

Scope confirms KGAL Group's rating of AA- (AMR)

This confirms the company's very high quality and expertise in the asset management of aircraft, real estate and renewable energies. The aircraft segment is confirmed with AA (AMR) and the Real Estate and Renewable Energies segments with AA- (AMR).

The KGAL group, based in Grünwald (near Munich), was founded in 1968. The company's original objective was to finance national customers' real assets through leasing. It then developed into one of Germany's leading lessors of real estate. KGAL entered the closed-end fund sector in 1990 with the launch of a closed-end aviation fund. Today, the company is one of the leading investment and asset managers in the aviation sector.

Since 2013, the company has concentrated on the institutional sector and was able to further expand its business in all evaluated segments. Since 2019, KGAL has again been active in the private investor sector via an open-ended real estate public fund.

The substantially above-average industry experience and company tenure at the board and management levels should also be highlighted. In organisational terms, clear responsibilities and representation regulations are in place. The quality of the investment processes and the risk management are of a very high standard.

The IT and process infrastructure is being continuously further developed and will form the basis for even more efficient processes. KGAL, for example, acquired a stake in the specialized information technology company control.IT. The full integration of reporting was expanded and is now used for all evaluated areas. With regard to digitalisation, KGAL is developing an online platform and investment products with its own fintech team, "physible", which is generally rated positively. The first bond has already been placed. The fact that KGAL does not have its own independent research limits its rating. However, the research department is to be built up in 2019, which will result in an increase in personnel.

The track record of the individual areas evaluated is above average compared to the industry as a whole. However, like other asset managers, KGAL faces the challenge of acquiring suitable properties in the current challenging market price environment.

Real Estate

Since 1968, KGAL has launched an individual mandate, eight institutional investment funds and club deals as well as around 150 mutual funds and private placements in the real estate segment. So far, properties have been acquired for more than EUR 20 billion. The investment focus in office real estate is on the top 20 cities in Germany and on European metropolises such as Vienna, Dublin, Budapest and Amsterdam. In the retail real estate segment, the focus is currently on mixed-use district centres and specialist retail centres in

Germany and neighbouring countries, while in the residential segment the focus is primarily on core investments in prime locations. In 2019, the open-ended real estate public fund KGAL immoSUBSTANZ was launched and the company returned to the retail client market.

Since 2000, the real estate dispositions from liquidated institutional products as well as private investor products realised above-average returns, with a pre-tax IRR of 9.7%. The average investment period was 7.3 years.

Renewable Energies

KGAL has been active in the onshore wind sector since 2003 and in photovoltaics since 2005. At the end of 2018, the investment volume in this segment amounted to EUR 2.9 billion. Throughout Europe, it is divided among 61 solar parks, 54 wind parks and six hydroelectric power plants. In 2019, the company entered a new asset class by acquiring a stake in an offshore wind farm. This portfolio makes KGAL one of the largest asset managers in the renewable energy segment in Europe.

The portfolio is divided into four institutional funds, one individual institutional mandate and nine mutual funds and private placements. Due to the buy-and-hold strategy and the associated long-term fund maturities, no exits have yet been recorded for the investments launched to date. Three of the four retail funds that invest in German photovoltaics were able to exceed their planned payouts, in some cases significantly, as electricity revenues were higher than calculated. The remaining mutual funds invested primarily in Italian and Spanish photovoltaic systems, the disbursements for which are well below their forecast values due to retroactive changes in feed-in tariff regulations. The ESPF 4 fund, which is currently being placed, is to be closed in the third quarter of 2019 with equity capital of EUR 650 million and will also invest in assets that are still in the development or construction phase.

The current return of institutional investor products is in the range of 4.1% to 9.4%.

Aviation

KGAL has been active in the aircraft segment since 1979. To date, it has executed more than 850 transactions for 81 private placements and other investment models as well as 58 retail and three institutional funds in the aircraft segment. Including the three portfolio funds for institutional investors, the cumulative investment volume of the aircraft funds managed to date amounts to more than EUR 7.9 billion.

In the aircraft segment, the company covers the entire value chain in-house, which is one of the positive rating drivers. GOAL acts as KGAL's exclusive technical asset manager in the aircraft sector. GOAL was founded in 1998 as a joint venture between KGAL and Lufthansa. KGAL holds a majority interest of 60%. More than 250 aircraft and engine transactions have been completed to date as part of the cooperation. With a fleet of 57 aircrafts, GOAL is currently the largest operating lessor of aircraft in Germany and one of the 50 largest in the world. The active portfolio of operating funds has made attractive annual distributions so far.

Important notes and information

Scope Analysis GmbH (subsequently 'Scope Analysis') publishes management ratings of asset management companies, as well as issuers of funds and investment certificates. These management ratings are not "credit ratings" within the meaning of Regulation (EC) No. 1060/2009 on credit rating agencies as amended by Regulations (EU) No. 513/2011 and (EU) No. 462/2013.

Furthermore, management ratings provided by Scope Analysis are neither recommendations to purchase or sell financial instruments issued by the asset management company, the issuer of investment funds or certificates, nor do they contain any judgement of the value of

such financial instruments. Moreover, the ratings provided by Scope Analysis do neither constitute individual investment advice, nor do they take account of the specific investment objectives, investment horizon or asset situation of individual investors. In preparing and publishing its ratings, Scope Analysis does not act as an investment advisor or portfolio manager to any client.

Where the term asset management company is used, it also includes capital management companies, investment companies, management companies and investment advisory companies.

