

# Alpha Real Capital

## ALPHA REAL CAPITAL RESEARCH REVEALS UK PENSION SCHEMES ARE INCREASINGLY FOCUSING ON LIFETIME MORTGAGES AS AN ASSET CLASS

New research <sup>(1)</sup> from Alpha Real Capital (“Alpha”), the specialist manager of secure income real assets, reveals UK pension schemes are increasingly focusing on Lifetime Mortgages as an asset class.

A survey of 100 UK professional pension fund investors reveals that over the next two years, 88% expect pension schemes to begin investing into Lifetime Mortgages, with 29% predicting significant demand.

When compared to other long-dated assets, 87% of survey respondents see the attractiveness of Lifetime Mortgages for pension funds and other institutional investors increasing between now and 2024. In the current environment, 97% of UK professional investors interviewed agree with the view that Lifetime Mortgages offer a combination of factors that pension funds and other long-term investors find attractive including duration, yield, a link to mortality and potential inflation protection. Over half (54%) ‘strongly agree’ with this view.

Alpha’s research found some 86% say an attractive feature for pension fund investors is the fact that Lifetime Mortgages have durations which are highly correlated to a borrower’s life expectancy – loans are repayable when they either die or move into long-term care. In fact, 29% say this is a ‘very attractive’ feature.

When asked to select the three most important benefits of investing in Lifetime Mortgages for institutional investors, 73% of professional investors surveyed selected providing secure, clearly defined cashflows, this was followed by 61% who chose the ability to receive long-dated secure cashflows, and 45% who selected their longevity linkage.

<b>Benefits of investing in Lifetime Mortgages for institutional investors</b>	<b>Percentage of UK professional pension fund investors who chose this benefit as one of their top three for investing in Lifetime Mortgages</b>
Secure clearly defined cashflows	73%
Ability to receive long-dated secure cashflows	61%
Longevity linkage	45%
Some protection against inflation	43%
Diversification benefits	42%
Social benefits – helping to finance retirement/enabling older homeowners to stay in their homes for longer while unlocking stored equity value	36%

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**Boris Mikhailov, Head of Client Solutions at Alpha Real Capital said:** “Pension funds and other institutional investors are increasingly looking to diversify their portfolios, and for asset classes that can deliver steady and reliable returns. To date it has been a virtually untapped opportunity for pension schemes, who can access parts of Lifetime Mortgages market that insurers who have been long-established investors cannot. Using the pension scheme flexibility, Lifetime Mortgages as an asset class could generate long dated investment grade quality cashflows at 4% higher yields than comparable government bonds. So, it is no surprise therefore that over the next two years, 95% of professional UK pension fund investors believe the institutional investor they work for will develop a strategy for investing in Lifetime Mortgages.”

**Phillip Rose, CEO at Alpha Real Capital said:** “The UK equity release sector has evolved considerably since the first product was introduced over 50 years ago. Through regulatory reform, product development and the introduction of customer safeguards, Lifetime Mortgages have become the fastest growing segment of the UK mortgage market while generating the fewest registered complaints across all home finance products. They have also become a preferred investment for insurance companies and are now being offered by high street lenders to their customers.

“With broader market acceptance, attractive yields and long-dated cashflows, Alpha views Lifetime Mortgages as an attractive opportunity for defined benefit pensions schemes seeking long-dated assets.”

-Ends-

## Notes to editors

<sup>(1)</sup> Alpha Real Capital commissioned the market research company Pure Profile to survey 100 UK based professional pension scheme investors. Interviews were conducted online in March 2021.

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## About Alpha Real Capital ([www.alpharealcapital.com](http://www.alpharealcapital.com))

Alpha is a specialist real assets investment manager focussed on secure income strategies. The firm invests in UK and European assets with predictable secure long-term cash flows. Alpha provides market leading and innovative real asset solutions across a range of investments such as commercial ground rents, UK renewable infrastructure, social real estate and secured lending, combining operational real estate expertise and fixed income skills.

Alpha has a 130 plus strong professional team with over £4 billion of assets under management, including capital commitments.

Alpha operates across diversified investment markets: listed and unlisted property vehicles, open and closed ended property vehicles, UK and international funds, working with large institutional investors as well as private investors, family offices and wealth managers.

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