



Rating Rationale

Scope confirms the current Asset Management Rating of LHI Leasing GmbH with AA_{AMR}.

Scope attributes a very high asset management quality and competence to the company. The rating for the renewable energy segment was raised from AA_{-AMR} to AA_{AMR}. The rating for the real estate and aviation segments was confirmed by AA_{AMR} and A⁺_{AMR} respectively.

LHI Leasing GmbH (LHI) manages assets worth around EUR 18 billion (as of 31 December 2017) and is characterised by a diversified business model. Its main areas of activity are leasing structures and structured financing, portfolio management of real estate portfolios and asset-backed investments.

Its own capital management company assumes the central tasks in risk, portfolio and asset management. With its broad and innovative range of products, LHI primarily addresses institutional clients.

The investments covered by real assets comprise 92 active investment vehicles with a total of EUR 4.0 billion (previous year: EUR 3.9 billion) assets under management. These include real estate (60%), renewable energy (23%) and aviation (17%) to all of which the asset management rating refers to.

The rating is essentially supported by (1) the very extensive industry experience and tenure at the company of the first and second management levels, (2) the good to very good investment performance in the three asset classes considered, (3) the transparency of the investment and operational processes and (4) the effective mechanisms of risk control and compliance as well as the modern, tailor-made and constantly evolving IT system landscape.

The company has a stable income base with high fixed cost coverage due to well plannable management fees. This enables the company to selectively pursue growth opportunities in a high-priced market environment without being under any great pressure. A stable pre-tax return on equity of between 10% and 20% generated for many years underlines the solidity of the business model.

Scope acknowledges the planned and in part already implemented application of ESG processes in the entire value chain in the real estate sector. A wide range of measures are to be put into effect: in addition to applying a detailed ESG criteria catalogue, which is to result in the LHI-ESG Score, achievements are to be pursued in the energy optimisation of existing properties and a campaign for increased transparency regarding consumption of resources is to be implemented. In Scope's view, the inclusion of external partners and the participation in industry studies underscores the seriousness and irreversibility of LHI's ESG-plan on the real estate side.

In the course of 2018, LHI established a multidisciplinary central research function. The employee responsible for it compiles and verifies the findings gained at various sources in and outside of the company. He prepares these for quarterly management meetings, in which the company view is formed. This house view builds the basis for adjustment of the business and risk strategy and is considered when buying and selling assets.

At the turn of the year 2020/2021, a reappointment of the management board at LHI Leasing is planned. This entails uncertainties, especially regarding the loss of the excellent current personnel, who have set high standards. However, Scope sees the long familiarisation period of around two years for the new managing directors, the continuity at the level of the capital management company and the future active supervisory board function of the retiring managing directors as risk mitigating measures.



Asset Management Rating 2018

LHI Leasing GmbH

Rating Result

Composite AA_{AMR}
Real Estate AA_{AMR}
Renewable Energy AA_{AMR}
Aviation A+_{AMR}

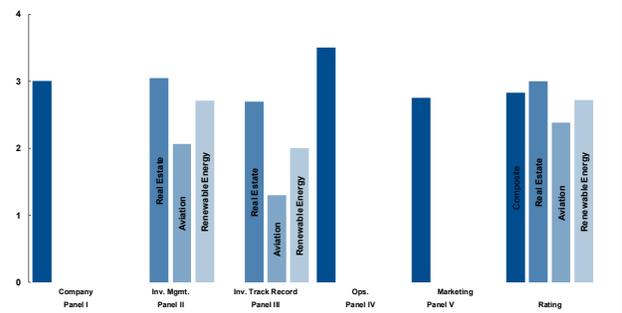
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Rating Scorecard Summary



Rating Driver

- Excellent industry knowledge and business continuity of management with forward-looking succession planning
- Diversified business model with broad revenue base and high fixed cost coverage due to visibility on recurring management fees
- Proven and modern operational processes and stringent, integrated risk management across all investment segments
- Continuous expansion of the institutional investment segment based on very high structuring expertise and long-term asset management competence
- The planned complete replacement of the management board entails uncertainties which, however, are largely mitigated by the long induction period of around two years, the continuity at the level of the capital management company and the future active supervisory board function of the departing managing directors.



