Institutional Investor Engagement - 1: Approach

Institutional Investors are open to investments which:

- can articulate clearly defined asset class characteristics
- are suitably structured investment products for initial engagements with well diversified portfolios
- are led by credible managers with sufficient track records in Climate-Smart investing
- are of sufficient scale to interest larger investors

Approach to products should be based on matching investor appetite and proving success

- Matching investors’ motivations, allocations, segmenting investors using
  - Type of investor
  - Investor-specific drivers and constraints
  - Investor development cycle for new sectors and products
  - Relevant investor allocations
  - Market dynamics affecting institutional portfolios and sub-portfolios
  - Competing products
- Design of portfolios of sector projects in emerging markets with well-defined robust and replicable characteristics

- Target Institutional Investors seek diversified, stable predictable yield.
- Secondary products take the form of either acquiring portfolios of debt positions in operational projects or refinancing an existing portfolio into a vehicle. Appropriate portfolios do not exist yet for climate smart projects.
- While bundling is usually retrospective, it is proposed to create a warehouse structure to build a demonstration portfolio.
- Nature of the secondary vehicle will depend on the underlying portfolio and the degree to which active management is necessary to achieve investor-appropriate returns.

**Portfolio Development**
- Commercial Construction/Project Financing
- Concessional Warehousing
- Shared Warehousing

**Commercial/Development Banks**
- Decreasing dominance of development, construction and technology risk

**Institutional Investors/Development Banks**
- Secondary Products
  - Bonds
  - Managed Debt
- Increasing dominance of operational, revenue and regulatory risk*

* Risk products for these issues are also in early consideration