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INTREAL Solutions to Develop and Implement New Real Estate Risk Management System for Bavarian Pension Fund

- ◆ Risk monitoring for a global real estate portfolio worth c. 32.4 billion euros
- ◆ INTREAL Solutions combines professional consultancy with IT system implementation
- ◆ The mandate also covers process optimisation and automation in risk management

INTREAL Solutions, the IT services arm, consultancy firm and subsidiary of third-party AIF manager INTREAL, has been advising the Bavarian Pension Fund (BVK) on the development and implementation of a new risk management system for its global real estate portfolio. BVK handles the business of twelve occupational and municipal pension plans and has real estate investments under management whose equity interests add up to c. 32.4 billion euros (as of June 2022). The portfolio comprises properties of all types of use, spread across five continents.

Within the framework of its mandate, INTREAL Solutions developed a comprehensive scoring model for specific types of use and countries that uses a wide variety of indicators to monitor and control a global portfolio. In addition to standard risk indicators in the macroeconomic area, such as inflation, interest rate development or rates of rental growth and economic growth, it also appraises individual property risks and ESG risks. The findings are mapped in a return-risk matrix. In addition to setting up all necessary processes, the mandate also includes implementing the new system in IT terms.

Annika Dylong, Head of Consulting & Services at INTREAL Solutions, commented: "It was a pleasure and a privilege to get to advise Germany's largest public-sector pension group. Covering such a large, heterogeneous and global portfolio from a risk management perspective and implementing a suitable valuation technique is certainly an exciting task. Especially when you bring the kind of experience to the job that we gathered by handling the risk management for hundreds of property funds over the past thirteen years. We will gladly share this hands-on experience with other institutes."

Christian Schmidt, Managing Director of INTREAL Solutions, added: "The major advantage that sets us apart is the combination of professional consulting and IT expertise. We were also able to help BVK with the IT optimisation and automation of the new valuation tools that are needed to run the new risk management system. These include essentially the standardisation of data inputs provided to BVK by third-party managers, a more or less fully automated data transfer into the valuation tool, and the automated creation of conclusive return-risk assessments."

Christoph Geirhos, the Head of Real Estate Portfolio Management at BVK, commented: "In line with the focus on the portfolio of about 850 assets, it was important for BVK to develop a holistic model capable of mapping the increasingly complex market requirements in a return/risk matrix. This will enable us to detect above-average risks even faster and thereby speed up the derivation of adequate strategies and options for responding to them. Especially in the context of weighing relevant indicators and measuring the risk bandwidths, it was of key importance to us to be working with a company that has plenty of experience in the day-to-day application of the model. INTREAL Solutions has supported us in the effort to enhance the

transparency of our real estate portfolio for us. The scoring model will serve as a central component of our in-house real estate risk management.”

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About INTREAL

As a third-party AIFM, INTREAL concentrates exclusively on the business of launching and managing regulated real estate funds on behalf of third parties under the German Capital Investment Act (KAGB). The platform lets clients take advantage of every service an AIF management company (KVG) provides without having to form one of their own. Options include the launching of open-ended and closed-end property funds or the outsourcing of AIFM back offices to INTREAL. Employing 482 staff, the INTREAL Group offers long-term real estate know-how along with detailed and highly professional fund management expertise.

INTREAL collaborates with a large number of third-party fund partners to administrate 292 investment funds with a combined investment volume of c. 59.2 billion euros (all figures as of quarter-end Q3 2022).

About the Bavarian Pension Fund (BVK)

As Germany's largest public-sector pension group, the BVK Bavarian Pension Fund is a service and competence centre for occupational and municipal pension schemes. It manages the business of twelve legally autonomous occupational and municipal pension plans that collectively cover about 2.5 million insured members and pension recipients, collect c. 5.4 billion euros in premium and cost-sharing revenues per year and disburse c. 3.9 billion euros in pension payments annually. BVK currently has c. 107.3 billion euros (market value) in investments under management on behalf of all pension schemes. BVK employs more than 1,460 professionals and counts among the signatories of the UN-supported Diversity Charter (since 2010), the UN Principles for Responsible Investment (since 2011) and of the MFF Memorandum on Women in Executive Positions (since February 2017). It adopted the Global Real Estate Sustainability Benchmark (GRESB) in March 2020, and joined the Net-Zero Asset Owner Alliance in May 2021.