



# Snapshot Spezialfonds

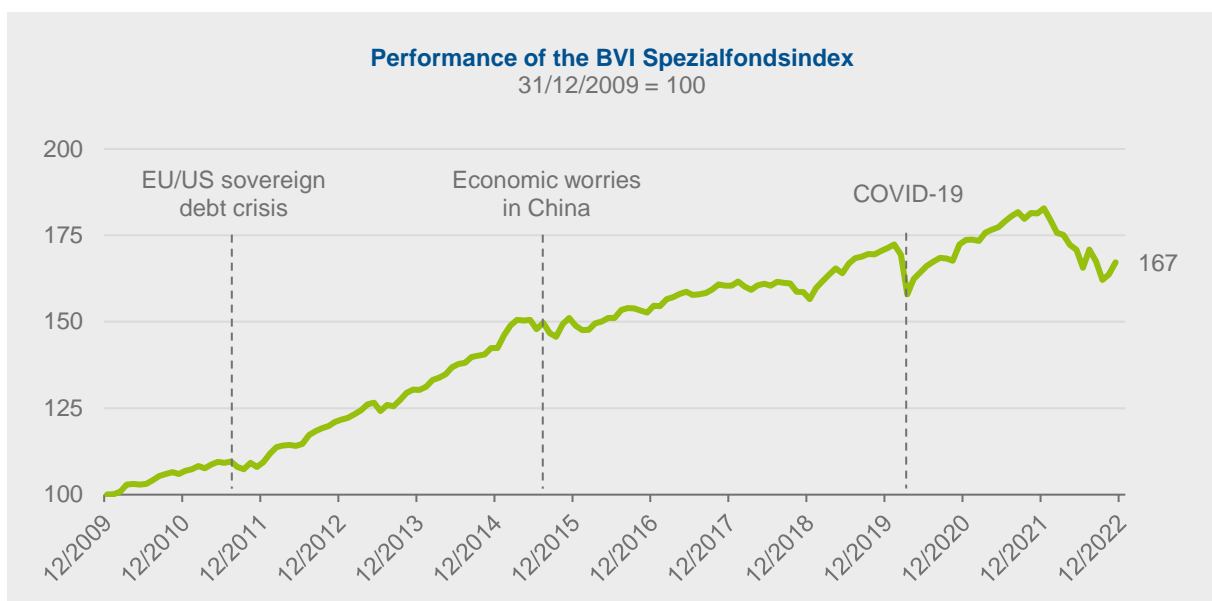
## THE GERMAN MARKET FOR SPEZIALFONDS AT A GLANCE

### New BVI Spezialfondsindex underscores the stable performance of open-ended Spezialfonds

Securities-based Spezialfonds are a core portfolio component for German institutional investors, especially in the area of old-age provision. With the new BVI Spezialfondsindex, we provide a unique source to track the average performance of fund shares held by German investors. We estimate monthly returns of individual funds based on the net change in fund assets, inflows and outflows as well as earnings distributions. We currently take into account data of 2,700 securities-based Spezialfonds, using the arithmetic mean of all fund

returns to calculate the index. We have selected 100 points on 31 December 2009 as the index base.

Since then, the BVI index has increased considerably and stood at 167.2 points at the end of November 2022. This corresponds to an average annual return of 4.1 percent, which is significantly higher than that of Euro Area government bonds. Measured by the ICE BofA Euro Government Index, these only achieved 2.2 percent in the same period.



**Key statistics of the BVI Spezialfondsindex**

	BVI Spezialfondsindex				MSCI Europe	ICE BofA Euro Government
	1 year	5 years	10 years	Since 12/2009	Since 12/2009	Since 12/2009
<b>Net performance</b> in percent (p.a.)	-7.81	0.82	3.28	4.06	7.01	2.17
<b>Standard deviation</b> in percent (p.a.)	7.07	5.48	4.56	4.26	13.67	5.04
<b>Sharpe Ratio</b>	-1.10	0.25	0.79	0.98	0.57	0.47

For the MSCI Europe equity index the corresponding value was 7.0 percent annually. The year 2022, however, was marked by losses due to the Ukraine war, economic worries, and rising interest rates.

Larger index swings are the exception for Spezialfonds: Their monthly returns fell between -1 and +2 percent in 83 percent of the cases. Accordingly, the annualised standard deviation was only 4.3 percent since the end of 2009. This implies that, based on previous observations, it can be assumed that around two-thirds of the annual returns fluctuate in a corridor of about four percent around the mean value. Therefore, Spezialfonds shares held by German investors were not only significantly less volatile than many equity indices (such as the MSCI Europe), even Euro Area government bonds show a higher annualised standard deviation of 5.0 percent. This underlines the strong focus of Spezialfonds' managers on risk minimisation.

