



**IdVector**



## **IdVector Science & Technology Investments**

**From our experience with cash-generating technology assets**

# **Useful finance: from illiquid markets to quant investing**

September 2014

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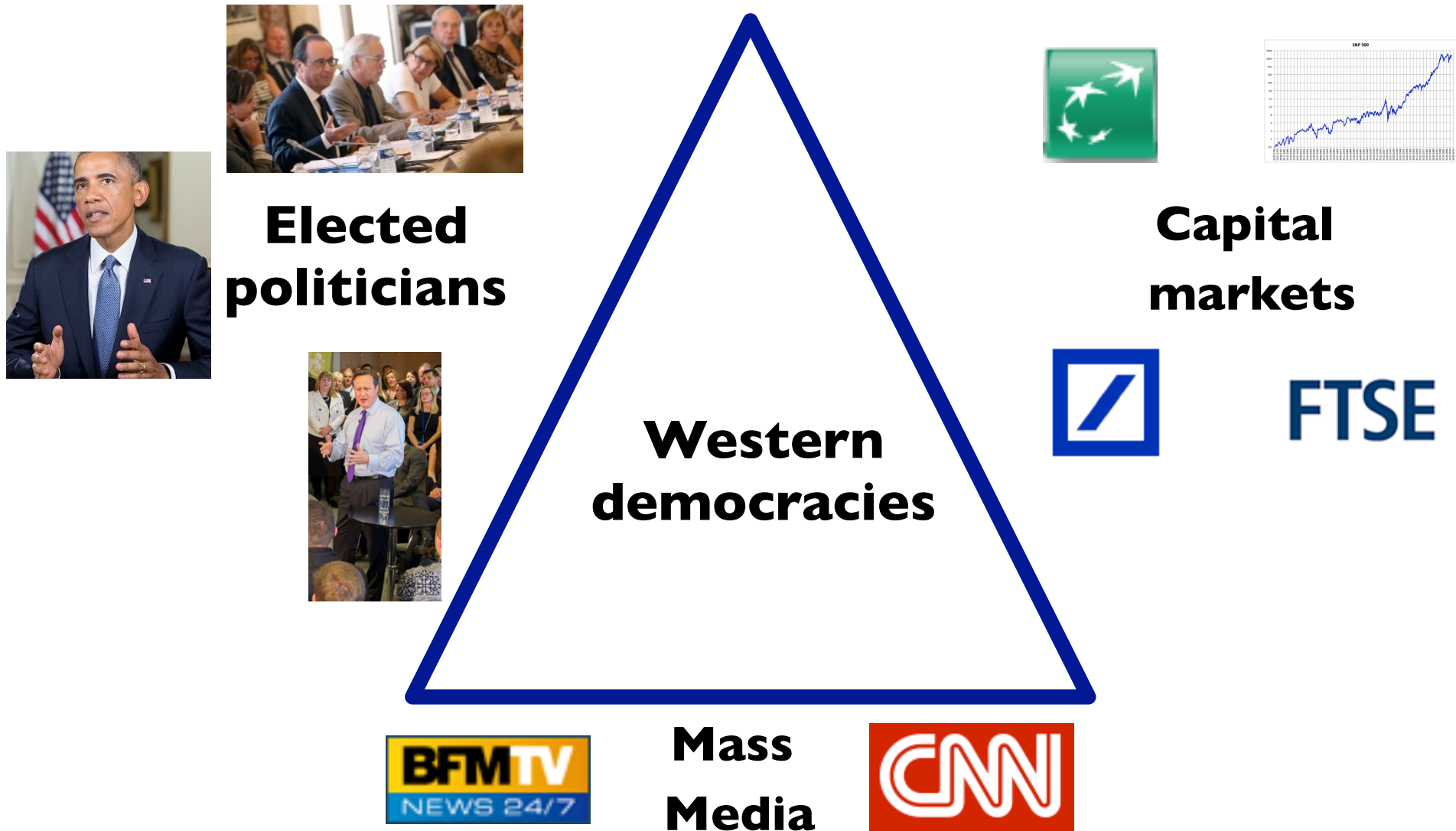
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# Useful Finance

