



LONG-TERM INVESTMENT FUNDS QUESTIONNAIRE

This questionnaire aims to gather further information on the essential characteristics of so-called ‘long-term investments’. It supplements the public consultation on long-term investment funds (LTIF) in the UCITS consultation paper of July 2012. This informal public consultation is a follow-up to the earlier UCITS consultation and aims to clarify a series of issues that should aid the Commission’s services in preparing further work on LTIFs.¹

Although questions are grouped by types of stakeholder, feel free to reply to any questions you find relevant and to provide any information you consider pertinent.

In addition, please feel free to respond to the questions on LTI in the UCITS consultation paper. You can submit any responses alongside your responses to this questionnaire.

Background

Longer-term private financing is perceived as being important in funding infrastructure, innovation as well as social and urban initiatives, particularly as contributions from traditional sources (bank loans and public sector grant programmes) are declining.

Investment funds provide funding for the real economy by pooling capital and using it to fund specific enterprises and projects. Investment funds offer a cost-effective way for investors to acquire investment assets which would otherwise not be easily accessible to them. Investment funds can play a key role in developing more heterogeneous financing mix by increasing diversity of funding sources and the overall scale of available funding.

One area being explored is the possibility that private longer-term investment fund vehicles (LTIF) might help large and mid-range institutional investors to get involved in infrastructure investments. Such LTIF – operating under common EU rules – could enable higher levels of diversification, risk spreading and investment liquidity than would be economical or available for individual investors operating on their own. In addition, the managers of LTIFs would bring in expertise to identify and conclude the underlying transactions.

The Commission services are exploring the features that would make such funds attractive for investors, for fund managers and for the longer-term projects that seek stable financing (“patient capital”). Various features need to be analysed, including the types of eligible assets, eligible investors, redemption rights, diversification rules and other requirements such

¹ The UCITS Consultation document is available at:
http://ec.europa.eu/internal_market/consultations/docs/2012/ucits/ucits_consultation_en.pdf

as on transparency. Your input will greatly help the Commission services in understanding the best ways of calibrating a framework for such funds to ensure its success.

1. YOUR IDENTITY

1. What type of entity are you?
 - a. Institutional investor (insurance company, pension fund, other investor)
 - b. Public body (please indicate whether you make investments into infrastructure or whether you are financial supervisor/regulator)
 - c. Operator or manager of an investment fund or company
 - d. Infrastructure provider (builder or developer, project organiser, linked entity)
 - e. Other (please specify)
2. If you are an infrastructure provider, what is your field of activity?
 - a. Energy infrastructure
 - b. Transport infrastructure
 - c. Communications infrastructure
 - d. Social infrastructure (e.g. hospitals, schools)
 - e. Other (please specify)
3. Do you operate 'cross-border' (where relevant)?
4. Where is your current head office (where relevant)?

2. INVESTORS

5. Do you invest directly in longer-term projects or assets?
6. If so, what financial instruments do you normally use?
 - a. Debt financing (bonds, etc.)
 - b. Equity financing
 - c. Indirect investments, such as funds
 - d. Other forms of participations (if so, please elaborate)
7. What do you normally seek to invest in?
 - a. Infrastructure projects (please specify the type of infrastructure)
 - b. Housing
 - c. Social projects
 - d. Other (please specify)
8. What criteria do you use when assessing such investments?
 - a. Regulatory safety
 - b. Risks
 - c. Better returns
 - d. Liquidity
 - e. Other (please specify)
9. If you do not invest through investment funds, what are the reasons?
 - f. Costs
 - g. Difficult to find the right funds

- h. Lack of transparency on how the funds invest
- i. Time horizon of fund is too short
- j. Other (please specify)

3. INVESTMENT MANAGERS AND INTERMEDIARIES

10. Do you manage any investment funds that make longer-term investments or invest in longer-term assets? YES / NO

If you answered 'YES': Please provide details on (for those funds that are focused on longer-term investments):

- a. the type of the fund (legal form, including whether closed or open-ended)
- b. size of the fund (assets under management)
- c. rough proportion of the portfolio that is longer-term investments
- d. number of outward investments made
- e. types of asset used for the investments
- f. types of target company invested in
- g. typical duration of the investments made
- h. number of investors
- i. types of investors
- j. distribution model (how do you market the fund to investors)
- k. redemption frequency (please answer both in terms of practice, and in terms of the contractual rights of the investors)

If you answered 'NO': Why?

11. What types of financial instruments or assets do you consider to be most appropriate investments for longer-term funds?

- a. Debt financing (bonds, etc.)
- b. Equity financing
- c. Indirect investments, such as funds
- d. Other forms of participations (if so, please elaborate)

4. INVESTMENT BENEFICIARIES

12. What is the normal time horizon for the financing of projects in this sector? (e.g. 5-10 years, 11-15 years, 16-20 years, 21 years or over?)

13. What types of instruments are used to finance your projects?

- a. Bank loans
- b. Market based debt financing (bonds, etc.)
- c. Equity
- d. Investment funds
- e. Combined public and private investments (please indicate respective proportions)
- f. Other forms of financing

14. If you received funding from investment funds, please provide details on:
 - a. kind of investors
 - b. how you were introduced to the fund manager
 - c. what steps did you have to take or information provide to secure the financing
 - d. what information did you need to provide on an on-going basis
 - e. other details?
15. If you have not received funding from investment funds, what do you think were the main reasons?
16. What are the main difficulties you encounter in financing projects in your sector?
Please provide details or practical experience, if possible.

5. TO BE COMPLETED BY EVERYONE

17. If the European Commission were to design a common framework for LTI funds, what would be the most important features of such funds that would make them attractive for you to invest in them?
 - a. What types of investors should the fund focus on (institutional, high-net-worth, retail)?
 - b. What types of assets should be permitted?
 - i. Debt financing (bonds, etc.)
 - ii. Equity financing
 - iii. Indirect investments, such as funds
 - iv. Other forms of participations (if so, please elaborate)
 - c. What types of target investments should be permitted?
 - i. Infrastructure investments
 - ii. Any investments with longer-term maturities
 - iii. Other kinds of targets
 - iv. Other combinations of investments
 - d. If the longer-term investments were to be limited only to those with certain maturities, what threshold might be appropriate?
 - i. Only investments with a maturity +10 years
 - ii. Only investments with a maturity + 20 years
 - iii. Other possible maturity?
 - e. If shorter-term investments were allowed to be included into the portfolio, what proportion of the portfolio should be permitted for them?
 - f. Should a diversification of investments be required?
 - i. If so, what should the minimum number of ultimate counterparties be?
 - g. Should investors have redemption rights?
 - i. Periods less than a year
 - ii. Yearly
 - iii. Some longer set period
 - iv. No rights from the fund manager

- v. Other approaches (e.g. relying on or requiring secondary trading of units in the fund)
 - h. If redemption rights are to be given, must additional steps be required (e.g. ensuring a liquidity buffer is available)?
 - i. Transparency requirements (e.g. possibility to "look-through")
 - j. Other requirements
18. Which features should be defined in more detail by legislation and which should be left to contractual arrangements? Why?