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Short presentation

InstiPortal: Institutional Investors in Germany

INSTI PORTAL

November 2021

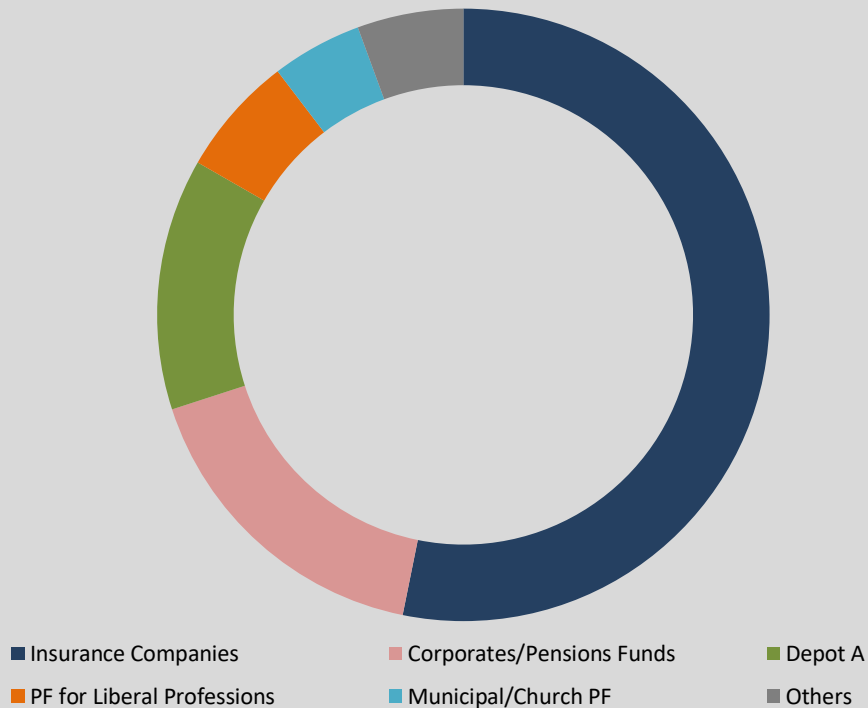


Background

Insurance companies account for more than half of the four trillion euros invested, more than half a trillion euros are managed by Depot A investors and corporates/pension funds

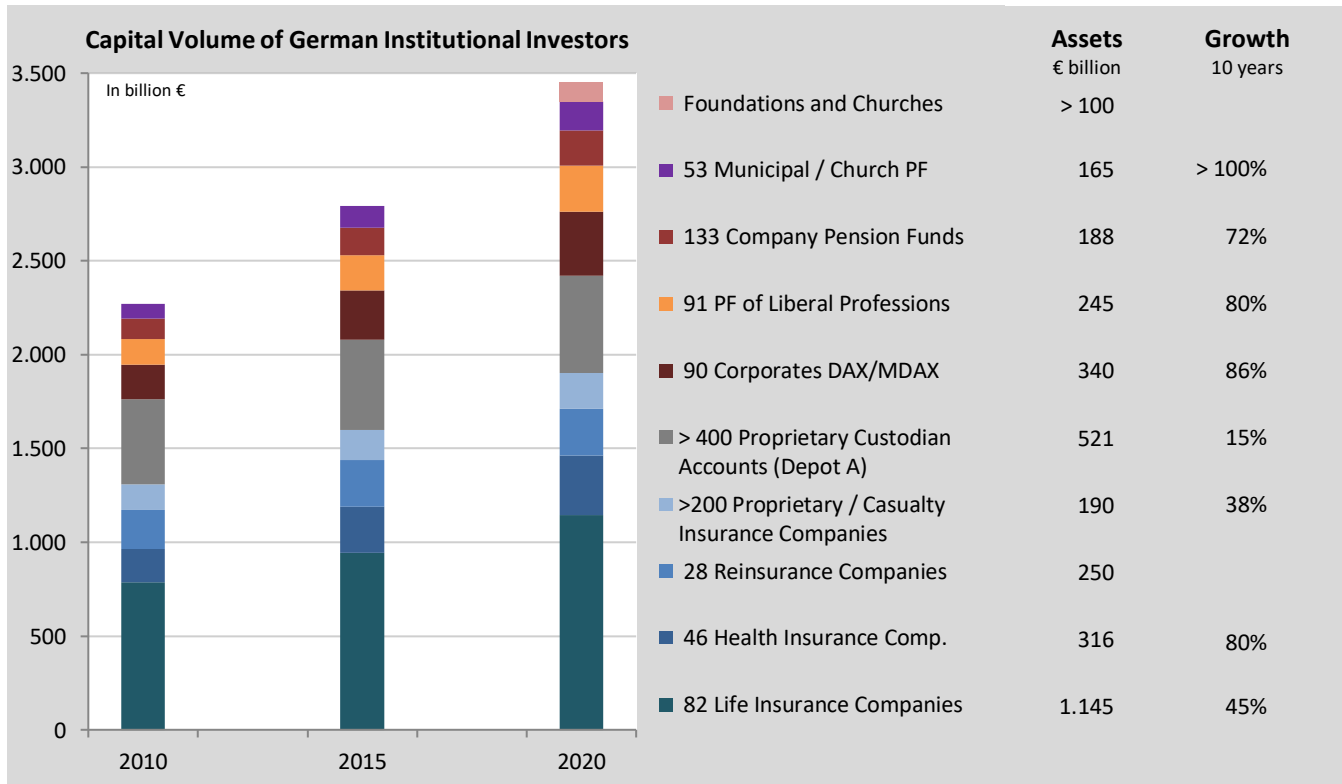
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Capital Volume Institutional Investors Germany
(about four trillion Euros in total)