**Why is it important for you?**

# High-frequency governance

All long volatility, good short-term allocators



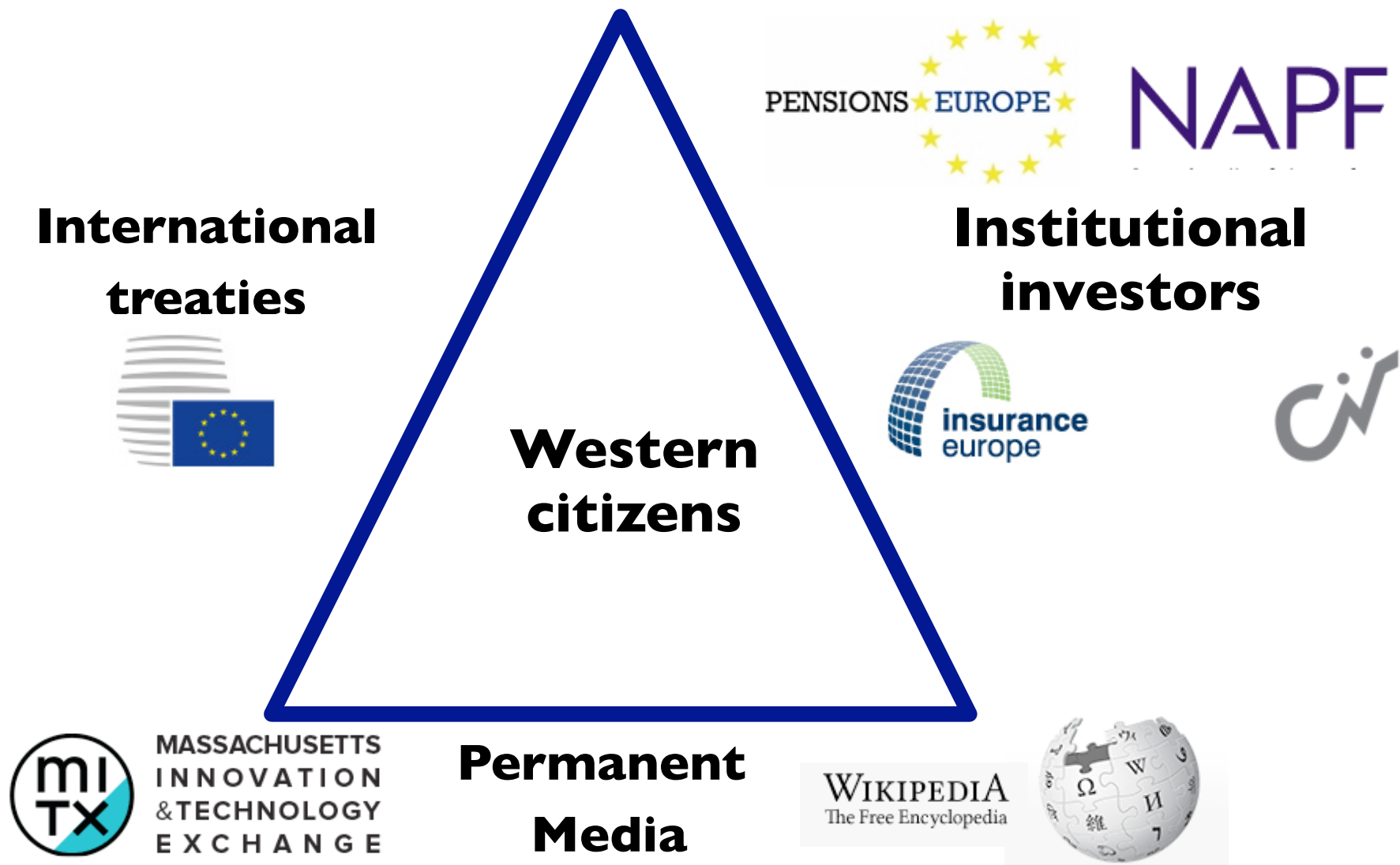
# Bad allocators for long-term issues

**Limit to what can be explained in 45s soundbites**

- **Health**
- **Education**
- **Defense**
- **Research & Development**

# Montesquieu est mort

**Need to implement additional tools**



# Useful Finance

**Where does the expression come from?**

# Where does the expression come from?

## A more modest approach

**Socially Responsible Investing (SRI)**  
**Sustainable Investing**  
**Environmental, Social and Governance (ESG)**  
**Ethical Investing**  
**Impact Investing**

