIO 21666215 <GO>}

Thank you, Laura. Good afternoon, everyone. I joined LGC in April this year and have been involved in U.K.-wide regeneration, investments and development for the last two decades. I was delighted to have the chance to join L&G and continue the fantastic work that's already underway.

So on this next slide, I'd like to delve a little deeper into our SciTech investments. SciTech is the U.K.'s leading provider of life science and technology-focused innovation districts. The business is a 50-50 JV with Bruntwood and was formed in 2018, which is actually very early in the establishment of the life science real estate market in the U.K.

SciTech created with an initial portfolio of seven projects across 1.5 million square feet. Today the company has a GBP 600 million property portfolio across 2.5 million square feet, and we are now supporting over 17,000 jobs. Business is focused on the growth of the knowledge economy, helping companies to scale and grow through the SciTech real estate ecosystem.

It's of the start-up space, which is fully managed right through to bespoke lab solutions in premium buildings at the forefront of design. SciTech has a footprint in prime locations across the U.K. with Manchester, Birmingham, Leeds and Cambridge. It's the strength of the local partnerships that we've created that recently helped us win the Manchester Innovation District, a 15-year JV with the Universester, where we will deliver a world-class science and technology district.

This project alone has a value of over GBP 1.5 billion and is the final component in the regeneration of the Citicorp. SciTech will also be working with LGC and our Oxford JV at the Begbroke Science Park expansion. This demonstrates how we can leverage our presence across all of our platforms to create greater value. Over the next five years, the portfolio will grow to over three million square feet and a value of over GBP 1.4 billion. This is just the start.

Post pandemic, Life Sciences will be one of the leading opportunities in the real sector. The SciTech is ideally placed to capitalize on this new wave of investments.

And now let's turn to our generation portfolio. It's here that our inclusive capital is envision is turned into reality. We are investing in projects which are reviving town and city centers across the U.K. Working alongside our LGIM colleagues, we are creating thousands of jobs, providing homes to rent or buy and improving infrastructure. And all of this is done with an unwavering commitment to sustainability and low-carbon development. We have a portfolio which funds 18 U.K. locations, including Cardiff, Newcastle, Manchester and our flagship project in Harrier for Sky.

By working with partners such as Homes England, we are able to leverage skills and resources across the entire real estate spectrum, delivering lasting a meaningful change when it's needed most. In addition to our regeneration schemes, we also have a JV with Oxford University, another brilliant example of how we work in partnership to deliver exceptional results.

We have three projects due to start on site in early 2022 with a combined gross development value of over GBP 325 million. In addition, there is an identified pipeline of GBP 4 billion, creating valuable secure income for LGR and best-in-class academic and residential space for the university.

Now I'd like to turn to our competitive edge and what sets us apart from others. This can be broken down into the following areas. Firstly, our strategy is built on the principle of investing for the long term, an approach which is closely aligned with that of our public and private sector partners.

Secondly, we offer a comprehensive solution to regeneration and by leveraging the various components of L&G to unlock projects. The latest example of this is Bristol, where we are bringing together the combined strengths of funding from LGR, LGIM's build-to-rent fund and LGC's affordable housing businesses.

Finally, and crucially, we have a track record of successful partnership delivery on the ground. We bring projects to life, and we provide tangible positive benefits for local communities. It's these three factors that an important source of competitive advantage.

So I'd just like to finish by in some key takeaways in relation to our real estate portfolio. We've invested best-in-class, high-growth real estate companies in the data and life sciences sectors. This will enable us to secure enhanced terms as those businesses mature. Our experience of track record and successful delivery with both public and private sector partners provides extensive access to off-market opportunities.

And finally, over the coming years, we will continue to create a significant pipeline of ESG-focused assets at scale for LGR and third-party investors.

Thank you. I'll now hand back to Laura to talk through our Clean Energy business.

A - Laura Mason {BIO 20420360 <GO>}

Thank you, Wes. And now I'm going to cover our last sector, Clean Energy. The team is led by our Director of Clean Energy, Jon Brumley, he's here today. John has more than 20 years of clean energy and infrastructure experience and brings a wealth of knowledge to L&G. There are three key interconnected drivers underlying our clean energy strategy.

Firstly, climate change, biggest challenge of our lifetime, but also a huge opportunity. Action tackle climate danger requires an estimated $130 trillion of global investment by 2015. As a result, there has been a surge in the development of new technologies and businesses to respond to the climate crisis. These businesses need early-stage growth capital to reach commercialization and to scale up in response to changing consumer demands and government policy.