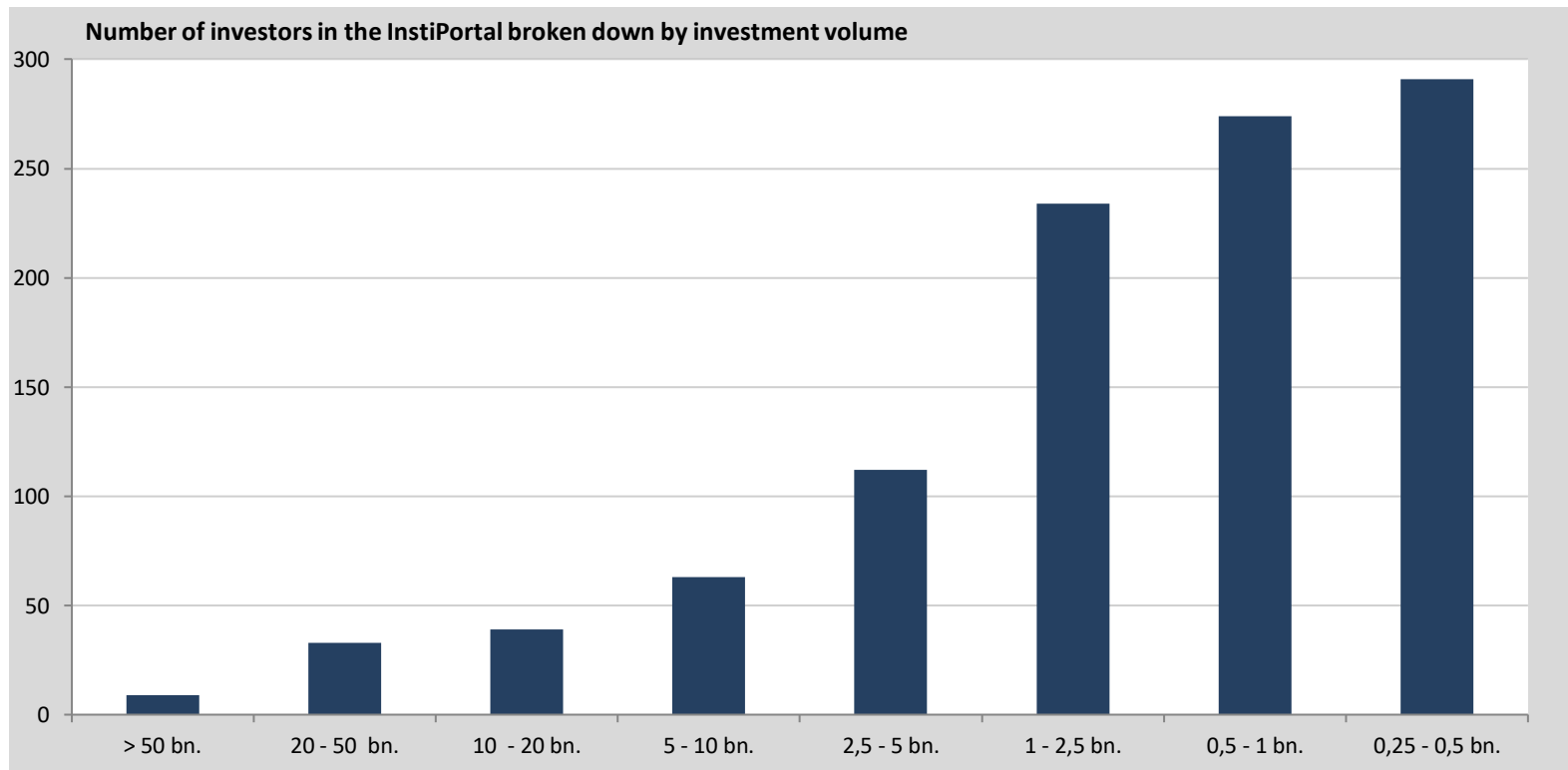
Background

The investment volume of institutional investors in Germany is growing by more than 100 billion euros a year



Background

The institutional investor landscape in Germany is highly fragmented, with the volume distributed across more than 1,000 institutional investors

