

## **BAI Newsletter III/2022– June 2022**

*Editorial article from Frank Dornseifer*

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Dear Ladies and Gentlemen,

### **25 years of BAI / new member platform / reconstitution of the expert committees**

You all have noticed it and many of you will celebrate with us tomorrow: the BAI turns 25 and we look back on a varied, dynamic, exciting, challenging, successful and sometimes volatile past, which of course can be described and circumscribed with many more adjectives, but by no means in a single sentence. And this editorial and this newsletter are not intended to be the place or the medium in which we review the past 25 years. For this purpose, there will of course be a separate and illustrious special publication, appropriate to the occasion, which will appear soon with numerous contributions, greetings and congratulations from the industry and the circle of members, from the board and the office and from investors, and will then of course also contain pictures and impressions of tomorrow evening and of our anniversary celebration in the Westhafen Pier.

The 25th anniversary of the association does not mean, of course, that we are now resting on our laurels - on the contrary. For it is precisely in this anniversary year that we are once again being challenged in a special way. I don't even need to mention the ongoing regulatory megaproject Sustainable Finance with taxonomy, disclosure regulation, EET, etc. on the one hand, and the major project Digital Finance with MiCA regulation, DLT pilot regime, Digital Operational Resilience Regulation, etc., which is no less important for the fund industry, on the other hand. At the same time, however, the - in some cases substantial - revision of financial market legislation that is highly relevant for the industry and investors, such as the AIFM Directive, ELTIF Regulation, Solvency II Directive and CRR Regulation, is also underway. And above all, it is also about changes or innovations that are highly relevant for institutional investment in alternative investments. What better way could we have celebrated the association's anniversary? No matter whether it is, for example, about the design of the future European regime for credit funds as part of the AIFMD review, about the simplification and flexibilization of the investment possibilities of the EU fund format ELTIF, the investment possibilities in so-called long-term equities under Solvency, or also the treatment of private equity as so-called speculative equities under CRR: all these dossiers are also about the competitiveness and practicability of the future framework for institutional capital investment with and in alternative investments. And that is our competence and that is why we are particularly challenged again right now. In line with the anniversary and the imminent summer break, these dossiers are currently in the hot coordination phase in the bodies, and both in the EU Council of Ministers, but also in the European Parliament, the positions for the trilogue of the three European legislative bodies EU Commission, EU Council of Ministers and European Parliament, which will start after the summer break, are currently being negotiated. As always, we are constructively critical of all these projects and are holding talks with the responsible rapporteurs, the EU Commission, the Council Presidency and, of course, the German government.

In order to make the association's work as efficient and productive as possible in the coming years and beyond, and also to inform and involve members and investors in the best possible way, we are now setting up a new member platform with which we want to achieve the following objectives: on one hand, we want to better organize and simplify cooperation and dialog within the association; on the other hand, we want to provide central access to all essential information for members, especially with regard to the work in the expert committees, which are now also being reorganized and reconstituted.

Ultimately, this should make the BAI network more tangible and recognizable, so that the exchange among members will also be intensified, who will then be able to exchange information more directly and quickly, not only around our numerous BAI events. We will inform our members about this separately and comprehensively after the summer vacations and are already very much looking forward to the use of this new platform and are also counting on your commitment and your contributions and discussions in this portal. Only then will this project be a real success. Of course, we will also open the portal for institutional investors - in parts - so that we will also initiate a lively exchange from and with investors there, linked to the BAI Investor Advisory Board.

The portal has already been presented to the expert committees and, with a view to the wide range of possible applications, we will also use the development of the member platform to reorganize and reconstitute the expert committees after the summer break. Especially since we have again seen strong growth in new members and various changes in existing members, it is time to realign the committees, especially since there are many new (regulatory) topics, not only in the context of ESG and digitalization, that we want to occupy more strongly and prominently in committees and where we also want to increasingly draw on the expertise of representatives from member companies. So those of you who would like to be involved in the expansion and reorganization of the expert committees and bodies, and who may also want to take on responsibilities in the process, are hereby cordially invited to contact me.