There is also now increasingly growing demand from institutional investors, including LTR and our aging clients and other third-party institutions to secure investment opportunities which meets their ESG and climate targets as well as matching their long-term liabilities. Our energy transition investments fall into two types: low car and infrastructure assets, which match long-term liabilities and growth equity in newer technologies that are needed for a successful energy transition.

As you can see, they have different risks and profiles. Infrastructure assets currently comprises investment in our specialist renewable asset management partner, NTR and Cornerstone Investments in two MTR renewable energy funds. LGR will grow by launching new funds and managed accounts for institutional clients.

By 2025, we expect LGR to have scaled further and be creating assets for LGR and for third parties via LGIM. We're also looking to establish new partnerships similar to the ones we have with NTR, which can see us, for example, enter new asset classes and internationalize our clean energy business. Our growth equity investments provide strong returns to LGC and enable us to gain early stage access to new asset classes and platforms.

Our growth businesses are directly involved in developing and creating solutions that can be deployed at scale in the future. For example, electric vehicle charter infrastructure, network tea pumps and high-efficiency solar generation. The innovations coming out of these platforms also present opportunities for LGC's other businesses. We're holding Kensa heat pumps in inspired merger sites and pod points in calcite.

Taken as a percentage of U.K. CO_2 emissions, three of the most polluting sectors in the U.K. energy system are power, heat and transport. All three typically rely on data and polluting technologies. The use of fossil fuels and power stations, gas boilers and homes and internal combustion engines, and we expect all three to be obsolete in the next 25 years. As a combination of government intervention and public sentiment will see them replaced by greener alternatives.

The scale of this energy transition is vast and is not limited to the U.K. It represents significant investment opportunity. Our investment state have been focusing on addressing each of these throughput areas, and we see considerable scope for future investments along the same energy transition theme. Looking in a bit more detail at two of our growth equity investments. Pod Point, our investment in electric vehicle charging infrastructure and Kensa, our ground source heat provider.

Since our initial investment in 2019, Pod Point has increased the number of miles of electric driving interest provided by more than 4x and the number of public charging sockets by more than 3x. There is currently a huge shift occurring in the automotive industry, driven both by societal demand and by regulation. We expect EV demand and puts profits to continue to grow as we move towards 2030, the year from which sales of new petrol and diesel powered cars and vans will be banned.

Turning to Kensa, our heat pump manufacturer. The number of Kensa heat pumps installed and the energy provided by them have both increased by 1.6x since LGC's acquisition in 2020. We expect demand to continue to increase as we move towards 2025, the year from which gas and oil boilers will be banned in new build homes.

Any further policy charges and respect changes, sorry, in respect of existing gas boiler installations could have a potentially significant positive impact on demand and we're well positioned to capitalize on this too. Clean Energy is an important investment and LGC is well placed to benefit from and support L&G's other divisions and the group's wider network.

We're working with LGR to deploy funds into new clean energy assets as it seeks to reduce its portfolio exposure to climate financial risks and align to science-based targets. And as we highlighted a moment ago, we are working with our housing businesses to help them achieve their goal of creating operationally net zero carbon homes by 2030 and providing opportunities for our clean energy investee companies in the process.

And finally, L&G's are increasingly seeking opportunities to invest in both renewable infrastructure and technologies. As I end and before I hand over to Nigel to conclude, here are three key things to take away on Clean Energy. Firstly, Legal & General Capital is now an experienced energy transition investor capable of delivering strong risk-adjusted returns in both low carbon infrastructure and growth equity.

Secondly, our strategy is focused on sectors of the energy system where the pace and scale of decarbonization requires substantial investment. And finally, we're working alongside partners like to create clean energy opportunities that will allow both LGR and third-party investors to deploy capital into the energy transition at scale. Nigel over to you.

A - Nigel Wilson {BIO 1535703 <GO>}

Thank you, to all of my colleagues for their presentations, and thank you for your close attention across. In summary, the strategy for LGC is to grow financial returns from existing businesses like color, to increase exposure to high-return growth businesses, several have mentioned today to recycle capital from mature and successful projects to new growth opportunities and to grow third-party assets and, of course continue to source assets for our PRT business.