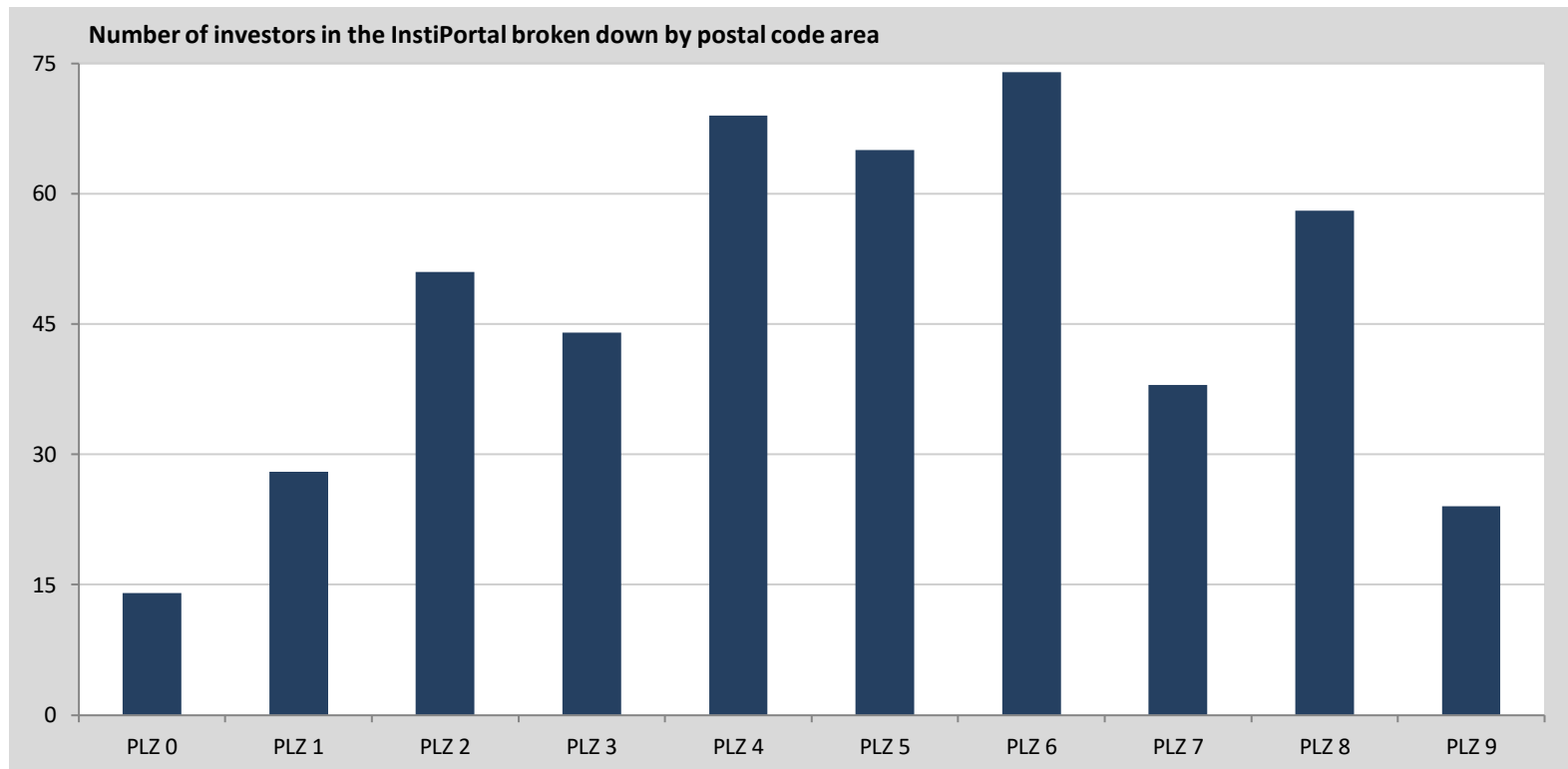


Source: Analysis of the InstiPortal as of December 2020

Background

Unlike in other European countries, the capital volume is also heavily divided up across the regions

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Source: Analysis of the InstiPortal as of December 2020

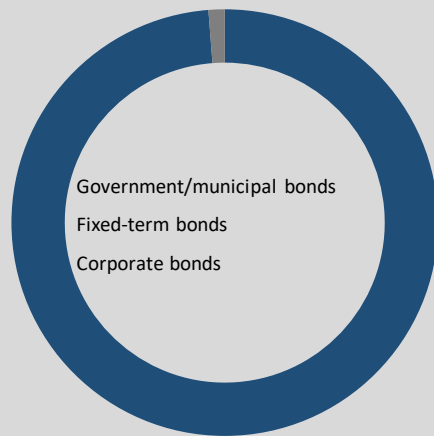
Background

Investors are very individual with regard to their asset allocation

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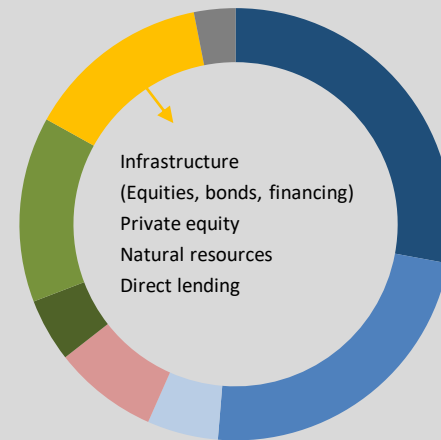
Example: Pension fund

