

Press Release

Private Equity - Success-spoiled fund managers and investors are facing challenges

- Significantly increasing competition and capital overflow drives asset prices
- Innovative growth strategies are needed
- Rising requirements for risk management
- BAI publishes extensive information material on private equity

Bonn, February 8, 2019. The **Bundesverband Alternative Investments e.V. (BAI)**, the central advocacy association for the alternative investment industry in Germany, outlines a differentiated picture for the further development of the private equity sector. In preparation for the Alternative Investor Conference (AIC), the BAI's annual industry conference on May 14 and 15, investors in a survey repeatedly expressed concerns over investment opportunities and rising asset prices in the PE business. At the same time, there are specific challenges related to risk management, in particular portfolio monitoring down to the operating company level, and to performance measurement and comparability for PE funds.

In the BAI's view, conclusions for the industry are on the one hand the development of new value drivers and growth strategies; opportunities can be generated through enhanced integration of portfolio companies, but also co-investment strategies, which have the potential to raise new synergies not just for the managers but also for investors. On the other hand, it is also important to work on improving the transparency and availability of data, which are of great importance to many investors, not only with regard to regulatory reporting obligations, such as the *look-through* under Solvency.

BAI Managing Director Frank Dornseifer explains this as follows: "The private equity industry is in the process of developing new geographies and technologies. Demand from institutional investors continues unabated. Now it is time to develop new value drivers and growth strategies. Asia, and China in particular, is already a major growth area for PE activity, and Africa is also starting to get on the radar. At the same time, the increased use of Big Data, Artificial Intelligence, etc. has diverse potential, for example in the selection and monitoring of portfolio companies. Private equity will therefore remain an interesting and attractive asset class in the future. At the same time, however, the industry is also called upon to increase transparency vis-à-vis investors and to provide more data that will be used for benchmarking fund and manager selection".

Supervision and politics have also recognised the role and importance of the PE sector. The EU Commission will shortly adopt an implementing regulation for the Solvency II Directive, which includes improvements

for the capital charge for unlisted equities and long-term equities in the portfolio of insurance companies. Last year, in the course of the preceding consultation procedure, the BAI submitted its own proposal for a risk-based capital charge approach which reflects more accurately the true risk/return profile of private equity than the current standard model under the Solvency Directive.

You can find more information regarding Private Equity on the section “main topics”:
<https://bvai.de/en/main-topics-of-the-association-work.html>.

The agenda of BAI Alternative Investor Conference (AIC) 2019 is available at <https://ai-conference.com/en/agenda-2019/agenda-2019.html>.

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Bundesverband Alternative Investments e.V. (BAI) is the central advocacy association for the alternative investment industry sector in Germany. The BAI serves as a catalyst between institutional and professional German investors and recognized providers of alternative investment products worldwide. Particularly, one goal is to make it easier for institutional and professional German investors to more effectively diversify their financial assets into Alternative Investments, especially as many of those investors are responsible for safeguarding long-term retirement pensions. Another core task of the organization is to improve public awareness and enhance the understanding of asset classes and strategies in public. The BAI maintains an intense dialogue with political institutions as well as supervisory bodies. Furthermore, the BAI cooperates with various national and international organizations and industry associations. It advocates for legal reforms to design an attractive and competitive regulatory environment for Alternative Investments in Germany. At present, BAI counts about 200 members from all areas of the professional alternative investments sector.