

Investment Effects of Privatization

Charge

Mr Chairman,

I have been asked to be ready to speak in case there is an embarrassing silence when questions are asked for, but I have only one major point to make.

{ Mr Smith has looked at it from the point of view of the dependence of the Issuing House
I am only looking at it from the point of view of the P/F Investor

About two years ago at one of our conferences we had a speaker who was expressing great apprehension that Pension Funds & insurance companies already held ~~about~~ ^{over} 60% of the equities capital of U.K. Commerce & Industry, & what were we going to do ^{fundamentally} when that figure reached 100%. It was an interesting point, but my reaction at that time was that arranged was still a very ^{very} long way off.

The Privatization activities of the Government ~~have~~ over the past year or two have ^{practically} deferred that day ^{a little} ~~still~~ further, but unlike Mr Smith, I personally am of the opinion that the further Privatization we are to see in the next year or so will have very little or no effect on the stock market.

I say this because I still

see a number of large Pension Funds in operation & I think, because of a natural caution amongst Pension Fund investment managers, invariably keeps a certain proportion of its assets in cash, despite of the steady ^{net} inflow of funds which is the norm in almost all funds.

I wonder whether Mr Smith has endeavoured to sum up the size of this cash mountain. I would guess that the cash on deposit of ~~all~~ ^{even} the funds of the term are right represented at the conference would, be sufficient to over-subscribe British Telecom many times over & this is why I say Privatization has & will have very little effect on the market.

One could possibly make a further point that
the U.K. market represents only 70% ~~of world~~ of world
of world markets & I do not therefore think that
our Bond valuation even if it is in figures larger than are
normally used to, will make any impression on world markets

I was rather amused at Mr. Smith's defence of Stags
In my experience they only operate when the Issuitor has
fixed the price wrong. It almost seemed to me that he was
using the stag as the excuse for getting the price too low

~~I think about the~~

Mr. D. is obvious that the amount of bills passed
might be a little less + therefore there is hope (for the Govt.)
that it might come then on less attractive terms to the institutional
But the offer of equity capital by the Govt falls in a
dual need for the pension funds

Provisional increase the number of companies in the equity
of which pension funds can invest.

Apologia by merchant bank for fixing the price wrong
(Amesham)