€1.8 billion



Example: Pension fund for liberal professions

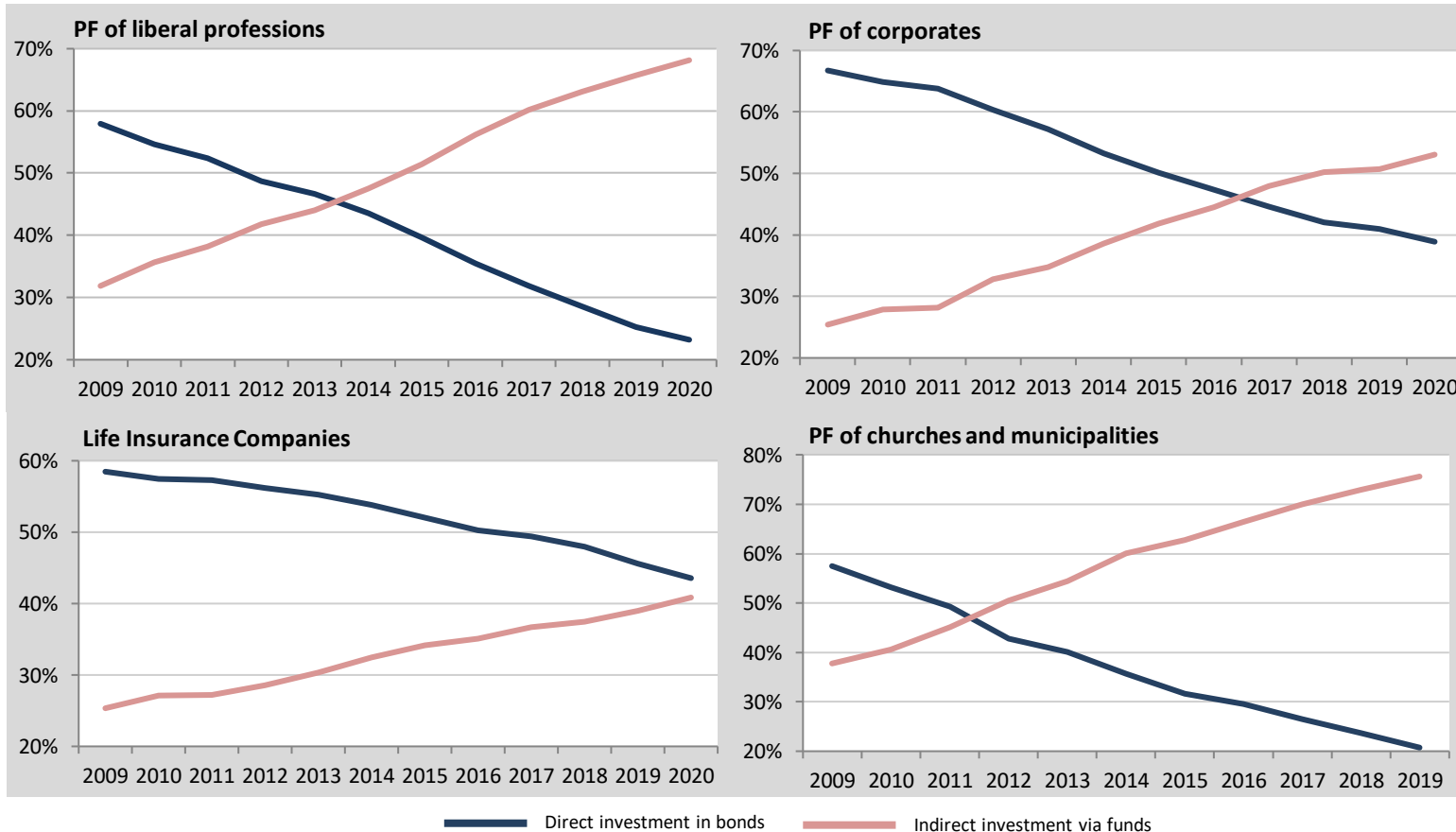
€10 billion



- Bonds (direct)
- Bond Funds
- Mortgages
- Equities
- Real Estate (direct)
- Real Estate Funds
- Alternatives
- Deposits, miscellaneous

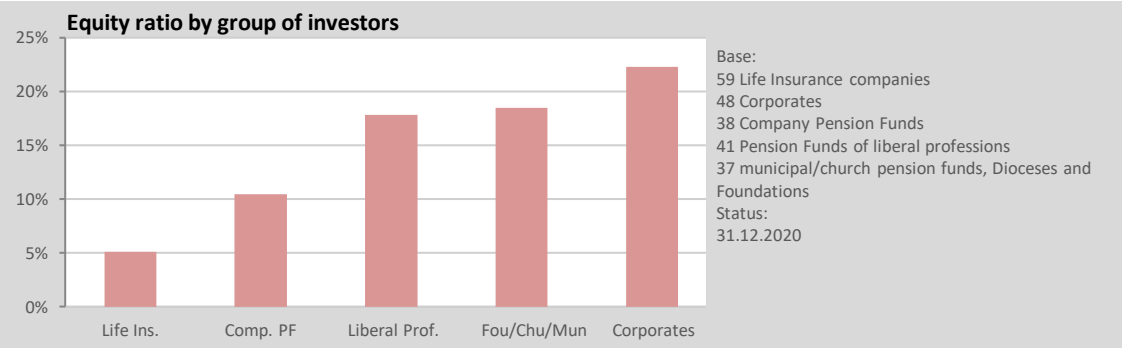
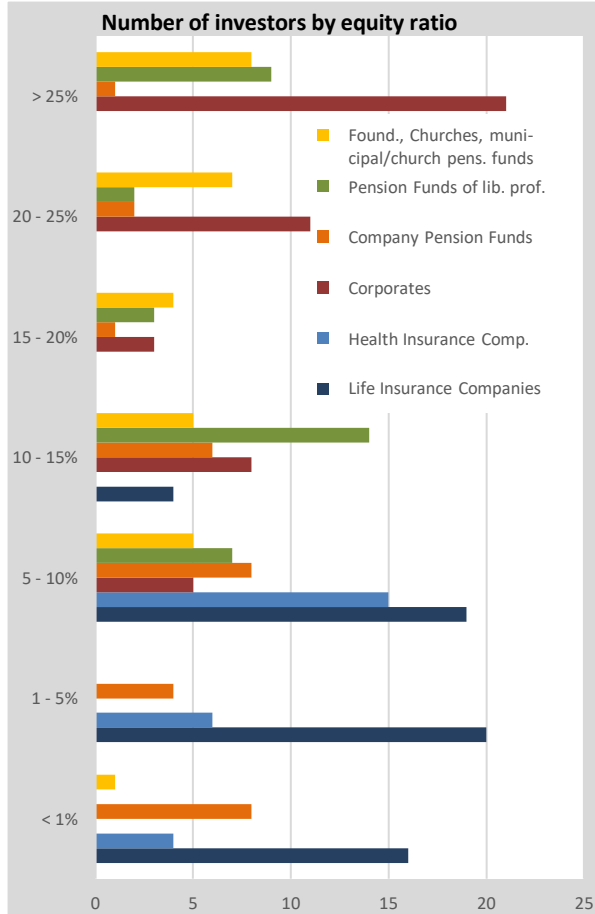
Background

