

KGAL ESPF 4 fund achieves 382 million euros at second closing

KGAL Group wins new international investors

Grünwald, Germany 27 April 2018 – Five European investors have committed 127 million euros to the renewable energy fund KGAL ESPF 4. This second closing brings the total equity raised to 382 million euros. The fund invests mainly in wind, solar and hydro power in Europe and pursues a core plus strategy.

The participants in the second closing are institutional investors from Germany, the United Kingdom, France and the Netherlands. “We are getting an extremely positive response from European institutional investors,” comments Douglas Edwards, member of the board of KGAL Capital GmbH & Co. KG, who is responsible for international sales. He continues: “Pressure to invest is still high and there is a strong appetite in renewable energy combined with a sustainable investment approach.” In KGAL ESPF 4, almost three quarters of the equity committed to date came from outside of Germany. Two insurers, two pension funds and an investment manager participated in the second closing. The first closing of KGAL ESPF 4 took place in June 2017 with commitments of 255 million euros and initial investors included the European Investment Bank (EIB). “KGAL ESPF 4 stands for internationalisation,” says Michael Ebner, spokesman for the board of KGAL Investment Management GmbH & Co. KG, who is also heading the infrastructure investment division. Ebner adds: “Following our geographical expansion at an asset level, we have now gained institutional investors from five European countries.”

Agreements for Spain, Italy and Scandinavia already signed

KGAL ESPF 4 has an equity target of 500 million euros and a hard cap of 600 million euros. Together with a moderate leverage this translates into a potential investment amount around 1 to 1.2 billion euros. “We have already entered one share purchase agreement and four exclusivity agreements,” comments Alexander Rietz, portfolio manager for KGAL ESPF 4. These mainly relate to photovoltaic project pipelines in Spain and Italy with a capacity of up to 600 megawatts. Furthermore KGAL ESPF 4 is on the verge of investing in onshore wind power and hydropower in Scandinavia. The fund can also invest in other renewable energy technologies and storage, as well as grid infrastructure, mainly concentrating on the EU28 countries and the EFTA region. The fund has a term of ten years with two extension options of two years each. In addition, interested LPs may participate in co-investment opportunities.



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Active management for higher yields

KGAL ESPF 4 will also invest in project development and repowering projects, as well as repositioning assets that require commercial or technical optimisation as a result of a changed environment. “We work as an interdisciplinary team, and investors reap the benefits,” says portfolio manager Alexander Rietz, adding: “It takes active asset management to increase the value of renewable energy assets.” This approach is what differentiates the core plus strategy from conventional brownfield investments.

KGAL Group has invested in KGAL ESPF 4

KGAL Group has itself committed to the fund. “We believe in the KGAL ESPF 4 concept,” says Michael Ebner. He adds that the European renewables market offers many advantages for institutional investors: Firstly, experienced industry players in Europe significantly reduce the technology risk. Secondly, the region is mainly dominated by single currency “Euro” and has extensive debt financing capacity. Thirdly, the region benefits from a renewables-friendly regulatory framework.

KGAL wants to take advantage of these attractive conditions itself, as well as enabling investors to do so. The final closing for KGAL ESPF 4 is planned for the end of 2018.

The KGAL Group is a leading independent investment and asset manager with an investment volume of €22.7 billion. The investments focus on long-term capital investments for institutional investors in the real estate, infrastructure and aircraft asset classes. The Group, founded 50 years ago, operates across Europe and has its registered office in Grünwald near Munich. Taking into account aspects of revenue and risk, around 340 employees help achieve stable yields on a sustainable basis (As at 31/12/2017).



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