Press Release

BAI publishes Investor Survey 2020 - Private Market Strategies becoming Mainstream

- Alternative investments are an elementary portfolio component of German retirement provision; average allocation already at 22% with annual growth rates of 3-6%.
- Reasons for investors to choose AI: Portfolio diversification (96%), good risk-return ratio (85%), and low interest rate alternative (75%).
- Alternative investments are proving to be robust in the Corona crisis; no major impact on investors' allocation and returns is emerging in the medium term.
- The boom in the corporate private debt segment continues: no other asset class will attract more first-time investors in the next three years.
- Digital transformation of portfolios still pending; supportive regulation as a driver.

Bonn, December 15, 2020. The **Bundesverband Alternative Investments e.V.** (BAI), the central representative of the alternative investments industry in Germany, published the annual BAI Investor Survey today. Comprising 77 institutional investors from Germany, together managing around 1,300 billion assets under management, the BAI's survey, which has been conducted annually since 2013, set a record both in terms of the number of participants and assets under management.

The survey of insurers, pension funds, pension schemes, etc. revealed once more that the portfolio allocation between traditional and alternative investments is becoming more and more aligned. Even if the decline in traditional investments is noticeably related to the continuing low interest rate environment, the positive experiences of the last few years also contribute to the significantly increased allocation and an expansion of the range of private market products in particular. One of the core messages of the survey is that German institutional investors are gradually catching up to their international peer group.

BAI Board Member **Andreas Kalusche** comments on the survey as follows: "The survey results exceed our expectations, and significantly so. The average German institutional investor will expand his portfolio allocation in alternative investments from 22 % to 26 % in the next three to five years.

This corresponds to an estimated annual growth rate of the entire alternative investments industry of 3 % to 6 % in the next three to five years. This is a brilliant development."

As expected, the surveyed investors perceive the COVID-19 crisis to be the biggest challenge to be overcome in 2021. However, in the medium term and considering a potential vaccine, investors believe that COVID-19 should not have a significant impact on the investment process.

Commenting on the opportunities and challenges of investing in alternative investments, **Philipp Bunnenberg**, analyst at BAI, added: " In terms of post covid perspectives, infrastructure and private equity in particular, as well as private debt will benefit from the low interest rate environment. The private equity industry has proven more than once to outperform the public markets in a downturn, as was the case in the years following the global financial crisis. Considering high dry powder (a problem for 54% of investors in the medium term), this is unlikely to change this time around. Similarly, the boom in the corporate private debt segment continues: no other asset class will attract more first-time investors over the next three years."

One focus of the BAI Investor Survey this year was the topic of ESG: while only 10% of investors in last year's BAI survey stated that return was one of the main factors for integrating ESG factors into their investment process, today, one year later, this figure has more than doubled to 22.6%. The main reasons are in particular internal management guidelines to increase ESG-compliant investments (48.4%).

Frank Dornseifer, Managing Director of BAI, noted the following: "The integration of environmental, social and governance (ESG) principles into the investment process is of outstanding importance for the alternative investment industry. Of course, asset managers are reacting to the growing demand from institutional investors; however, this is not surprising considering the enormous pressure exerted by for example the Sustainable Finance Initiative or the BaFin bulletin on dealing with sustainability risks. No other topic is currently of greater importance for the entire industry."

The survey also explicitly asked about experiences and investment intentions regarding crypto assets. The BAI Investor Survey also provides clear statements on this subject. **Frank Dornseifer** summarises them as follows: "Bitcoin and Co. will not yet play a role for German institutional investors in the next few years. However, the use of the new technologies is already changing the AI industry, the value chain is being broken up. And with accompanying regulation, such as the law on the introduction of electronic or crypto securities in Germany and the European regulatory framework for crypto assets and DLT-based market infrastructure, we will begin to see digital assets in the institutional portfolio to a noticeable extent. The course is being set for this right now and we hope that the German legislator will also stay on the ball. This should also include, for example, the arrival of the digital fund share."

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The Bundesverband Alternative Investments e. V. (BAI) is the central interest group of the alternative investments industry in Germany. The federation understands itself as catalyst between professional German investors and recognized offerers of alternative Investments products world-wide. It is committed to ensuring that German institutional and professional investors are able to diversify their capital investments more easily and effectively with regard to alternative investments, in particular with a view to securing German old-age provision in the long term. The BAI promotes public awareness and understanding of alternative investments and is committed to scientific research. It conducts a dialogue with political decision-makers and the responsible supervisory authorities and cultivates exchanges with national and international organisations and associations. The association pursues the goal of achieving legal reforms and further legal education in the interests of its members and their investors and of creating attractive and internationally competitive framework conditions for investing in alternative investments. The circle of BAI members recruited from all areas of the professional alternative investment business has grown to 240 businesses.