Asset allocation at many institutions is in a constant transition process, with direct investment in bonds becoming significantly less important



Background

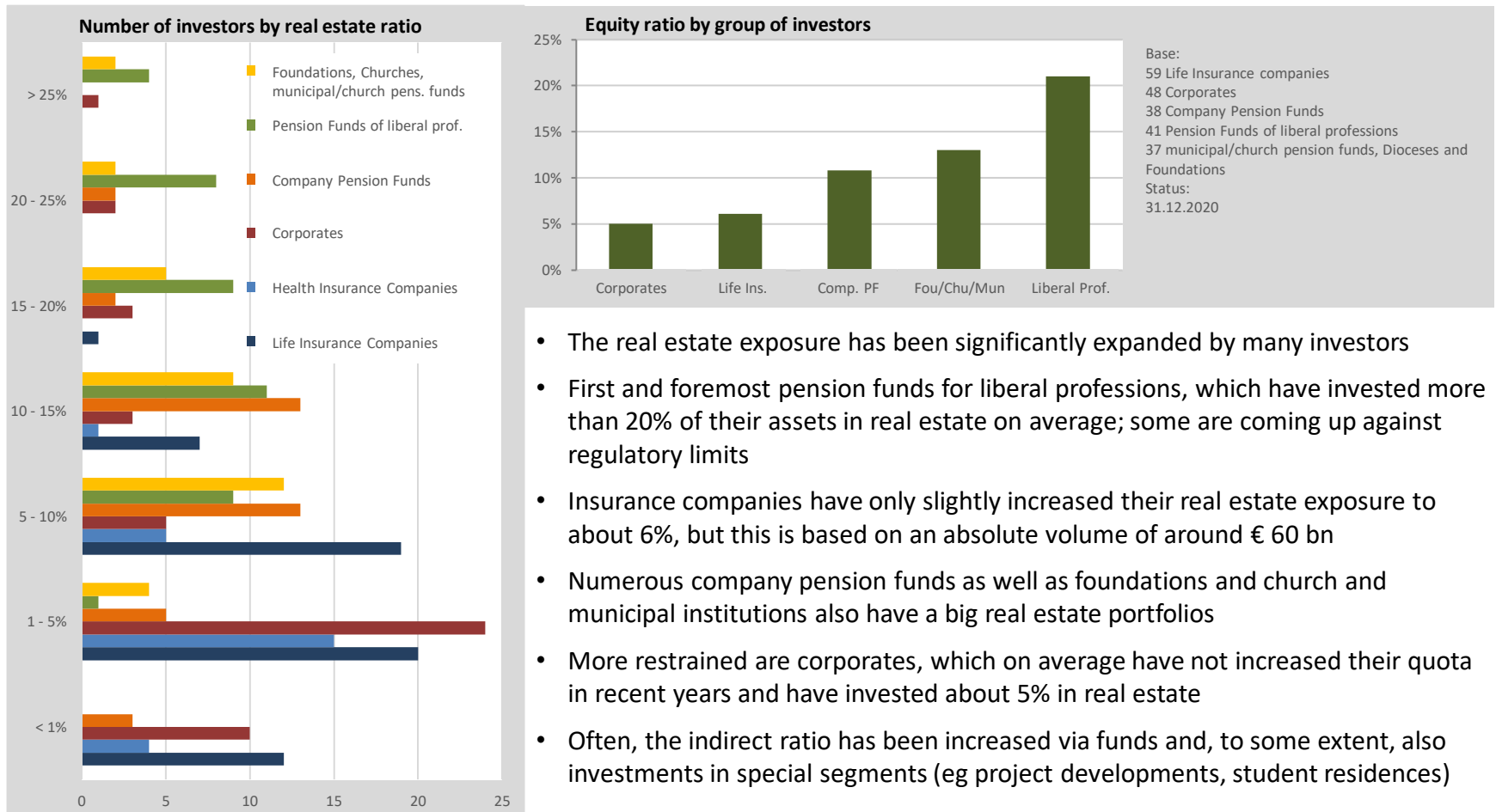
Compared to other asset classes, the equity ratio has raised below average by many investors. Many have not yet reached their pre-crisis level.



- The equity weighting varies widely depending on the group of investors, often influenced by regulatory and product-specific conditions
- With an average of around 22%, corporates - which are not subject to any regulatory investment restrictions - have the highest ratios; before the financial crisis, however, the level was well above 30%
- Insurance companies continue to have low exposure at around 5%, around a quarter of life insurance companies have no equities (<1%)
- Pension funds for liberal professions have significantly expanded their equity investments to more than 17% on average, a ratio below 10% is the exception
- Company pension funds have also increased their equity exposure (~ 10%)

Background

The investment volume in real estate has increased considerably since the financial crisis with many investors. In particular, the indirect quota was expanded.



