

## **BVI provides new Spezialfondsindex**

- **Index increased by 4.1 percent p.a.**
- **Lower risk than Euro bonds**

Frankfurt – 1 February 2023. The German Investment Funds Association BVI provides a new index to track the performance of securities-based Spezialfonds. These funds are a core investment instrument for German institutional investors such as pension funds, insurers, banks and foundations. The index has increased by an average of 4.1 percent per year from 31 December 2009 to 30 November 2022. Euro Area government bonds – measured by the ICE BofA Euro Government Index – have achieved 2.2 percent annual, European equities – measured by the MSCI Europe – 7.0 percent annual. Larger index swings are the exception for open-ended Spezialfonds. Since the end of 2009, Spezialfonds were not only significantly less volatile than many equity indices, even Euro Area government bonds show a higher annualised standard deviation. Despite the well-managed risk, the performance of Spezialfonds was also respectable. With a Sharpe ratio of 0.98, they perform better in relation to the risk taken than European equities (0.57) or government bonds (0.47). The stable and decent but compared to equities moderate performance is mainly related to the conservative portfolio allocation. Regulatory requirements explain the large holdings in bonds, as regular interest income ensures the fulfilment of payment obligations that are relevant for many institutional investors (e. g. insurers). The BVI Spezialfondsindex can also be evaluated for individual investor groups. The best performance was recorded by funds for banks (4.6 percent p.a.) and non-profit organisations, e. g. foundations (4.0 percent p.a.). They typically have a higher-than-average exposure to equities. Spezialfonds held by insurance companies achieved 3.6 percent p.a. due to the strict regulation of their investment policy. In the last five years, no investor group had to accept losses.

The analysis confirms that Spezialfonds are not hedge funds or private equity funds. Nevertheless, they all formally qualify under EU law formally as 'alternative investment funds' (AIF), although hedge funds and private equity funds are the regulatory target of the AIFMD.