

BAI Newsletter II/2023 – May 2023

Editorial article from Frank Dornseifer, Managing Director, BAI e.V.

Dear Ladies and Gentlemen, dear members,

Alternative Investor Conference 2024 – Save the date

As we all know, AFTER the AIC is BEFORE the AIC, so block out the days of April 22-24, 2024 in your calendar. Because then the #AIC2024 will take place. But first, if you want to take a look at a few highlights of this year's AIC, you can, of course, continue to read at your convenience.

There were many highlights, obviously, but the most exciting ones every year are the investor workshop, the investor key-notes and presentations and the investor panel. The key-note of the CEO of the Swedish Pension Fund AP7, Richard Gröttheim, and his key message "Alternative investments make the portfolio better," and the view of Peter Herrmannsberger, Chief Investment Officer at IBM Germany Retirement Funds, on alternative investments and in particular his wish list for asset managers and regulators, were very enlightening; as were the insights provided by Hannes Banzhaf, deputy managing director of the Carl Zeiss Foundation, Stefan Hentschel, Head of Treasury & Pension Asset Management at Evonik Industries AG and Maximilian Rathke, Infrastructure and Alternative Investments Specialist at Kreissparkasse Heilbronn not only in their portfolio, but also in its further expansion and development. Behind closed doors in the investor workshop, Mr. Banzhaf reported on the complete rebuilding of a financial investment portfolio within the framework of an impact strategy and the challenges of private markets strategies, followed by a critical review of the situation by Christian Chrobok, Head of Portfolio Management at the BVV Versicherungsverein des Bankgewerbes a.G. and also member of the BAI Investor Advisory Board, under the title of "Back to the past?" on the importance of alternative asset classes in times of the interest rate turnaround.

It is definitely this professional and in part confidential exchange on key investment topics that investors value at the AIC and with which the BAI creates a special added value. The assessments of the scientific key-note speakers on macro topics, on the one hand by Prof. Monika Schnitzer, the chairwoman of the German Council of Economic Experts, on Germany as an investment location in times of geopolitical change, and on the other hand by Prof. Jörg Rocholl, President of ESTM, on Germany and Europe on the way to the next financial and debt crisis, provided important and central guiding points for the orientation of future capital investment. Prof. Rocholl in particular had a very strong opinion on the role and importance of alternative investments and is also an advocate for our views towards politicians, especially as he is member of the scientific committee within the Federal Ministry of Finance.

Of particular professional interest for the PE sector and its investors was also the lecture of Prof. Rainer Braun, holder of the Chair of Entrepreneurial Finance at the Technical University of Munich, on recessions and their impact on portfolio companies and returns. Friends of regulatory issues were of course also not neglected either, and were able to attend dedicated lectures and panels at the pre-event to AIC, especially the very pointed lecture of by Prof. Dirk Zetzsche, holder of the Chair for Financial Market Law & Coordinator of the House of Sustainable Governance & Markets of the Faculty

of Law, Economics and Finance at the University of Luxembourg, on the AIFMD review and its impact on our industry. And that's not all. The member slots and panels were very well attended, as were the technical presentations by the sponsors in the break-out sessions. The approximately 900 participants were thus offered a varied and top-class program across all alternative asset classes and with the depth that our attendees desire and appreciate!

At the AIC, there was already a lot of positive feedback about this once again very successful conference, which of course makes us very happy. At the same time, there was also constructive criticism and suggestions for improvement, which we are happy to take on board and will now discuss internally, so that next year's AIC will be even better. You know quality is more important to us than quantity, so you don't have to worry that we will choose a bigger location next year. Rather, we will limit the number of attendees so that members, industry representatives and, of course, investors feel comfortable. After all, it is the informal atmosphere at this unique industry event is praised and emphasized again and again. The Networking cannot and may not come too briefly! This is also what the AIC platform stands for.

Focus on infrastructure / BAI Real Assets Symposium / Hearing on the Future Financing Act

At the AIC, infrastructure, the main focus of this newsletter, was not neglected. The continued positive attitude towards this asset class, which we already know from our previous surveys, but which was also expressed at AIC in various presentations resulted in the unanimous statement of the investor panel that it had been "a lot of fun" in recent years. You can't think of a better commercial break.

But where do we go from here? Prof. Schnitzer and Prof. Rocholl have, as expected, presented geopolitical and market uncertainties, interest rate turnaround, inflation rise & Co. sufficiently presented and evaluated and the effects on the further development of the economy and thus also on Germany and Europe as a business location. The challenges currently facing all those involved are simply enormous and the term "fragile" describes the current situation more than applicable. But it is precisely the infrastructure asset class which is considered to have various characteristics that make it resilient, especially in the current environment. In addition, the sustainable, but also the digital transformation offers immense investment opportunities, so that not only the various presentations at the AIC, but also this newsletter provides a lot of basic information about the infrastructure asset class.

And also in the hearing on the Future Financing Act held immediately after the AIC at the Federal Ministry of Finance we emphasized the outstanding importance of infrastructure investment in the context of the sustainable and digital transformation against the background that such investments and, above all, the corresponding access such as infrastructure funds, require better framework conditions, especially in Germany. The expansion of investment opportunities in the renewable energies for infrastructure funds, but also for real estate funds, do not go far enough if they are not also included in the investment catalog of the Investment Tax Act. In addition, the special features of these two types of funds must be taken into account and a greater differentiation must be made;

the current comprehensive reference in the KAGB is not very practicable. A good example is the project companies through which infrastructure funds invest in infrastructure. Especially for these it must be made clear in the future that they are also to be regarded as a partnership - as is generally the case -

and that - on the other hand, - commercial - income from passive participations in joint ventures at the fund level do not qualify as so-called active entrepreneurial management, which was previously prohibited under investment tax law or associated with disadvantages. During the hearing, I made it clear that the BMF and the tax authorities need to rethink their approach, otherwise we will neither strengthen Germany's position as a fund location, nor will we attract these funds to Germany to finance the energy turnaround. We had already made this argument in our statement on the recently presented photovoltaics strategy by the Federal Ministry of Economics and have a certain confidence that this will lead to important changes in the course - not only for Germany as a financial center.

Corresponding to the tax changes, the following are also overdue, for example changes and new regulations in the investment ordinance are overdue and necessary, precisely so that infrastructure as an asset class is adequately reflected. We will submit further proposals and petitions and address them in the context of our association statement on May 10, which will be publically available soon.

We will certainly be able to report more on this at the Real Assets Symposium on October 19. Before the summer break, the Future Financing Act is to be submitted to the cabinet and the law should be passed by the end of the year. Certainly, an ambitious timetable, but after all it is about financing the future, which is the name of the law!

BAI Investor Survey 2024

And, last but not least, I would like to draw your attention to the BAI Investor Survey, which will of course also deal - among other things – with infrastructure investments and their importance in the institutional portfolio. This year we are starting the survey a little earlier, to meet the relevant requests from investors. This will allow us to present interesting results at the Real Assets Symposium and put them up for discussion. We are asking all investors for active participation and have come up with a very special incentive this year, so that there is no reason not to participate in the survey. The record number of participants last year with 106 investors is the benchmark for this year. And of course, we are looking forward to numerous feedback from members on the accompanying industry survey to the articles in this newsletter.

Finally, as always, I would like to thank the many authors who have contributed to this newsletter with very readable articles on the subject of infrastructure.

Thanks a lot.

I wish you an informative and enjoyable reading of the BAI Newsletter.

Frank Dornseifer