Financially, LGC to deliver increased operating profit rising to GBP 600 million to GBP 700 million in 2025, a net portfolio return from alternatives of 10% to 12% or even higher and efficient use of capital. We think this is a compelling story. Now we're happy to take further questions, including some that Laura has on the iPad and our subject matter experts here to follow afterwards should you need it.

A - Laura Mason {BIO 20420360 <GO>}

We've got one here from Oliver Steel at DB. As Michael said, the government is looking for pension schemes to invest more in alternatives. What percentage is held currently in alternatives in LGIM Seb and DC pension funds? And what percentage does the government have in mind?

A - Nigel Wilson {BIO 1535703 <GO>}

It's a very good question. Certainly, I'm not quite sure what the government is going to announce and it's going to announce. But clearly, we positioned our portfolio to be able to put these assets into DB and DC pension schemes. Apart from the IV, inspired villages, that's the only one that we have a direct investment by DC or DB at the moment across the portfolio.

How much could that be? In France, social impact investing is 20% of the portfolio. I suspect the government is going to start with a much, much lower target than that. But whatever happens, it's good for us because we are the, by far, the largest player in the pension industry here in the U.K.

A - Laura Mason {BIO 20420360 <GO>}

And another one from Oliver. If pension schemes are allowed to invest more in alternatives, what is the risk that this lowers the available investment returns for both LGC and LGR?

A - Nigel Wilson {BIO 1535703 <GO>}

Yes. I think if you just go through Pete's presentation, the size of the opportunity in the way beyond the capacity of firms like ours to invest in it because there's such a shortage of scale up capital in the U.K. It's actually quite a setting at one level for us because there's an enormous amount of entrepreneurs, the brilliant start-ups right across the country.

I know when I go around any of the universities, whether that's Newcastle or Manchester or Bristol, Oxford, Cambridge, Sheffield, there's brilliant entrepreneurs in Neles University is desperate to get more capital to grow very different from MIT, which is where I went to or Harvard or Stanford in America.

And we have to replicate that model. John Bell was here, and John and I presented together at (inaudible) on Sunday he would be telling you how much the life science industry in the U.K. is short of capital right now. That capital is not available right now to really scale up businesses in the U.K.

And we've got an interesting experiment right now. We've announced we're going IPO Point will be really interesting to see whether this is an asset that the U.K. wants to invest in or whether it's actually international markets that ultimately invest in these types of assets. As Pete mentioned very briefly, current health which is one of our very successful businesses have been sold to Americans. We have a lot of people looking at some of our businesses.

That's why Laura mentioned the realization events, we weren't expecting to happen quite so fast, but it does because there's brilliant innovation businesses here in the U.K., which are not fully valued in the U.K. They're fully valued on a global market, and the global market prices them very differently from U.K. institutions because the U.K. institutions simply don't have enough capital right now.

And I think if (inaudible) does change the rules, I think that's really positive for us. We're hoping that his visit to the modular factory was the swing factor in getting more of the line to realize that great things going on in the U.K., and we'd love to see them happen over here at scale. So we now open questions to the floor. And again can you just say your name and the institution you're representing.

Q - Steven Haywood {BIO 15743259 <GO>}

It's Steven Haywood from HSBC. Sorry, three questions, but kind of follow-ups really from previous questions. I think Louis mentioned about the matching adjustment part of the movement of assets from LGC to your IT business? And how does this change, do you think with the U.K. Solvency II review? Do you think this sort of shift of assets increases massively, so you can allow more different types of businesses into your PRT or more different assets into your PRT business?

A - Nigel Wilson {BIO 1535703 <GO>}

I'm going to -- I think it's such a good question. I'm going to pass that one to Jeff Davies.

Q - Steven Haywood {BIO 15743259 <GO>}

I mean okay. Second question then was actually I might have missed it, but I'm following up from Alan's question earlier on the fee part, the third-party fees. Did you actually mention whether this was included in the GBP 600 million to GBP 700 million target or not? Then the final question, which -- sorry about my agent in Solvency II, but LGC Capital, does it come under the Solvency II regime and as it's part of L&G Group. Does it have to? And what the potential it can do? It doesn't come under something.

A - Nigel Wilson {BIO 1535703 <GO>}

Jeff takes the first question, then Laura takes the second and third.

A - Laura Mason {BIO 20420360 <GO>}

Yes. Okay.

A - Stuart Davies {BIO 20023574 <GO>}

Very quickly.