**Useful Finance**

# Whom does the expression come from?

## Elisabeth Jacquet: Contemporary literature



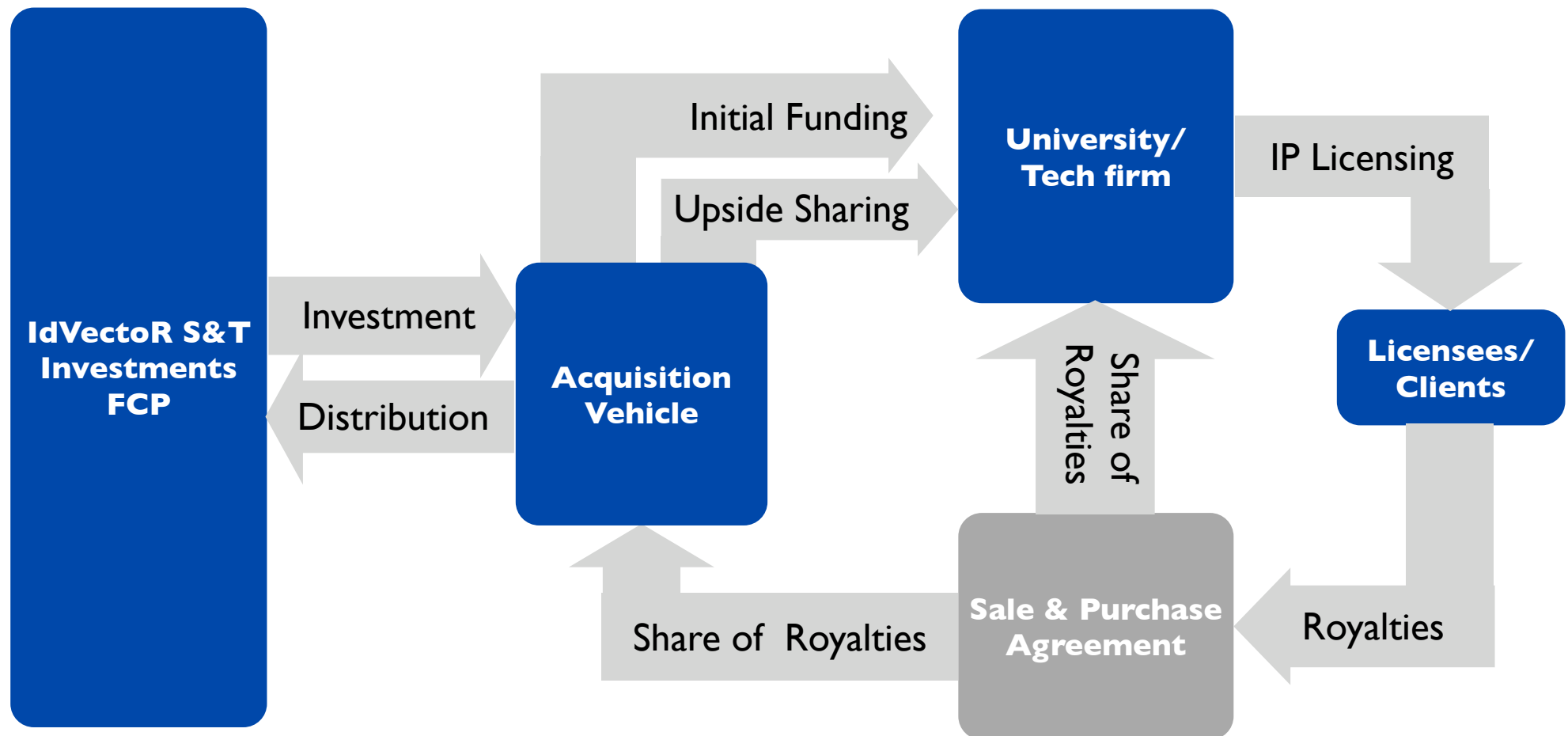
