



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}

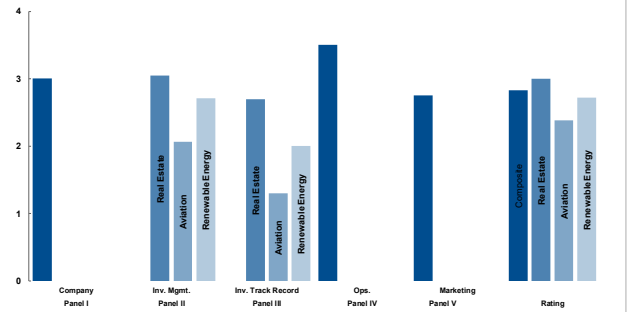
Analysts

Harald Berlinicke (Lead Analyst)
h.berlinicke@scopeanalysis.com

Karsten Naumann (Backup Analyst)
k.naumann@scopeanalysis.com

Publikationsdatum: 21.12.2018

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

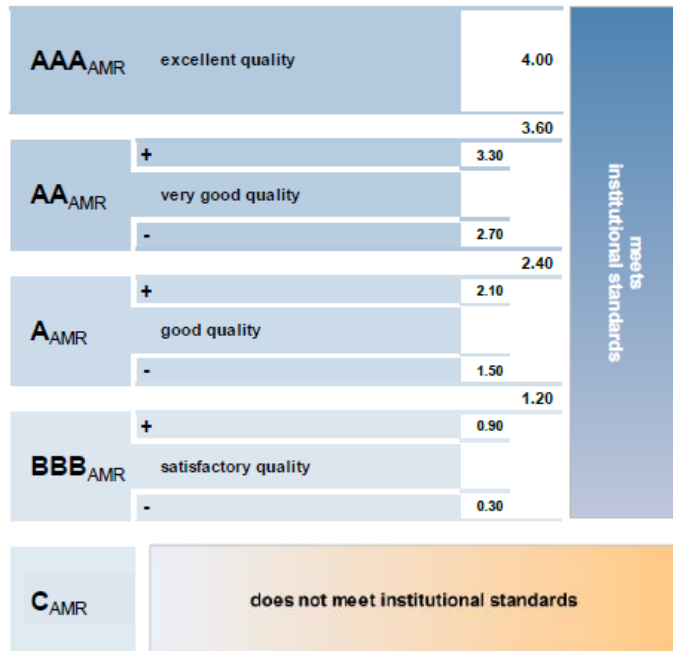
Name: LHI Leasing GmbH

Date: 17.12.2018

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

Scope Analysis GmbH (subsequently ‘Scope Analysis’) publishes management ratings of asset management companies, as well as issuers of funds and investment certificates. These management ratings are not “credit ratings” within the meaning of Regulation (EC) No. 1060/2009 on credit rating agencies as amended by Regulations (EU) No. 513/2011 and (EU) No. 462/2013.

Furthermore, management ratings provided by Scope Analysis are neither recommendations to purchase or sell financial instruments issued by the asset management company, the issuer of investment funds or certificates, nor do they contain any judgement of the value of such financial instruments. Moreover, the ratings provided by Scope Analysis do neither constitute individual investment advice, nor do they take account of the specific investment objectives, investment horizon or asset situation of individual investors. In preparing and publishing its ratings, Scope Analysis does not act as an investment advisor or portfolio manager to any client.

Where the term asset management company is used, it also includes capital management companies, investment companies, management companies and investment advisory companies.

Responsibility

The publisher responsible for preparing and distributing this management rating is Scope Analysis GmbH, Berlin, Germany, Local Court of Berlin (Charlottenburg) HRB 97933 B, Registered Office: Lennéstraße 5, 10785 Berlin, Germany, Managing Directors: Torsten Hinrichs, Said Yakhoulfi.

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}

Information on interests and conflicts of interest

A description of the precautions taken by Scope Analysis, especially to prevent and avoid conflicts of interests regarding the preparation and distribution of management ratings, can be found in the Scope Analysis GmbH’s “Conflicts of Interests Policy” at www.scopeanalysis.com. This management rating was prepared independently by Scope Analysis but in return for payment, based on an agreement with the asset management company on the provision of this management rating.

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

The information contained in the ratings is derived from sources that Scope Analysis deems to be reliable; it has been compiled in good faith. Nevertheless, Scope Analysis cannot give any guarantee that the information used is correct, nor can it assume any liability for the correctness, completeness, timeliness or accuracy of the information. Before publication, the client had an opportunity to review the rating and the key factors leading to the rating decision (rating drivers), including a summary of the underlying rating rationale. The rating was not revised following this review.

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>.

Conditions of use / Disclaimer

Scope Analysis produces its independent and objective ratings with the necessary professional diligence as of a specific date, on which the rating is published. Future events must therefore be deemed to be uncertain. Forward-looking statements are based on estimates, so a rating does not constitute a factual claim; it merely expresses an opinion, which may subsequently change and may then be reflected in an altered rating. Consequently, Scope Analysis does not assume any liability for damage resulting from decisions taken based on any rating it produces.

In the event of simple or minor negligence by Scope Analysis, or a legal representative, employee or agent of Scope Analysis, liability for the infringement of material contractual obligations shall be confined to the foreseeable and typical damage incurred. Moreover, liability is excluded in the event of simple or minor negligence; this shall not apply in the event of loss of life or limb or impairment of health.

Similarly, if the management rating is a solicited rating, Scope Analysis shall not bear any liability in accordance with the principles of a contract with protective effect for the benefit of third parties. The parties involved should only regard such ratings as one factor in their investment decisions; they cannot replace their own analyses and assessments. The rating therefore only comprises the expression of an opinion with respect to quality and does not under any circumstances constitute a judgement of the risk-return profile of an investment, nor does it constitute any statement as to whether the parties to an investment could generate any income, recover the capital invested, or assume any specific liability risks. The content of ratings and rating reports is protected by copyright and otherwise by law. Product and/or company names cited in such ratings and rating reports may be registered trademarks. A copy of the ratings or rating reports published by Scope Analysis on its website may be saved to one computer only for non-commercial and personal, internal use. Any additional, unauthorised use such as modification, reproduction, transmission, transference, dissemination, sale or storage for subsequent use of the content of the ratings or rating reports is strictly forbidden. Unauthorised use can result in claims for damages or injunction.

Contact

Scope Analysis GmbH
Lennéstraße 5
10785 Berlin
Germany
Phone +49 30 27891-0
Fax +49 30 27891-100
VAT-ID DE226486027