Yes. I mean in terms of -- in terms of assets that are allowable after the any review of Solvency II, we've said we're looking to widen the universe of assets. I don't think we're going to see some huge softening of the rules by the regulator. But if there's that move away from complete efficacy of cash flows that we keep going on about and that does mean lots of things we've been talking about here would be available to move into that portfolio.

And so -- and we would need to do less of the structuring that we do around affordable and we do around build-to-rent, which is a sing and actually an efficiency in the yield that we'd be able to offer.

If there's a bigger universe it sort of counters the point Oliver said and to Nigel's point, there's a lot of assets out there more than we can all invest in. It also would mean we'd have more available that we'd be able to pass to third-party investors. We're already doing that in secure income asset fund that we've done through LGIM were pension funds can do the same thing as we've been doing for our annuity liabilities for some time.

A - Laura Mason {BIO 20420360 <GO>}

I don't -- your second one, and Alan is the one. I think the way that we're thinking probably the best way to think about it is the majority of the third-party assets at the moment are from Pemberton. Therefore, that is part of our profit projections. But as we sort of said, there's also a lot more room to do more of that, that is there. On the Solvency II and LGC, yes, at the moment, LGC is part of the Solvency II under the Solvency II umbrella.

I think probably a couple of points to make. The capital charges on these types of assets diversify quite nicely away from the annuity business. We probably reached a steady state in capital use now. So as we realized investments and reinvest the capital sort of won't really increase from here.

A - Nigel Wilson {BIO 1535703 <GO>}

Yes. And Pete sandbagging is number as part of a budget negotiation with Jeff and (inaudible), I think there's plenty of upside to go for.

Q - Ming Zhu {BIO 17001429 <GO>}

This is Ming from Panmure Gordon. Just two questions, please. First, a quite general question. What's the biggest challenge are you currently seeing in LGC and what sort of competition are you actually facing? And my second question is a bit more specific on Slide 38.

And in the other housing business, your operating profit, that is almost like triple in four years time and your implied return, that's going from 10% to the 14% to 16%. Could you just give a color because that looks quite ambitious if I'm just looking at the numbers? Could you just give a bit of color in terms of how -- what have you got to achieve that?

A - Laura Mason {BIO 20420360 <GO>}

Can you talk a little bit about the first one.

A - Stuart Davies {BIO 20023574 <GO>}

Didn't you want...

A - Laura Mason {BIO 20420360 <GO>}

So I mean on the first one, I think in terms of the competition we see, we -- I mean Nigel mentioned some of the sort of bigger global competitors. I think the real competitive advantage that we've got that was touched upon in regeneration but probably applies just as well to others is a different sources of capital and as much as we sometimes think that (inaudible) is a pain.

It also gives a really long sort of lower cost of capital to work with others who want to have that sort of capital that perhaps some of our bigger global competitors don't have. I think the other thing, particularly in the U.K.; we've got a model where we are really integrated in terms of understanding how to work with local authorities, government. I think Kevin's example of portion where we can actually bring together the different businesses

Kevin mentioned all the housing businesses, but I've also sort of mentioned how we bring the clean energy into that is a real differentiator to (inaudible), I don't think there are many other investors that can bring that type of investment -- those investment capabilities together. (Inaudible) mentioned also that will be a combination of clean energy housing, SciTech, everything, probably VC investing.

So those are probably our real sort of competitive advantages. So although we might see competitors doing one or two of those things, being able to sort of really bring them together is pretty -- is a real differentiator.

A - Nigel Wilson {BIO 1535703 <GO>}

On the housing question, today just in terms of delta, as we mentioned that the affordable homes are going to make about GBP 30 million, I think this year and GBP 100 million by 2025, and that's just math just getting bigger, as you can see on the slide. The rest of the businesses, we're making GBP 20 million to GBP 30 million, and we're putting down that they're going to make GBP 30 million to GBP 60 million in five years time. So I would be disappointed if that was the outcome that those went from such small amounts. I think Symon is nodding in agreement. But that's going to happen.

We should do much better because there's like living, there's urban build to rent, there's modular homes a suburban build to rent the strategic land. If even one of those delivers, we'll manage to hit those numbers. I think I'm very confident that all five of those are in great shape right now under Symon's leadership. And Symon is over there as you can on...

Q - Dominic O'Mahony

Domininc from Exane BNP Paribas. So a couple for me, if that's all right. Just in terms of the synergies, one of the slides, which is very compelling is the slide that shows all the synergies between the different businesses you have. Some of the things you've highlighted really pull out the synergy between LGC and the other businesses, in particular, you're talking about the asset transfers from the specialist commercial real estate into -- can you just run through some of the other examples of synergies?