Despite the well-managed risk, the performance of open-ended Spezialfonds was also respectable. This can be seen from indicators such as the Sharpe Ratio. It puts the return achieved (minus a risk-free interest rate) in relation to volatility. A high value indicates a higher return for the same level of risk. The BVI index has a value of 0.98 for the 2009-2022 period. German Spezialfonds investors thus perform significantly better on a risk-adjusted basis than investors in 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. According to Deutsche Bundesbank, Spezialfonds domiciled in Germany held only about 15 percent of fund assets

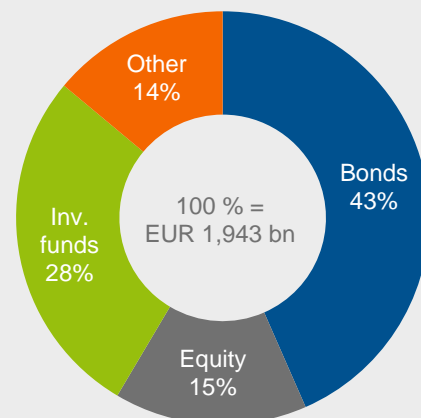
in equities at the end of November 2022. At 43 percent, bonds made up most of the portfolios. Around 28 percent were invested in other investment funds. Other asset classes played a subordinate role.

Regulatory requirements explain the large holdings in bonds, as regular interest income ensures the fulfilment of payment obligations. After all, about 62 percent of securities-based Spezialfonds' assets are invested for pension funds (such as occupational pension schemes) or insurance companies. In addition, private non-profit organisations (such as trusts), banks and non-financial corporations use Spezialfonds for their investments.

Interestingly, the fluctuations in returns of open-ended securities-based Spezialfonds are more

**Net assets of open-ended German Spezialfonds by asset class**

as of 30/11/2022



Source: Deutsche Bundesbank

## Spezialfondsindex correlation to selected asset classes<sup>1</sup>

Period under review 12/2009-11/2022



Sources: BVI, Morningstar Direct

in the same direction (even if the magnitude of the fluctuations may differ). In combination with low volatility, the high values suggest that Spezialfonds managers are taking advantage of opportunities in risky markets while minimising the risk taken.

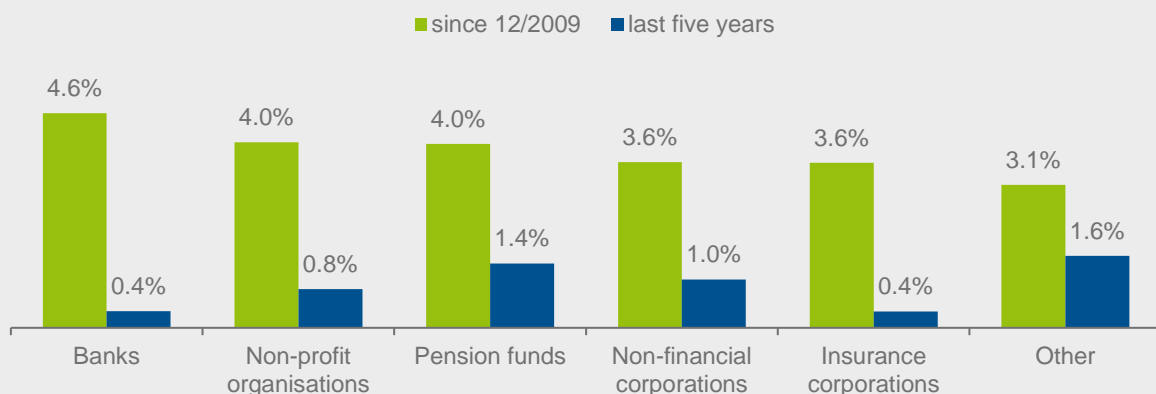
We can also evaluate the BVI Spezialfondsindex for individual investor groups. This provides a more accurate picture of the risk/return structure in the German market. Since the end of 2009, all major investor groups have achieved returns of around four percent per year. The best performance was recorded by funds for banks and non-profit organisations. They typically have a higher-than-average exposure to equities<sup>2</sup>. Spezialfonds held by insurance companies, on the other hand, only achieved 3.6 percent p.a. due to the strict regulation of their investment policy. In the last five years, the overall returns were significantly lower due to the economic environment. Nevertheless, no investor group had to accept losses. Pension funds non-financial corporations even achieved annual returns of 1.4 and 1.0 percent, respectively.

similar to movements on the stock markets than on the bond markets, despite the large bond component. This is demonstrated by a correlation analysis with common market indices. The correlation coefficient measures the extent to which there is a proportional relationship to the BVI index. A value of one indicates a perfectly simultaneous movement

### Contact

jan.simanovski@bvi.de  
+49 69 15 40 90 237  
markus.michel@bvi.de  
+49 69 15 40 90 242

## Performance of securities-based open-ended Spezialfonds by investor group p.a.



As of 30/11/2022

<sup>1</sup> Index families used: MSCI for equity, ICE BofA for investment grade bonds, and Bloomberg for high-yield bonds

<sup>2</sup> See TELOS Spezialfondsstudie 2022