### **AIC 2022 / 2nd BAI InnovationsDay on September 12 / ESG Workshop**

With around 700 attendees at this year's AIC from May 2-4, a large number of the readers of this newsletter were live on site in Cape Europe and got to experience what it feels like to finally attend a large face-to-face event again. The AIC once again lived up to its reputation and claim to be the flagship conference in the German-speaking world on the topic of alternative investments, by investors and for investors. Not only directly on site, but also in the aftermath in the context of our survey on the AIC, there was great praise from all sides. From the excellent key-note speeches, to the member slots and panels, to the expert presentations in the break-out sessions, we once again had a top-class program and were once again able to set a benchmark, and not only for us and next year's event. The large joint evening event at the Westhafen Pier with Jonas Deichmann's presentation was also extremely well received. In this respect, it is especially nice to return there already tomorrow! By the way, you can find more impressions of the AIC, photos, as well as the follow-up report on our conference page [www.ai-conference.com](http://www.ai-conference.com). A very successful summary of the AIC with voices of participants can be found below in this newsletter.

Of course, the AIC is not the only presentation event this year. After last year's great success, we are also organizing the new event format BAI InnovationsDay again this year, and this time in a non-digital format. So make a note of September 12 if you are interested in topics around

DLT, blockchain and crypto assets, the use of AI and of course automation in the asset management industry. On the BAI homepage you will find more information about the event at Goethe Uni, sponsorship opportunities, etc.

And of course, another ESG workshop should not be missed this year. More and more legal acts have entered into force or are about to enter into force. In addition, the starting signal for the use of the EET was given on June 1 and just last week a Best Practice Guide to the EET was published <https://www.tisa.uk.com/policy-technical/social-responsibility-resources/european-esg-template/>, which serves as an important application aid. Reason enough, therefore, to continue to accompany the ESG implementation for the industry and investors and to provide you with important assistance in the context of another workshop.

### **Focus on private markets from an SAA and ALM perspective**

The fact that institutional investment as a whole, and thus of course also private markets strategies, is facing enormous challenges in times of Ukraine war, climate change or risks, permanent corona wave, temporary (?) record inflation, interest rate turnaround and recession scenarios, is unfortunately a fact that no one can escape and for which, above all, there are no easy solutions. In other words: one of the most exciting positions at a KVG, an asset manager or an investor at the moment is definitely that of a portfolio or risk manager! Whether the ladies and gentlemen in this function are therefore always to be envied at the same time is another question, because the chances of doing something wrong are probably much higher than the chances of doing everything right. So fund managers and investors alike have to think hard about how to deal with the many unknowns in the SAA equation. And what are the possible implications and scenarios in the context of asset-liability management. Where and which adjustments are necessary or sensible? Is it possible to simply make cautious readjustments and otherwise stick to the implemented SAA? Or is a fundamental realignment necessary? In this context, the question naturally also arises as to whether private market strategies in particular are - once again - proving to be particularly resilient and represent the ace up the sleeve for relevant investors? Or are the golden times coming to an end here as well? There are at least some indications that long investment periods with long-term assets in private markets are a good way to avoid hectic times in portfolios and investment committees, but the large number of critical or negative variables still does not make investing a pleasure at the moment, especially since the discussions about the effects of the interest rate turnaround, but also about the duration of hyperinflation, are very controversial. It is particularly surprising that, after the central banks have been called upon for years to finally reduce or end their bond-buying programs and at the same time to usher in the turnaround in interest rates, there are now reports day after day about "violent reactions on the part of the financial markets" and the like. In this respect, the current focus of our association's work is not only highly topical but, with the relevant specialist articles in this newsletter, also provides sufficient material for discussion beyond the summer break.

I wish you - as always - an exciting and inspiring reading of the newsletter, look forward to seeing many of you again tomorrow at our 25th anniversary celebration and have a good rest in your - hopefully relaxed and restful - summer vacation!

Frank Dornseifer