I guess there are other MA-eligible assets but presumably there are synergies beyond that as well? That would be really helpful. One other question and it builds on this point about the solvency reform.

One sort of hint that was dropped in a recent speech was that the PRA was looking at MA eligibility for early-stage lending rather than just finished assets, which sounds like it's designed to support LGC, right? The LGR can land LGC at the beginning or at the end. Does that give you -- does that actually create more opportunity to invest? Or is that just -- does that just in you slice the cake differently at different times. Those are my two questions. I'll take the second one.

Yes. I'll start with the step first you can add. I mean in terms of the synergies, I mean we've used -- the urban regen one is probably our sort of the one that we've been doing the longest and I talked about our affordable housing model, which -- yes, at the moment, we are developing the assets, et cetera, in LGC and then LGR are then sort of buying them, if you like, on completion.

We also talked about the urban build-to-rent model, which is a similar model in terms of LGC creating the assets and then that one is LGIM. We are increasingly using that model. We also are using that model actually now sort of more in Pemberton, where we are able to create -- sort of use the technology, the structuring technology that we've created to create a matching adjustment sort of note from Pearson and increasingly looking at how we do that for some of the newer clean energy technologies.

So I think what we're now able to do, Dom, which started, as you rightly say with the urban regen is almost to the same sort of synergy model with almost all our investment sectors, and it's slightly in slightly different ways. That's the exciting bit. That sort of leads on to the Solvency II question of what…

A - Nigel Wilson {BIO 1535703 <GO>}

Yes. I think the -- hopefully, regulation and government policy are going to be aligned in a number of ways going forward. And had that dream for 10 years and failed four different cases so far. So we count on it. But that's always been the dream for us that actually we would be given, as Jeff said, many more asset classes that become usable for DBDC or PRT.

And I think we're well on the journey to achieving that we certainly developed the capability because below all of the people you see here today there's some great teams who are just doing an amazing job. I don't know (inaudible) have got to see it firsthand when she visited some of the sites with the teams a couple of weeks ago.

And so I'm very confident that we'll get there, whether we get there very soon or in the next 18 months, two years, it's over a relatively short time period that we will get this alignment between government policy, regulation and industry capability and is purpose built, I think for LGC. So I think we're very fortunate to have invested tenures in getting there on the hole that one this stuff would happen. I think we are getting there right now.

So there's four more hands up for formal questions, and we're trying to get everyone finished by 2. If there's anybody else who wants to ask another question publicly and great hand. If not, we'll handle them afterwards when we're all going to hang around for a little bit longer.

Q - Andrew Baker {BIO 20402705 <GO>}

Andrew Baker from Citi. So two for me. So Capital Market Day last year, you mentioned three to four climate-related businesses that could add north of GBP 100 million to operating profit.

Is that inclusive of what we've talked about today? Or is that in addition to what we talked about today

I mean some of them are coming through today. I mean the point is clearly one area that we're going to be very big in NTR is another area that we're going to be very big. We have a onto which electric vehicle car leasing business. We have a lot of these businesses all coming through. We just trying to hang on to the moment and make sure that we can develop them either ourselves to their full potential or with -- you could DLBC money to help in the way they're growing like inspire and they just would be the best example of that?

Great. Then second one, so are you able to actually give us the actual SCR that back Cboe pre-diversification and after diversification of any chance.

We haven't done that. But I think the point that Laura was making was that actually, the way we presented it, its solvency capital neutral in effect, we're not actually -- there's no delta. It might one year might be slightly positive on the are slightly negative, but actually in aggregate at the moment over the plan. It's not an additional strain on it, which is one of the great things about it.

So we try to have a comparative static, if you like, for those of you who so that you can exit easy otherwise you have too many moving parts, and it just becomes a little bit more difficult. But in the future, it probably will get more difficult. But actually, at the moment, you should get you in time. This is the same amount of capital.

Q - Fahad Changazi {BIO 15216120 <GO>}

It's Fahad Changazi from Mediobanca. Sorry if I missed the gist of it, but Pemberton for direct lending, for example, can you explain how you are different to say in NatWest Group and perhaps also talk about excess liquidity now come?

