



AVIATION



Air travel: a growth market

The air travel industry has met the challenges posed by the market head-first, and enjoyed positive growth – including in the very recent past. Programmes to enhance efficiency and modernise fleets have contributed to further improving the industry’s profit situation. Significantly lower oil prices since 2015 have also had very positive effects for the industry. Lower fuel costs have been passed on to passengers in the form of lower ticket prices, and

have provided further impetus to the growth in air passenger numbers. With an average capital return of 9%, the opportunity is afforded to many companies to increase the proportion of energy-efficient aircraft models in their fleets. Responsible use of scarce resources pays dividends both ecologically and economically. As a result, the aviation asset class is in principle also attractive for investors with a defensive approach. ■

>700
aviation transactions

3 portfolio funds
for institutional
investors

58

Public funds

Expertise

The KGAL aircraft strategy is built from four components: asset expertise, active management, financing skills, and leasing skills. With products which unite a range of aircraft types that are established in the market, as well as a variety of lease holders in one fund, KGAL makes it possible to hold well-diversified investments in the aircraft asset class.

- Active in the aircraft segment since 1979
- Two joint ventures with Deutsche Lufthansa AG
- 85 private placements and other investment models
- 58 public funds in the aviation segment
- Accumulated fund investment volume of over € 7.4 billion ■

Investment focus

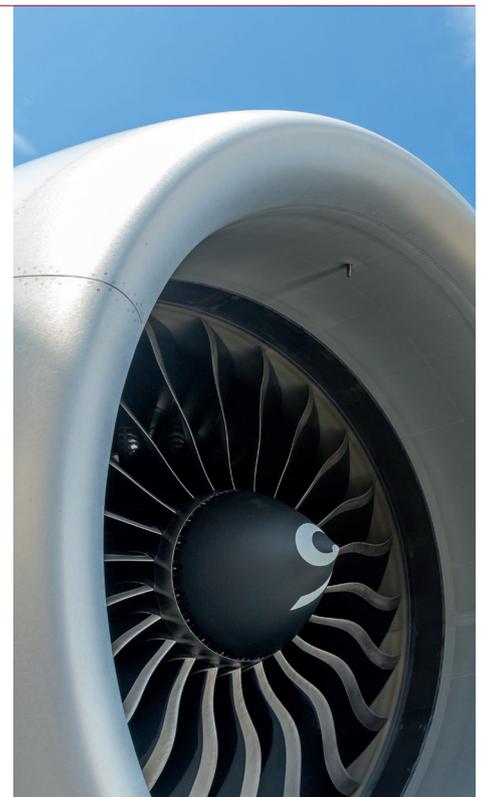
The Aviation Portfolio Funds (APF) are widely diversified aircraft funds operated by KGAL for institutional investors. The target objects are highly fungible passenger aircraft, which are also highly stable in terms of value.

Diversification is achieved through a variety of aircraft types and a range of international airlines. GOAL functions as a renowned asset manager. ■

Lufthansa Leasing and GOAL joint ventures

Lufthansa Leasing and GOAL German Operating Aircraft Leasing were founded in 1989 and 1998 respectively, as joint ventures between KGAL GmbH & Co. KG and Deutsche Lufthansa AG. In GOAL, both partners bring together their many years of expertise in the areas of airlines, financing, aircraft asset management, and aircraft remarketing. Since its establishment, GOAL has implemented more than 250 aircraft and jet engine trans-

actions in its role as exclusive technical asset manager for KGAL. The joint venture has evolved to become the largest operating lessor for aircraft in Germany, and is one of the top 50 lessors worldwide. Customers of GOAL value its range of services, in particular the quality of the technical support, and the active asset management which secures both value retention and marketing potential for the supported aircraft. ■





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Overall aircraft portfolio of KGAL Group



- Assets under management €1.7 billion
- Assets under administration €0.2 billion

Active investment volume in aircraft as at December 31, 2017

Material asset types in the portfolio, by total investment costs

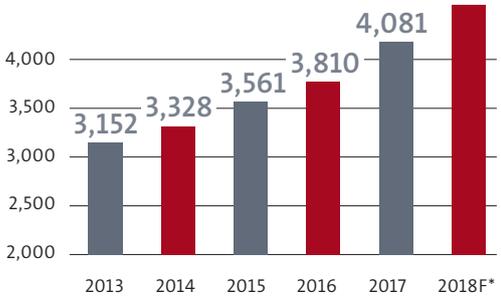


- Narrow body 68 %
- Wide body 3 %
- Regional aircraft 29 %

Source: BSI Performance report

Passenger figures

Passenger numbers in millions (2013 – 2018F)



*F = Forecast

IATA (International Air Transport Association) records global growth of 7.5% in passenger traffic (passenger kilometres sold) in 2017. In 2018, a healthy growth rate of approx. 6.0% is still expected.

€7.4 billion

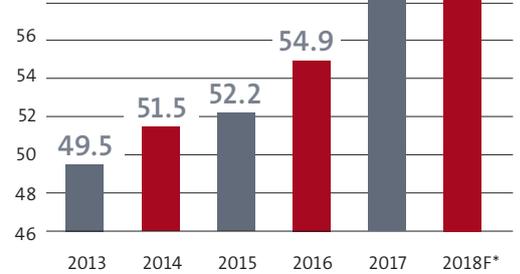
Accumulated investment volume

8.7%

Average total distribution per annum for the aircraft funds (active portfolio of operational leasing funds)

Freight volume

Air freight in millions of tonnes (2013 – 2018F)



*F = Forecast

At 9.3%, the increase in freight volume (transported tonne kilometres) in 2017 was significantly stronger than was expected. For the year 2018, a moderate growth of 4.5% is expected.

References

Fully allocated (institutional investors):

APF 1 €800 million*

KGAL APF 4 €600 million*

In placement (institutional investors):

KGAL APF 3 planned: €400 million* to €800 million*

ADF Aviation Debt Fund (planned: \$250 million*)

*Total investment costs

“Today, transport is significantly better equipped for future challenges than was previously the case.”

Jochen Hörger

Contact



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