Motivation

So far there is no systematic and constantly updated report on the institutional investor landscape in Germany



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- Many publications only discuss investor groups as a whole, but do not provide detailed information on the structure, asset allocation and performance of individual investors
- (International) databases are often based on surveys / interviews; the advantage there is that they are up to date and focused on the future, but the results are often incomplete or distorted since only a few investors are interested in combing through details or do not act according to their original plan
- Individual investor groups such as pension funds for the liberal professions or municipal and church pension funds are frequently left out despite their importance
- Often, only individual circumstances are considered (for example, guaranteed interest, coverage)
- Books are usually not up to date or have a long time lag

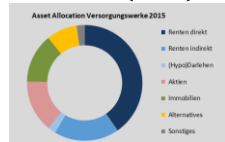
GAC services

GAC prepares reports in book form and publishes articles on selected topics in specialized publications

- Detailed reports on statutory pension funds, pension funds for the liberal professions, proprietary custodial accounts (Depot A), insurance companies, corporates, foundations as well as municipal and church pension funds with the development, structure, asset allocation and performance of the investor groups and the individual investors
- Publications in dpn, a publication for institutional investors
 - June | July 2015: Alternative Investments in the Portfolios of Institutional Investors
 - Feb | March 2016: Trends and Developments in Pension Funds for the Liberal Professions
 - June | July 2016: "How To Invest It" – Life Insurance Companies
 - Dec | Jan 2017: Asset Allocation in Transition: Three Trillion in Search of Returns
 - Aug | Sep 2019: The largest insurance companies in the DACH region
 - Apr | May 2020: Pension obligations and plan assets at record high
- Publications in absolut | report, a publication for institutional investors
 - 03 | 2014: Performance and Asset Allocation of Pension Funds for the Liberal Professions
 - 01 | 2015: Performance and Asset Allocation of Statutory Pension Funds
- IPE Yearbook 2016: Corporates DAX/MDAX Report 2016
IPE Yearbook 2018: Equity and real estate investments by institutional investors

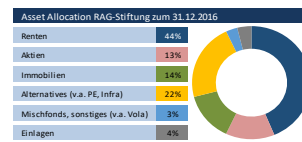


10 April 2017
Update – Pension Funds for the Liberal Professions (Part I)



Pension funds for the liberal professions are growing by €10 billion annually and making new investments of more than €20 billion; the transition of asset allocation has accelerated once again

1 September 2017
With €15 billion the Largest Foundation in Germany?



The RAG Foundation manages two strategic equity investments and almost five billion euros in bonds, stocks, real estate and private equity.

Development of an online portal

The publication of the results through reports in paper form is less flexible and difficult to update; the InstiPortal was started at the beginning of 2017



- Development and establishment of an online portal (InstiPortal)
 - Importing reports, analyses and investor profiles into an online portal
 - Ongoing updating and expansion to include additional investor groups and analyses
 - Access to the InstiPortal via the GAC website (subscription)
 - Advantage: constantly updated data, selection options, additional analyses / investor profiles
- Newsletter with information about new content
 - Monthly information about updated content
 - Information about new studies / analyses
 - Advantage: notification of new content without having to look in the portal

Content of the InstiPortal

The InstiPortal was initially set up for six investor groups and is constantly updated

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Start at the beginning of 2017:

- 91 pension funds for the liberal professions > €200 billion
- 136 statutory pension funds > €150 billion
- 29 pension funds > €30 billion
- 84 life insurance companies > €1,000 billion
- 80 corporates DAX/MDAX > €290 billion
- 53 municipal and church pension funds > €120 billion

New in 2017:

- 46 health insurance companies > €270 billion
- 30 foundations > €60 billion
- 15 corporates ex DAX/MDAX > €30 billion
- 100 proprietary custodial accounts (Depot A) > €160 billion
- 20 dioceses > €20 billion

New in 2018:

- Social security institutions > €80 billion
- Austria > €150 billion

New in 2019:

- Switzerland > CHF 1,500 billion

Sources: The InstiPortal is based on the analysis of numerous data sources, particularly annual reports, annual financial statements, publications on internet pages and other specialised publications and sources. Wherever possible, the data was collected for multiple years in the past (e.g. performance and asset allocation for 10 years or more, balance sheets until 2007) to detect changes or trends over the years. Data is not available in full for all investors. Target coverage for each investor group: 80-85% of individual investors > €100 million, 90-95% capital weighted.

Structure of the InstiPortal

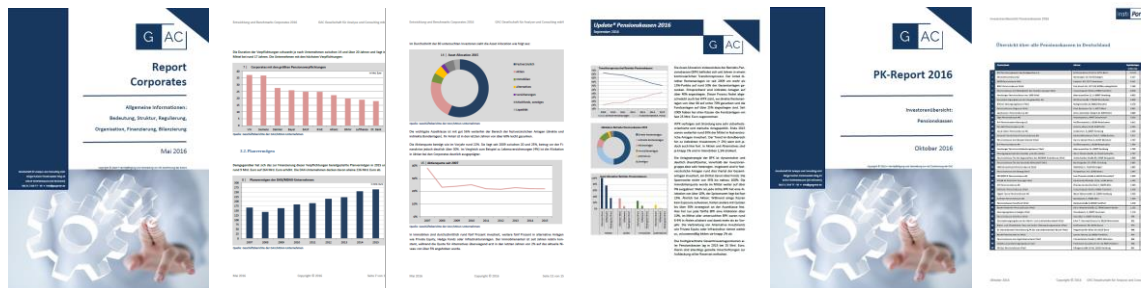
The InstiPortal offers detailed analyses of sectors and individual investor profiles

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- General information on investor groups
 - Structure and importance of the investor group
 - Development (members, investments, asset allocation, performance)
 - Annual update on performance and asset allocation
 - Overview of all institutional investors with investment volume and address
- Individual investor profiles
 - 1 full page per institutional investor (> 500 profiles, annual update)
 - Structure, contact, development, asset allocation and performance
- Additional analyses (planned)
 - Fund holdings, performance differences, sources of hidden reserves, etc.