Asset Management Rating 2018

LHI Leasing GmbH

Rating Scorecard

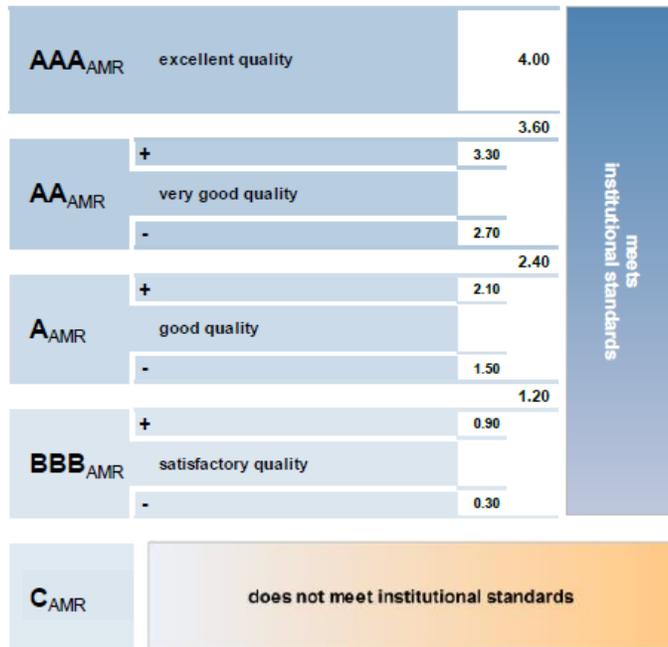
Name: LHI Leasing GmbH

Date: 17.12.2018

| Panel | Weight | Criteria | Weight | Real Estate | Aviation | Renewable Energy |
|---|------------|------------------------------------|--------|-------------|----------|------------------|
| Panel I - Company Subtotal | 20% 3.0 | Organisation | 50% | | | |
| | | Subtotal | 3.4 | | | |
| | | Financial structure | 30% | | | |
| | | Subtotal | 2.8 | | | |
| | | Market positioning | 20% | | | |
| | | Subtotal | 2.3 | | | |
| Panel II - Investment management | 20% | Competencies, compensation | 40% | | | |
| | | Subtotal | | 3.5 | 2.5 | 2.8 |
| | | Partner network | 20% | | | |
| | | Subtotal | | 3.0 | 2.0 | 3.0 |
| | | Investment process, research | 30% | | | |
| | | Subtotal | | 2.6 | 2.0 | 2.6 |
| | | ESG standards | 10% | | | |
| | | Subtotal | | 2.7 | 0.7 | 2.3 |
| Subtotals | | | | 3.0 | 2.1 | 2.7 |
| Panel III - Investment track record Subtotal | 30% | Historical investment track record | 40% | | | |
| | | Subtotal | | 3.0 | 1.0 | 2.0 |
| | | Asset sourcing & exits | 30% | | | |
| | | Subtotal | | 2.0 | 1.0 | 2.0 |
| | | Operational asset management | 30% | | | |
| | | Subtotal | | 3.0 | 2.0 | 2.0 |
| Subtotals | | | | 2.7 | 1.3 | 2.0 |
| Panel IV - Operations, compliance, RM Subtotal | 20% 3.5 | Operations | 30% | | | |
| | | Subtotal | 3.3 | | | |
| | | Compliance | 30% | | | |
| | | Subtotal | 3.0 | | | |
| | | Risk management | 40% | | | |
| | | Subtotal | 4.0 | | | |
| Panel V - Marketing Subtotal | 10% 2.8 | Outreach | 50% | | | |
| | | Subtotal | 3.0 | | | |
| | | Investor communication | 50% | | | |
| | | Subtotal | 2.5 | | | |

| | Composite | Real Estate | Aviation | Renewable Energy |
|--------|-----------|-------------|----------|------------------|
| Score | 2.83 | 3.00 | 2.38 | 2.72 |
| Rating | AA | AA | A+ | AA |

Rating Scale





Asset Management Rating 2018

LHI Leasing GmbH

Important notes and information

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The present management rating was generated and written by: Harald Berlinicke, CFA, Director, Lead Analyst.

Management rating history

| Datum | Rating Action | Rating |
|------------|----------------------------------|-------------------|
| 21.12.2018 | Affirmation | AA _{AMR} |
| 06.12.2017 | Affirmation | AA _{AMR} |
| 30.11.2016 | Affirmation | AA _{AMR} |
| 02.12.2015 | Affirmation | AA _{AMR} |
| 08.05.2015 | Watchlist resolved / Affirmation | AA _{AMR} |
| 20.04.2015 | Watchlist (evolving) | AA _{AMR} |
| 05.05.2014 | Initial Rating | AA _{AMR} |

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Principal sources of the management rating

The following principal information sources were used to produce the management rating: website of the asset management company - detailed information provided on request - annual financial statements - data supplied by external data providers - interview with the asset management company - external market reports - press reports/other published data.



Asset Management Rating 2018

LHI Leasing GmbH

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Methodology

The management rating relates to an evaluation of the quality of the asset management company in its function as a product manager and issuer of financial instruments within the meaning of the methodologies published by Scope Analysis. The applicable methodology can be viewed at <https://www.scopeanalysis.com/#rating-and-research/asset-management-rating/methodologies>. Information on the meaning of the rating scale used for the rating can be viewed on the website of Scope Analysis GmbH at <https://www.scopeanalysis.com/#methodology/rating-scales>.

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