Media Information

KGAL successfully closes a challenging 2023

Grünwald, 18/03/2024 – Despite market turbulence, KGAL exceeded its earnings target in the past financial year. Highlights from 2023 include the renewable energy flagship funds KGAL ESPF 4 and ESPF 5, which continue to outperform expectations, as well as important transactions in the residential sector and new investors in the aviation segment. KGAL is well-positioned to benefit from the anticipated market recovery.

High interest rates had a negative impact on the entire real asset sector last year – KGAL’s new business volume also declined from the previous year, at 873 million euros. "Nevertheless, we were able to achieve very good financial results in 2023. It is extremely important for our clients that we, as their asset manager, come through the crisis with confidence and stability," emphasises Florian Martin, Co-CEO of KGAL. "Thanks to our prudent financial management, we have an excellent basis for focusing intensively on emerging megatrends, such as artificial intelligence, and to take advantage of new opportunities."

KGAL expects the market to pick up over the course of this year. “With inflation and interest rates having peaked, real assets come back to the fore,” says André Zücker, Co-CEO of KGAL. “In 2024, we will continue to invest in our in-house expertise and digital transformation. After all, the product quality and a clear focus on clients’ needs such as ESG will be even more crucial to our success as an asset manager in the future.”

High level of ESG achieved

In addition to returns, sustainability plays a key role at KGAL. The ESG Office has been continuously strengthened in terms of personnel in recent years. This consistent ESG focus is bearing fruit, as the latest UN PRI rating for responsible investing shows. KGAL has improved its score in all disclosed categories, achieving four to five stars. The scores are well above the PRI median across 3,123 signatories worldwide. Sustainability is now deeply embedded in KGAL’s corporate culture and investment processes.

Outstanding expertise with renewable energy

Speaking of ESG, the renewable energy funds KGAL ESPF 4 and 5 continue on their trajectory, with returns well above the original targets. The Article 9 Impact Fund KGAL ESPF 5, which has grown to €334 million in equity, made acquisitions in Germany, Poland and Greece and is continuing to raise equity. The first Italian solar park from the portfolio is now connected to the grid, with a 59-megawatt park in Germany to follow shortly. The final fund closing of KGAL ESPF 5 is scheduled for autumn 2024.

The green hydrogen fund KGAL ESPF 6 has used funds from its first closing to invest in a promising hydrogen-based e-kerosene production facility in Denmark, benefitting from binding quotas for climate-neutral aviation fuels in the EU. Meanwhile, KGAL received impressive confirmation of its hydrogen expertise from KfW: the German development bank commissioned KGAL to manage its €270 million PtX Development Fund for green hydrogen projects in emerging markets.

The independent rating agency Scope recognises our exceptional performance, naming KGAL the “Best Asset Manager Infrastructure Equity – New Energy” for the second year in a row. The award also commends the launch of the innovative KGAL klimaSUBSTANZ, the first open-ended infrastructure fund with a focus on renewable energies. The analysts at FondsConsult rated KGAL klimaSUBSTANZ "Buy" in their initial analysis.

**A compelling investment story for residential property**

KGAL Core 5 LIFE, one of the few impact funds for European residential real estate, got off to a flying start in 2023. Its first investment, a BREEAM-certified new-build in Málaga, Spain, with 142 residential units, has noticeably increased in value since it was purchased around 12 months ago. A new-build portfolio in Dublin, in Ireland’s growth market, was recently added to the fund. KGAL’s investment case for residential property – high tenant demand, low supply and increased yields – is compelling.

In commercial real estate, KGAL not only managed to keep the values of its core-oriented portfolios relatively stable, but it also achieved successful exits despite the difficult market. In London, the sale of the property 60 Gracechurch Street was completed, thanks to far-sighted preparation, generating an excess return for investors. Another large and profitable sale of an office building was realised in Vienna.

The KGAL immoSUBSTANZ open-ended mutual real estate fund achieved a first-class result, as it has done every year since its launch, with a return of more than 3 percent. The occupancy rate is 99.7 percent and the liquidity cushion is healthy.

**Aviation with a direct connection to the USA**

GOAL, the joint venture of KGAL and Lufthansa, was able to win its third US investor for an individual mandate in 2023. The reasons include a sale-and-leaseback with six state-of-the-art Airbus A220-300s and GOAL and KGAL’s impressive track record in similar transactions.

Meanwhile, the APF aircraft funds have put the unprecedented aviation crisis of the Covid years behind them. Interim declines in value have recovered, the funds are in the green and several aircraft have been sold on favourable terms. With the latest fund in the series, the mandate APF 5, the investor once again increased the equity – the best possible recognition for KGAL.

**KGAL at the centre of four megatrends**

KGAL’s broad diversification across sustainable infrastructure, real estate and aviation was once again a key success factor in 2023. This diversification also makes us optimistic about the challenges and opportunities of a changing world.

According to our research, four megatrends are heralding a new investment era: digitalisation, decarbonisation, deglobalisation and demographic change. Investment portfolios should cover as many of these megatrends as possible, and KGAL offers the right choices with its asset classes. For example, renewable energies make a significant contribution to decarbonisation and guarantee an independent energy supply in times of deglobalisation. Real estate, on the other hand, is strongly influenced by demographic change and decarbonisation. Whether we are talking about megatrends or opportunities in 2024, KGAL is primed for the future.

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KGAL is a leading independent investment and asset manager with an investment volume under management of around 16 billion euros. Its investments focus on long-term real capital investments for institutional and private investors in real estate, sustainable infrastructure and aviation. The group, which operates throughout Europe, was founded 56 years ago and is based in Grünwald near Munich. 363 employees contribute to achieving sustainably stable returns, taking into account return and risk aspects (as at 31 December 2023).