

DACH institutional investors set sights on private equity

Institutional investors are experiencing growing investment pressure, prompting them to allocate increasing amounts to private equity in their search for yield. “There are more and more investors from the insurance and pension fund segments in Germany that increasingly invest in private equity and look to increase their allocations,” says Nina Dohr-Pawlowitz, CEO of DC Placement Advisors.

Hannes Glaus, partner at law firm Bratschi Wiederkehr & Buob, led the team that structured the maiden Primapen fund, a CHF 1bn fund-of-funds vehicle financed by Swiss institutional investors. He also sees allocations rising in the region: “The popularity of the private market asset classes has increased strongly due to the current scarcity of investment opportunities,” he says, adding that one major reason for Primapen’s establishment was to allow Swiss pension funds better access to those opportunities. Through the fund, institutional backers will be invested in more than 100 private equity vehicles.

Acquiring a taste

There is no shortage of examples when it comes to institutional investors in the region that have developed an increasing taste for private asset classes. Mariusz Platek of Stadt Winterthur Pensionskasse told *unquote* that the pension fund continues to invest in private equity with a strategic allocation of 2% and plans to ramp up its allocation with additional commitments over the course of the next 12 months. German chemicals manufacturing corporation BASF’s pension fund increased its commitment to alternative investments, which it defines as private equity and absolute return funds, by two points to 15% in

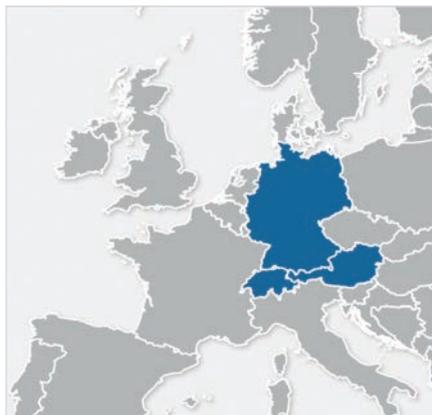
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Nina Dohr-Pawlowitz, DC Placement Advisors



just one year between 2014 and 2015. Technology business IBM’s German pension fund, which was founded in 2010, last year announced it would add private equity investments to its portfolio for the first time.

In the insurance space, Allianz committed €4.7bn to private equity in 2015, a 9% increase compared to 2014. Armin Beerwart of Wüstenrot & Württembergische said the insurer has allocated around 1.5%, or €600m, of its total assets to private equity. On average, the company makes five or six private equity fund investments a year, and plans to make additional investments in private equity in 2017.

Confirming the trend, a 2016 Goldman Sachs Insurance Survey found that insurers look to increase allocations to less liquid assets such as private equity and infrastructure debt. It further discovered that 17% of insurers expect private equity to be the highest returning asset class this year.

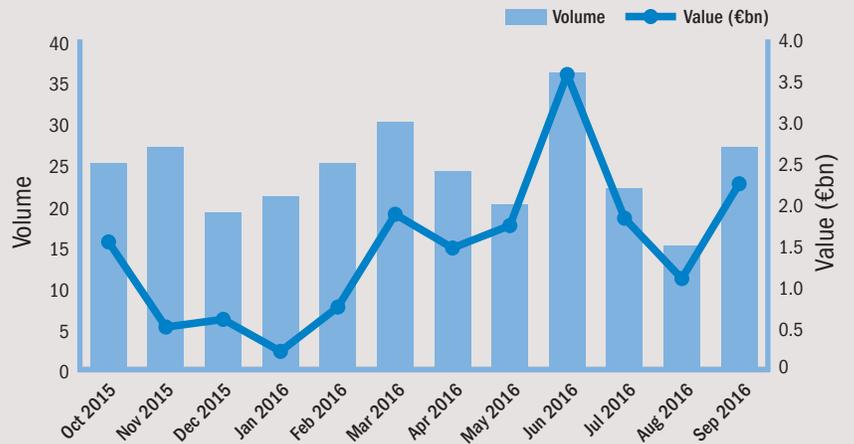
Against the grain

However, despite many local institutional investors increasing their allocations, not all of them are following this strategy. In a joint study published in October this year, University of St Gallen and Swiss Funds & Asset Management Association found that the current negative interest rate environment has a limited impact on the portfolio structure of most Swiss pensions. Local fund BVK Personalvorsorge des Kantons Zürich, for example, increased its 1.9% allocation to private equity in 2014 only marginally to 2% the following year. The country’s largest pension fund Bundespensionskasse Publica, with \$37.87bn in assets as of 2014, has no allocation at all to private equity.