A - Nigel Wilson {BIO 1535703 <GO>}

Signals left and Simon was one of the most senior people in the NatWest as is are there for a very long period, it was great. I'm sure would give you -- it's a very different, more nimble, more international, I think focused than previously and with single purpose, a very focused business.

A - Laura Mason {BIO 20420360 <GO>}

I think the other thing is to say that -- Many of the banks aren't doing at scale, what we're now doing in Pemberton. So Simon listed the four strategies we've got. I think in times gone by, as it was they might have done some of those strategies, but they're increasingly doing less of them. I think Nigel's other point is key in that very deliberately, we've built up a model where we have got distribution part -- like distribution, they're more than partners, their employees across Europe who really understand the clients and what's happening on the ground.

And so the -- in terms of the excess liquidity in the system comes for being cautious, is that commentary around that? -- is affecting your business at all or Pemberton or -- The other question was also on Karl. It looks like a strong bounce back in 2021, but I keep hearing about lots of vacancy is in the construction sector. Are we back to normal in construction now? Go Kevin but you need a...

Sorry.

Not sure what normal ever was. There's plenty of people employed. The furlough took a little bit longer to unwind than we thought -- the productivity. So the delivery on site has not been compromised at all since the summer, which is surprising. The main challenge at the moment is supply around materials, but actual labor is available. So that's where we are.

Q - Larissa Van Deventer {BIO 20764470 <GO>}

Larissa Van Deventer from Barclays. Just one, you have increased your targets for the third-party assets. But you haven't increased the GBP 5 billion target for LGC. You're currently just above 3%, but you have over ZAR 5 billion of liquid invested assets within LGC. Why not deploy those faster?

A - Nigel Wilson {BIO 1535703 <GO>}

It sound like me Laura is lacking Jeff's laughing. I think we've tried to do this. This is what it looks like with the same amount of capital about the same amount of assets with plans that you can add them all up and see and make it pretty transparent. We think -- we know about plans that they never turn out to be quite the same were and it's really to try and give you the direct of travel basic economics that slide put up the IRR for most of the lines of business.

You can look at the -- are on the journey right now by calculating out the average return. So it's to give you a better look and feel. Then over time, we'll explain in more detail some of the slightly more complicated parts of how we grow the businesses. But your insight is correct. This is the last question; you're going first and last Andrew? Your book ending call most things be than a bookend.

Q - Larissa Van Deventer {BIO 20764470 <GO>}

And just one question. If Solvency II rules do change, and there's a wider array of assets, which can be applied for matching adjustment. I'm assuming you get more bang for your buck by applying them to PRT than you do to.

If that's right, you have two choices. You can either increase the amount of alternative assets are higher yields on your back book or you can drive faster growth in your new business and that can then offer a second alternative, which is you can do it for your own balance sheet or you can do it from a third party. What's the preferred route?

A - Nigel Wilson {BIO 1535703 <GO>}

That's a very good question. But -- and fortunately, we have some things like BC, which automatically fit in one camp rather than the other. We've got very good methodology for a long time on how we deal with urban regeneration and affordable housing, and that predominantly go into back the PRT business.

In spite living, we were at one point thinking about whether we would put it into the PRT business because it has lots of the characteristics of that. But we decided actually scaling it up quicker in partnership with NatWest was the best solution for shareholders. So there isn't kind of a one size fits all. We have a, I think, a pretty good solution for all of the different subcomponents. I mean Jeff and I -- is slightly this at the GCC. But it's all...

A - Unidentified Company Representative

(Inaudible).

A - Nigel Wilson {BIO 1535703 <GO>}

Yes. It's not has lots of collaboration that we've got. But we had a win or wind. So there isn't a lose on that. we're just getting the mix is reasonably straightforward for us right now, whether in 18 months or two years' time, it's more complicated because we've got an even greater array of assets, but it's not a bad problem to have. Can I just say thank you to everyone.

We've tried to cover a lot of material. Thank you, to all my colleagues who did a fantastic job pulling all that together. So definitely allowed Laura and I to look good today. Thank you for your questions. We hope there's many more questions in the future. Hoping we're giving you updates on LGC, which are favorable and address some of the questions that were raised by Larissa and others.

I'd like to welcome those of you who are staying here to join us for a drink. It's really nice to see people is to fit in meetings like this. I'm really looking forward to having more meetings like this. This is a good space for doing this. Will probably allow more than one person to come from each firm.

I'm sorry that one or two people couldn't come today. But rest assured in the future, we're really looking forward to welcoming everybody.

So thank you.