

BAI Newsletter IV/2023 – August 2023

Editorial article from Frank Dornseifer, Managing Director, BAI e.V.

Dear Ladies and Gentlemen, dear members,

“The end of the private equity boom”

This is how the Börsen-Zeitung recently titled a conversation with the CIO of Allianz Capital Partners, only to counter a short time later with the headline "Private equity deals are gaining momentum" and report on large-volume transactions, especially from EQT and KKR. It should be clear to everyone involved that the PE sector in particular has had extraordinarily successful years and that this success story cannot go on forever. However, the year 2022 has also shown once again that PE has its stabilizing role and justification in the portfolio and that one should be careful before going from major to minor. The fact that portfolio companies will be held longer in the future, that prices for new PE investments and multiples will fall, that financing costs will rise, and that a certain degree of market consolidation will occur is neither a disaster nor the end of the world. This is what is called "back to normal" in new German. A certain cooling off can even do no harm, because then PE houses can also use the opportunity and time, for example, to further improve the operating performance of their portfolio companies, which is also in the interests of investors. It should also not be forgotten that the dry powder of many companies remains immensely high, and there are also various trends that are likely to continue, such as PIPE transactions or co-investments, so that the PE merry-go-round will continue to turn, but perhaps somewhat more slowly. In this context, it is also interesting that there is now even talk of over-allocation in relation to PE, as recently in PEI's LP Report for the first half of 2023, in which a new record allocation for the PE asset class is reported for all investor groups, but with the disclaimer "2023 growth may be misrepresented due to the denominator effect in place for most LP investment portfolios".

In short, there is no room for boredom in the portfolio. And that is reason enough for us to once again devote special attention to private equity and, of course, also to the venture capital segment with our newsletter and topic focus.

And for those who want to deal with private equity even more intensively in the future, we would like to point out that the next compact course in private equity will start on September 11 at the EBS Executive School. As is well known, the BAI has been a cooperation partner here for a long time!

BAI Investor Survey 2023

How German institutional investors position themselves, especially in PE, but also in other asset classes, and how they deal with current and future challenges, you will soon read in this year's BAI Investor Survey, which again contains exciting facts and insights that I will not reveal here, of course. But the Investor Survey will go live at the beginning of September. I can only reveal this much: this year, too, there will be a new record number of participants and AuM. At this point, I would like to say a big thank you to the participating investors!

Summer break without a summer hole

You have probably noticed or experienced it first hand, apart from the wild boar in the lion's coat in Berlin, there was no real summer hole this year, at least not in terms of regulation. In the AIFMD review, a compromise was fought for in the political trialogue until the last minute before the parliamentary summer recess at the end of July, which will now be concluded in September with the technical trialogue. In particular, the future European framework for loan funds is now more or less finalized. And in Berlin, despite the supposed summer break, work continued at full speed on fine-sounding legislative projects such as the Future Financing Act and the Growth Opportunities Act - in addition to various other laws about which we of course also provide information on our member platform and on which we are constantly consulting in the specialist committees - which are enormously important for our industry and on which we have commented extensively. At least in the case of the ZuFinG, the government draft has now been adopted, while in the case of the WachstumschancenG, a minister from the Ampel team (?) has scored an own goal (even if her concerns may well be legitimate; but a negotiated solution in the cabinet would certainly also have been possible in a quieter and more face-saving manner). Now it remains to be seen how things will continue, e.g. with regard to the financing of the energy turnaround and important infrastructure projects by the fund industry, for which the BAI is particularly committed. At least the extension of the VAT exemption on the management fee to all types of funds, a central and long-standing BAI petition, is an important milestone that has now also been approved by the cabinet and has a signal effect for Germany as a fund location. The momentum must now be maintained and, possibly, something will happen with the Growth Opportunities Act.

Upcoming BAI events

Many of you have been eagerly waiting for the summer break to finally be over and for the various BAI event formats to be continued. Already on September 7, this year's BAI InnovationsDay will take place at the Frankfurt School of Finance and Management under the motto "Reinventing Asset Management". It will focus on digitization, Web3 and artificial intelligence and how these technologies are changing the asset management industry. We look at the digital readiness of our industry, which - to put it nicely - still has room to grow. Not to be missed, of course, is a strong and progressive panel discussion entitled "With shortcuts to the goal - What do eWpG, KryptoFAV, ZuFinG, DLT Pilot and MiCA mean for innovative business models and capital investments, presenting key - regulatory - topics that are currently shaping the digital transformation. Also highly relevant are the presentations on digital securitization of alternative investments or tokenization of assets and risk management for digital assets, which is becoming increasingly important not only in our industry itself, but also for institutional investors. Last but not least, there will be an exciting presentation on the use of AI tools in asset management, which will be followed by a panel discussion and will also shed profound light on this hot topic, which is currently also enormously present in the media. So: see you at the #InnovationsDay! Registration for remaining places is still possible.

You have also made a note of the BAI Real Assets Symposium on October 19 in Frankfurt, and ideally you have already registered, because places are getting tight there, too.

On November 20, we will continue with our Sustainable Finance & ESG workshop, for which we will provide you with further information soon.

Of course, there are also other webinars, of which I would like to highlight the webinar on working in the AI industry. As part of our work with young talents, we are pleased to inform graduates and young professionals about the diverse and exciting job opportunities in our industry. Many thanks at this point to the many member companies who are participating in this great webinar. In this context, I would also like to point out once again that this year's BAI Science Award will be presented on November 21, but this time only with the participation of students, doctoral candidates, scientists, etc.

Focus on private equity and venture capital

I would now like to take this opportunity to thank the many authors and sponsors who have contributed to this newsletter on private equity and venture capital. I wish you a pleasant and informative reading of our newsletter!

Frank Dornseifer