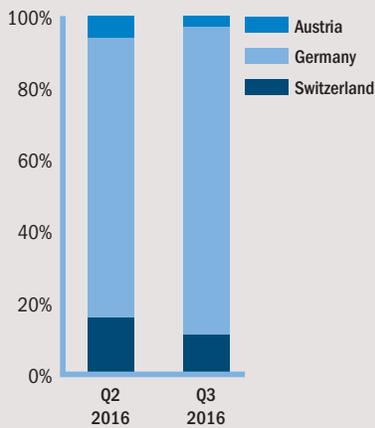
DACH deals by type



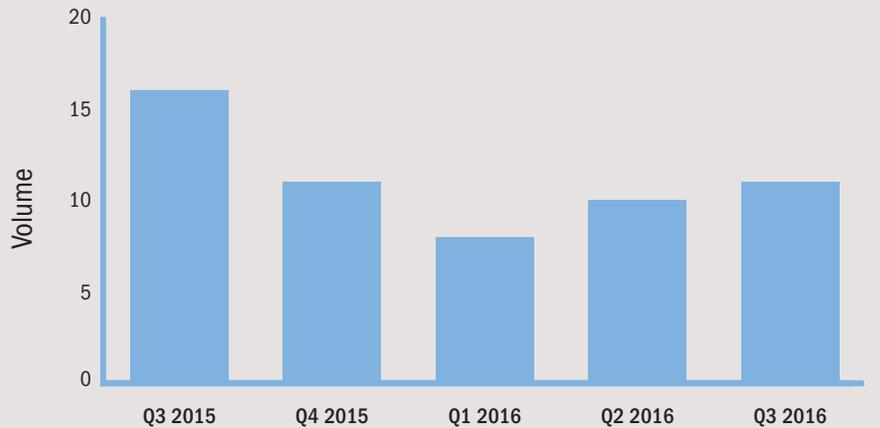
DACH private equity activity



DACH deals by country

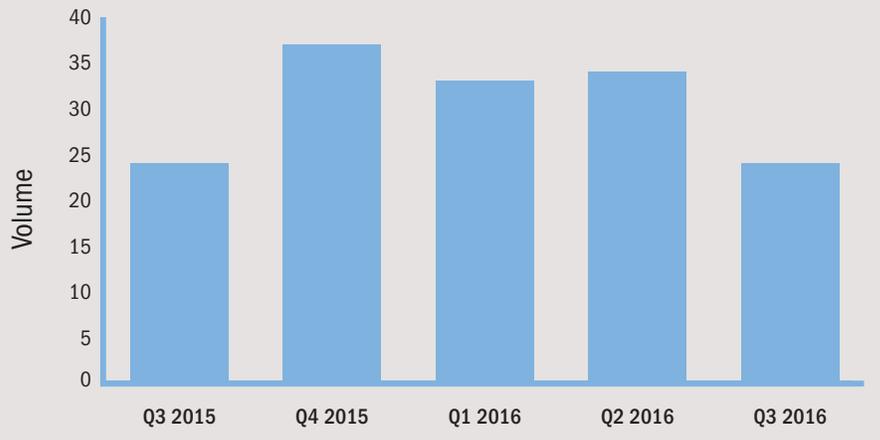


Volume of DACH deals in the healthcare sector



Although private equity has not won over all pension funds and insurers in the DACH region, signs clearly point toward a rising demand for the asset class. This is not lost on trade body Invest Europe: one of its latest handbooks, *Guide to Private Equity and Venture Capital for Pension Funds*, claims that almost one third of the capital raised by European private equity and venture capital funds in recent years came from pension funds, the largest category of investor. It would appear that many of the German-speaking region's pension players are looking to continue to bolster this trend. ■

Volume of DACH deals in the technology sector



Source: unquote™ data