**Disclaimer: I am married to her**

# Useful Finance...

**In illiquids**

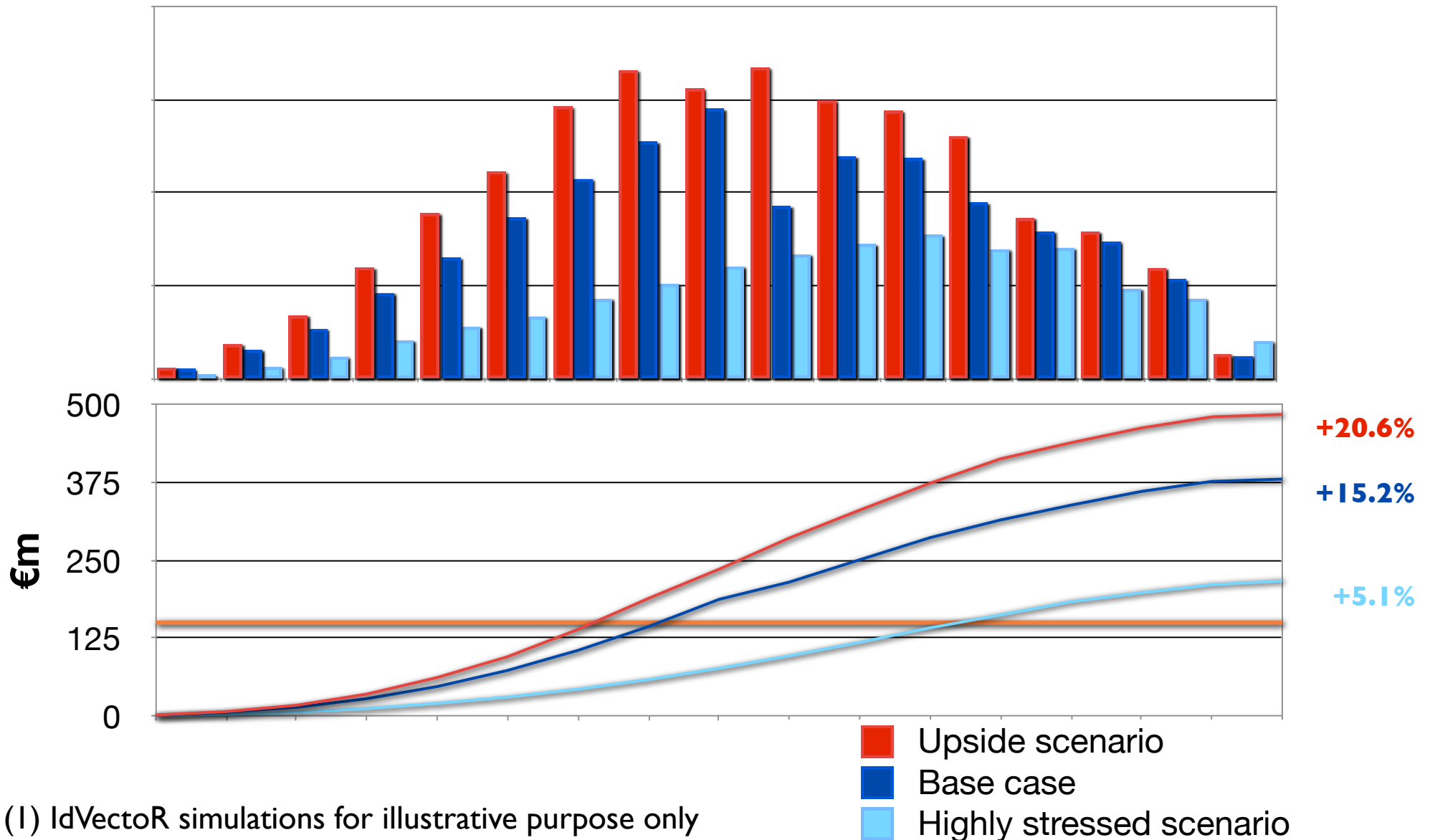
# Typical deal structure and revenue flows