Analysis capacity:

- Business development
 - Members
 - Contributions, payments
- Performance
 - Net interest
 - Ongoing average interest
 - Hidden reserves
 - “Market value returns”
- Actuarial interest rate (current, mixed interest)
- Administrative expenses
- Asset allocation
 - Bonds exposure (direct / indirect)
 - Equities exposure
 - Real estate exposure (direct / indirect)
 - Alternatives
- Key performance indicators based on size
- Balance sheet analysis
 - Equity
 - Cover reserves
 - Cover ratio
 - Retained earnings
 - Provision for contribution refunds
 - Interest rate volatility reserve
 - Total reserves



Individual investor profiles

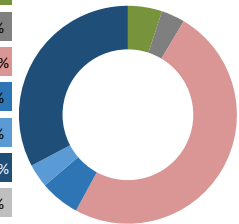
The InstiPortal contains not only a detailed report on the development of sectors, but also over 500 individual investor profiles



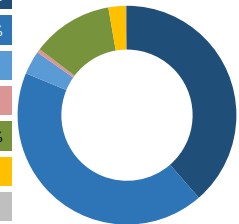
Example of investor profile in life insurance (anonymized here):

18 Investor profile - life insurance company			
Life insurance company	Anonymized in demo version!		
Legal form	AG	Group	
Contracts (thsd.)	898	Growth (thsd.)	20
Address	xxx	Phone	xxx
Website	xxx		
Investment structure	INKA MF; 5 bond-, 4 mixed-, 2 equities-, 14 real estate-, 3 infa-funds; PE funds		
Responsible for investments	Mr. / Mrs. xxx		
Auditor	PwC	External advisor	xxx
Investor structure 2017			
	in € million		
Contributions	1.112	Payouts	1.058
		Surplus	54
Total assets	16.782	Equity	461
		Actuarial reserve sp.	14.402
Cap. Inv. - classical life ins.	15.517	Capital gains	854
		New Investments	3.129
Cap. Inv. - fund-based life ins.	766	Growth fund-based I.i.	81
		Number funds	105
Key indicators			
		Benchmark	MV Median
Ongoing interest (GDV)	2017: 3,84%	Prev. Year: 4,06%	2017: 3,18% 2,95%
Net interest	2017: 5,02%	Prev. Year: 5,02%	2017: 4,34% 4,30%
Fair value return	2017: 0,64%	Prev. Year: 8,19%	2017: 2,20% 2,20%
Hidden Reserves (% of assets)	2017: 14,1%	Prev. Year: 19,0%	2017: 12,3% 12,3%
Retained earnings	2017: 2,0%	Prev. Year: 1,9%	2017: 1,5% 1,2%
Free prov. of contr. ref.	2017: 1,3%	Prev. Year: 1,2%	2017: 3,1% 2,8%
Equity	2017: 19,7%	Prev. Year: 24,5%	2017: 20,0% 19,7%
Coverage	2017: 7,7%	Prev. Year: 7,1%	2017: 12,6% 10,6%
Admin costs (% of contr.)	2017: 3,07%	Prev. Year: 2,93%	2017: 2,9% 2,7%
Acquisition costs	2017: 11,46%	Prev. Year: 10,20%	2017: 8,2% 7,9%

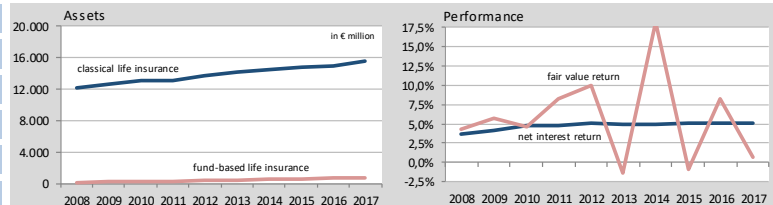
Asset Allocation (balance sheet)		2017	Δ in € million: 1 year 5 years	
I	Property and buildings	5,1%	95	275
II	Investments and associated companies	3,5%	2	174
III 1.	Equities, inv. funds, non-fixed-interest sec.	49,3%	767	2.556
III 2.	Bearer bonds	5,9%	577	539
III 3.	Mortgages, land charge, annuity claims	3,5%	-54	-20
III 4.	Registered bonds, bond claims, loans	32,7%	-816	#####
III 5.	Bank deposits	0,0%	0	-28
III 6.	Other capital investments	0,0%	0	-86



Asset Allocation (asset classes)		2017	Δ in € million: 1 year 5 years	
	Direct bond investments	39%	-239	-997
	Indirect bond investments	43%	257	1.685
	(Mortgage) Loans	3%	-54	-20
	Equities (direct and indirect)	1%	10	37
	Real Estate (direct and indirect)	12%	373	1.042
	Alternatives (private equity, infra, ren. energy)	3%	194	311
	Liquidity	0%	0	-28
	Mixed investments, miscellaneous	0%	28	-155



Fokus: Senior secured loans (SSL), infra / real estate funds; public sector bearer bonds with long-dated maturities



Sources: The InstiPortal is based on the analysis of numerous data sources, particularly annual reports, annual financial statements, publications on internet pages and other specialised publications and sources. Wherever possible, the data was collected for multiple years in the past (e.g. performance and asset allocation for 10 years or more, balance sheets until 2007) to detect changes or trends over the years. Data is not available in full for all investors. Target coverage for each investor group: 80-85% of individual investors > €100 million, 90-95% capital weighted.