Responsibility

The publisher responsible for preparing and distributing this management rating is Scope Analysis GmbH, Berlin, Germany, Local Court of Berlin (Charlottenburg) HRB 97933 B, Registered Office: Lennéstraße 5, 10785 Berlin, Germany, Managing Directors: Torsten Hinrichs, Said Yakhoulfi.

The present management rating was generated and written by: Frank Netscher, Associate Director, Lead Analyst.

Management rating history

02.08.2019 | Affirmation | AA⁻AMR

02.08.2018 | Initial Rating | AA⁻AMR

Information on interests and conflicts of interest

A description of the precautions taken by Scope Analysis, especially to prevent and avoid conflicts of interests regarding the preparation and distribution of management ratings, can be found in the Scope Analysis GmbH's "Conflicts of Interests Policy" at www.scopeanalysis.com.

This management rating was prepared independently by Scope Analysis but in return for payment, based on an agreement with the asset management company on the provision of this management rating.

Principal sources of the management rating

The following principal information sources were used to produce the management rating: homepage of the asset management company - detailed information provided on request - annual financial statements - data supplied by external data providers - interview with the asset management company - external market reports - press reports/other published data.

The information contained in the ratings is derived from sources that Scope Analysis deems to be reliable; it has been compiled in good faith. Nevertheless, Scope Analysis cannot give any guarantee that the information used is correct, nor can it assume any liability for the correctness, completeness, timeliness or accuracy of the information.

Before publication, the client had an opportunity to review the rating and the key factors leading to the rating decision (rating drivers), including a summary of the underlying rating rationale. The rating was not revised following this review.

Methodology

The management rating relates to an evaluation of the quality of the asset management company in its function as a product manager and issuer of financial instruments within the meaning of the methodologies published by Scope Analysis. The applicable methodology can be viewed at <https://www.scopeanalysis.com/#rating-and-research/asset-management-rating/methodologies>. Information on the meaning of the rating scale used for the rating can be viewed on the website of Scope Analysis GmbH at <https://www.scopeanalysis.com/#methodology/rating-scales>.

Conditions of use / Disclaimer

Scope Analysis produces its independent and objective ratings with the necessary professional diligence as of a specific date, on which the rating is published. Future events must therefore be deemed to be uncertain. Forward-looking statements are based on estimates, so a rating does not constitute a factual claim; it merely expresses an opinion, which may subsequently change and may then be reflected in an altered rating. Consequently, Scope Analysis does not assume any liability for damage resulting from decisions taken based on any rating it produces.

In the event of simple or minor negligence by Scope Analysis, or a legal representative, employee or agent of Scope Analysis, liability for the infringement of material contractual obligations shall be confined to the foreseeable and typical damage incurred. Moreover, liability is excluded in the event of simple or minor negligence; this shall not apply in the event of loss of life or limb or impairment of health.

Similarly, if the management rating is a solicited rating, Scope Analysis shall not bear any liability in accordance with the principles of a contract with protective effect for the benefit of third parties. The parties involved should only regard such ratings as one factor in their investment decisions; they cannot replace their own analyses and assessments. The rating therefore only comprises the expression of an

opinion with respect to quality and does not under any circumstances constitute a judgement of the risk-return profile of an investment, nor does it constitute any statement as to whether the parties to an investment could generate any income, recover the capital invested, or assume any specific liability risks. The content of ratings and rating reports is protected by copyright and otherwise by law. Product and/or company names cited in such ratings and rating reports may be registered trademarks. A copy of the ratings or rating reports published by Scope Analysis on its website may be saved to one computer only for non-commercial and personal, internal use. Any additional, unauthorised use such as modification, reproduction, transmission, transference, dissemination, sale or storage for subsequent use of the content of the ratings or rating reports is strictly forbidden. Unauthorised use can result in claims for damages or injunction.

Contact

Scope Analysis GmbH
Lennéstraße 5
10785 Berlin
Germany
Phone +49 30 27891-0
Fax +49 30 27891-100
VAT-ID DE226486027

About Scope Analysis GmbH

Scope Analysis GmbH, based in Berlin, is a part of the Scope Group. The company specialises in the analysis and rating of asset management companies and certificate issuers, as well as mutual funds and alternative investment funds in the areas of real estate, shipping, aviation, renewable energies and infrastructure. Scope Analysis offers opinion-driven and forward-looking analyses. This approach focusses on a product's risk-return profile and, in particular, considers existing asset allocations, identifies growth potential and monitors risks on an ongoing basis. Scope Analysis can thereby support institutional investors in implementing their innovative strategies to optimise portfolios.

Contact

Analyst	Frank Netscher	f.netscher@scopeanalysis.com
Team leader	Sonja Knorr	s.knorr@scopeanalysis.com
Press	André Fischer	a.fischer@scopegroup.com



Scope Analysis GmbH • Lennéstraße 5 • Phone: +49 30 27891-0 • Fax: +49 30 27891-0
www.scopeanalysis.com

Executive Board: Torsten Hinrichs, Said Yakhloufi • District Court: Berlin Berlin-Charlottenburg: HRB 97933 B • VAT identification number: DE226486027

Save paper! Please consider the environment before printing this email. This email may contain confidential and/or privileged information. If you are not the intended recipient (or have received this email by mistake) please notify the sender immediately and destroy this email. Any unauthorised copying, disclosure or distribution of the material in this email is strictly forbidden.

[Subscription Center](#)

[Contact](#)

[Legal Notice](#)

