

## KGAL aircraft funds remain on target

KGAL Aviation holds its own in a challenging environment

**Grünwald, 11/03/2020 – KGAL Group’s Aviation asset class has held its own in 2019, despite the current challenging environment. The performance of the institutional aircraft funds was stable, with the final fund for private investors successfully closed. The managed investment volume remained unchanged at around two billion euros. KGAL manages 66 aircraft worldwide in collaboration with GOAL (German Operating Aircraft Leasing GmbH & Co. KG).**

The Boeing 737 MAX and climate protection were hot topics in the aviation industry in 2019 and all players involved in this sector are having to grapple with them. KGAL has achieved successful results, particularly in asset management. “Revenue isn’t realised until maturity,” explains Jochen Hörger, Managing Director for Aviation at KGAL Investment Management GmbH & Co. KG. “A well-founded prediction of the residual value and the actual realisation of the planned sales price are therefore key.”

### **Sale of five aircraft leads to positive closure of the last aircraft fund with private investors**

In July 2019, KGAL and GOAL successfully closed SkyClass 52, the last mutual fund. The asset manager had extended the leasing contracts with the airline Flybe for five years back in June 2018. This meant it was able to achieve a very good sales price for the fund’s five aircraft. Before the business with institutional investors got under way, KGAL realised a total of 58 mutual funds and 81 private placements and other participation models for private investors in the period from 1990 to 2013. Ten KGAL aircraft funds are featured in the list of the 15 best-rated aircraft funds published by the investor magazine FOND professionell, including claiming all of the top eight places in the ranking (source: Efonds, 22/04/2019). The Japanese operating leases business set a new record with 1.2 billion euros’ worth of arranged transactions for 19 aircraft.

KGAL’s institutional aircraft funds – APF 1, APF 3 and APF 4 – are progressing as planned. Florian Martin, Managing Director for institutional customer business, highlighted the high level of customer satisfaction: “Our institutional customers are very pleased with the diversification of our portfolio and our attractively consistent performance. The opportunity for further diversification within the alternative Infrastructure asset class is something they particularly welcome.”

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With regard to Aviation Portfolio Fund 1, KGAL and GOAL successfully sold three Embraer E190-100LR aircraft leased to Finnair before they were actually due to reach maturity and with leases attached. This was the first sale for APF 1 and it had a positive impact on the fund performance thanks to the return from the transaction being slightly higher than the projected figure.

**Fund concepts for international investors**

KGAL is planning to step up its efforts to target international investors in the 2020 financial year, since, as Managing Director Jochen Hörger notes, the risk/reward profile of aircraft funds appeals to this type of investor: “The leasing rate ensures continuous yields, while the risk is limited because the aircraft serves as security.” To put it in concrete terms, this is a fund product that is designed to pursue a core strategy with long-term leases for marketable aircraft and therefore long-term, stable yields. A second fund intended to replicate GOAL’s long-standing and highly successful investment strategy and invest in core-plus aircraft transactions offers an alternative for investors with a somewhat higher appetite for risk.

KGAL has been operating in the aviation industry for over 40 years. Its experts have assisted with more than 800 transactions and launched some 140 aircraft funds for private investors, not to mention three portfolio funds for institutional investors.

KGAL Group is a leading independent investment and asset manager with an investment volume of around 20.2 billion euros. The investments focus on long-term capital investments for institutional and private investors in real estate, infrastructure and aviation. The Group, founded more than 50 years ago, operates across Europe and has its registered office in Grünwald near Munich. Taking into account aspects of revenue and risk, 371 employees help achieve stable yields on a sustainable basis (as at 31 December 2019). GOAL German Operating Aircraft Leasing GmbH & Co. KG, Germany’s largest aircraft lease provider, is a joint venture between KGAL and Lufthansa.

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