Current investment focus

Growth and performance

Additional GAC services

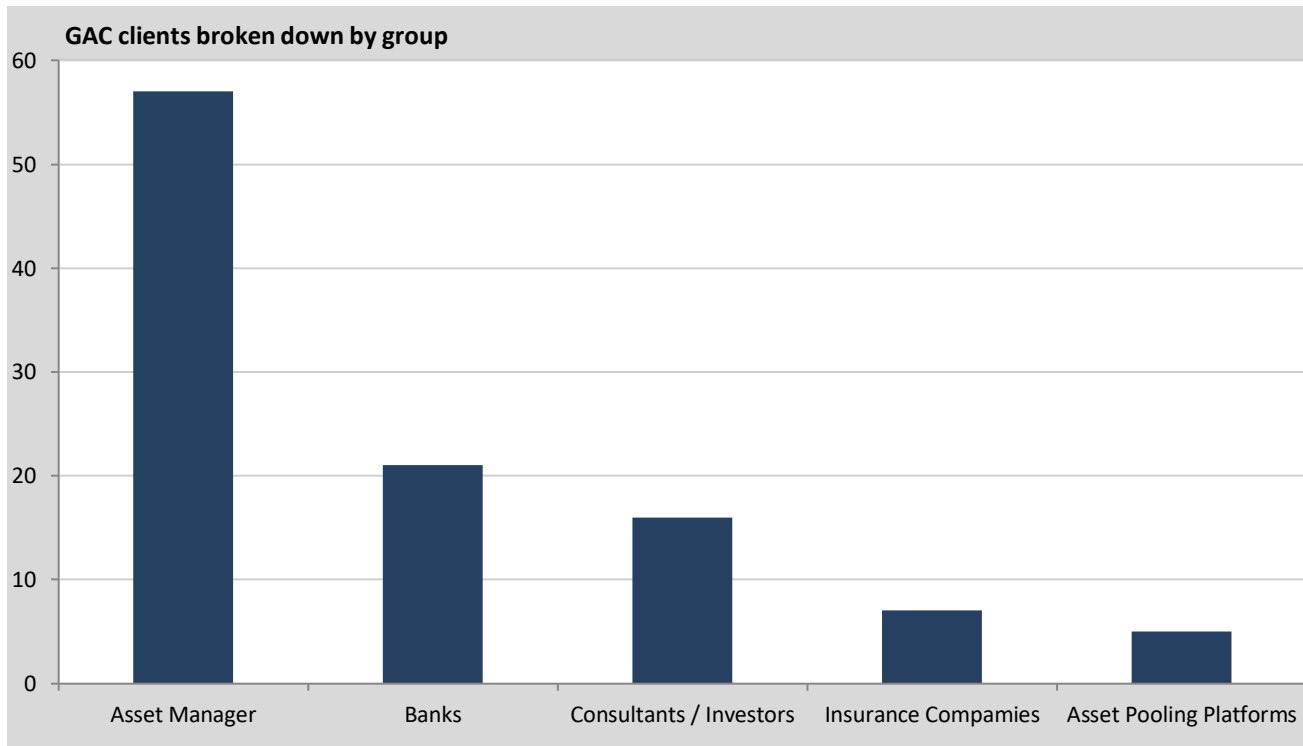
Advisory projects for investors, consultants and asset managers



- For asset managers
 - Study of institutional investors in regard to sub-asset classes in bonds (2015)
 - Analysis of institutional investors in Sweden (2017)
 - Support for the development of an alternative asset manager's product and sales strategy (2018)
 - Support in the preparation of an in-house study (2020/2021)
- For investors
 - Analysis of possibilities of investments in residential real estate for insurance (2015)
 - Assistance with the simulation calculation in the selection of the regulation box for a corporate (2017)
- For consultants
 - Possibilities and impact of investment in private debt for a foundation (2014)
 - Lecture series "Performance and Asset Allocation of Pension Funds for the Liberal Professions" with an international consultant (2016)
 - Support for a large analysis company on their capital market study (2017/2018)
 - Development of a sample portfolio based on real data for various investor groups (2019)

GAC clients

GAC clients come from various sectors



Use of the InstiPortal

The online portal offers benefits for asset managers, institutional investors, banks, investment companies and consultants

The logo consists of a dark blue square on the left containing a white letter 'G', and a white square on the right containing the letters 'AC' in dark blue. The two squares are separated by a thin vertical line.

Coverage

Coverage of entire German institutional investor landscape

Up to date

Continual updates of the investor profiles and benchmarks

Know your customer

Access to detailed and individual information on over more than 300 institutional investors (structure, development, asset allocation, performance)

Benchmarking

Key figures for performance, asset allocation and balance sheets, individually for each investor group

Trends and developments

Identifying trends in investing and the performance of institutional investors

Market overview

Convenient overview of the entire German investor landscape

- Access to the InstiPortal is possible with a subscription (minimum term: 1 year)
- Full usage since 1 January 2017 has been subject to a fee
 - in the amount of €3,295 with payment for the entire year (starting 2021)
 - in the amount of €855 per quarter with quarterly payments
 - with fixed increases in rates of €80 per year
 - with a 50% rebate for institutional investors (e.g. pension funds for the liberal professions, statutory pension funds)
- Additional investor profiles and special analyses are included in this subscription
- Not included: Structural expansions (e.g. abroad), individual additional requests with an increase in the expenditure of time (e.g. sub-asset classes, fund holdings, etc.)

Contact



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