## Buying a share of royalties



# Targeted returns and distribution profile

## Aggregating diversified revenue streams



(I) IdVectoR simulations for illustrative purpose only

# Ok this is finance but why is it useful?

## Contribute to the future

- **Better health: fighting cancer, Alzheimer...**
- **Cleaner environment: water, energy...**
- **Innovations enabling richer lives with access to knowledge, beauty, encounters...**
- **Boost economic growth in Europe: 42% of economic growth stems from basic Research**
- **Give interesting jobs to young people in tech firms or post-docs in universities**
- **It is a vast investment space: €135bn is missing *every year* for EU economic balance**

# Other illiquid investments

Clearly useful

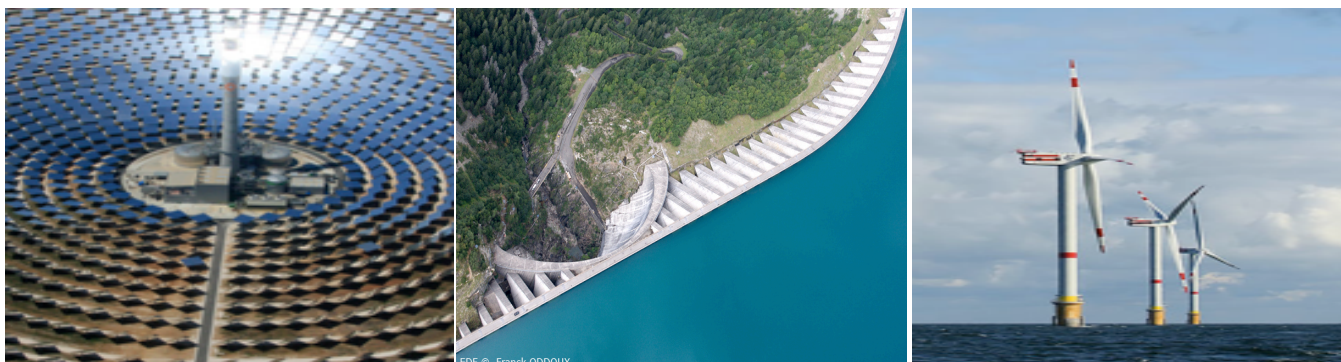
## Timber



## Agriculture



## Renewables



# **Useful Finance...**

## **And quant investing**

# The challenge

## Changing paradigm

- **Liquid, risk-free returns don't seem to exist any longer**
- **Maybe  $T_{RF} = 0\%$**
- **Only human work and natural resources create value *through time***
- **How to reconcile useful finance and liquid markets?**

# Two useful functions... at least

## Systemic and interpersonal contributions

- **Price discovery and non-efficient markets**
- **Liquidity pricing for unexpected events:  
only a small number of savers need partial  
liquidity at any given time**

# **IdVectoR: Useful finance**

**From illiquid markets to quant investing**

**Thank you!**