LHI Leasing GmbH
Asset Management Rating

AA AMR

Rating rationale

Scope confirms the current asset management rating of LHI Leasing GmbH at AA$_{AMR}$.

Scope attests the company a very high asset management quality and competence. The Real Estate and Renewable Energy sub-segments are each confirmed at AA$_{AMR}$, the sub-segment Aviation at AA-$_{AMR}$.

As at the rating date of 31 December 2021, LHI Leasing GmbH („LHI") manages assets worth around EUR 14.4 billion (31 December 2020: EUR 14.7 billion) in the areas of leasing and structured financing, the ramp-up and portfolio management of real estate portfolios as well as investment products in real assets.

The company's own capital management company (KVG) assumes the central tasks of risk, portfolio and asset management. The broad and innovative product range is currently aimed exclusively at institutional clients.

The area of investment products in real assets, to which this asset management rating refers, comprises 105 active investment vehicles with a combined around five billion euros in assets under management as of 31 December 2021, distributed across the asset classes of real estate (51%), renewable energy (33%) and aviation (16%). Despite the continuing Corona crisis, the new business volume of EUR 1.1 billion in 2021 almost completely matched the success of the previous year (2020: EUR 1.1 billion).

The rating is essentially supported by (1) the outstanding expertise in structuring individual product solutions for institutional investors and underpinned by seasoned relationship managers, (2) the very extensive industry experience and long tenure of the first and second management level, (3) the good to very good investment performance in the three asset classes considered, (4) proven and modern operational processes as well as effective risk control and compliance mechanisms and (5) the diversified, risk-averse and at the same time profitable business model with a broad revenue base, moderate risk values as well as excellent fixed cost coverage due to well plannable management fees.

From Scope's point of view, the very high fixed cost coverage represents a competitive advantage, as it enables a selective approach in the relevant asset markets, which is in line with the company's typical German Mittelstand (SME) orientation, which is geared towards the long term and protecting its reputation. Investors value LHI's structuring expertise. Scope also considers the request to contribute investors own assets into LHI's vehicles as highly positive. Furthermore, Scope positively assesses the fact that the "Rolling Stock" team, which was established in LHI's Structured Finance division in 2020, succeeded in implementing several large-volume transactions and thus contributed to stabilizing AuM at group level.

With regard to ESG, LHI has made further progress since the last rating. Thus, the share of AuM of the current Article 9 funds (three funds in total) in the total regulated funds of the KVG-structure amounts to approximately 60% as of June 30, 2022. The product range now features two ESG strategy funds and three ESG impact funds (under article 8 and 9 SFDR, respectively). In the first half of 2022, a member of the management was appointed Chief Sustainability Officer, supplemented by three ESG officers with higher-level specialist responsibility.

In the real estate segment, 21% of the investment assets of EUR 2.6 billion are allocated to office and 23% to retail (with a focus on local supply centers) as of December 2021.

Rating

Rating overall	**AA$_{AMR}$**
Real Estate	AA$_{AMR}$
Aviation	AA-$_{AMR}$
Renewable Energy	AA$_{AMR}$

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Bloomberg: SCOP

Hotel and logistics investments account for around 16% and 13% respectively, while residential and other types of usages complete the spectrum. The managed rental space of currently around 1.2 million sqm is effectively fully let at 99.4% and the average payout of the investment vehicles was at a very competitive level of 10.7% in 2021.

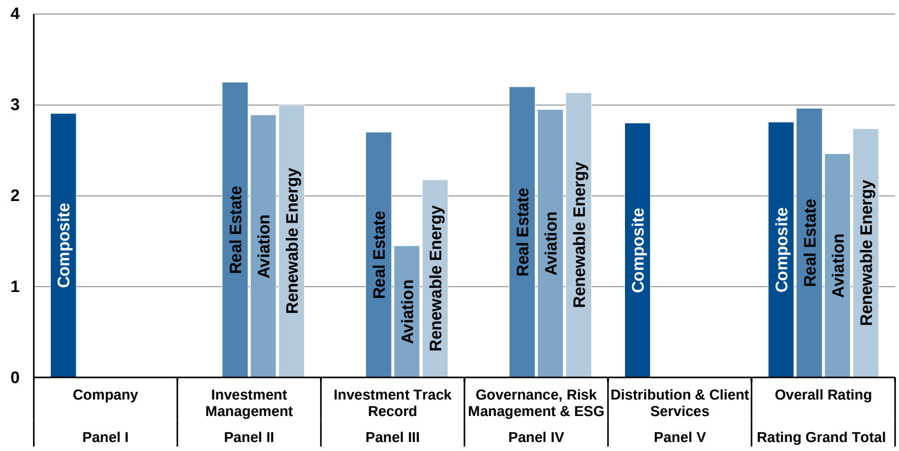
The investment assets in the renewable energy segment with a total volume of around EUR 1.6 billion focus on onshore wind farms and photovoltaic plants with an admixture of hydropower. The wind and solar parks have a nominal capacity of around 860 MW (54% wind / 46% solar) in 13 actively managed investment assets. In 2021, the average payout of the investments was at a competitive level of 5.1%. In 2022, the first investments were also made in e-charging stations.

In the Aviation segment, LHI manages nine active investment assets as of 31 December 2021, which are invested in aircraft, helicopters, and aircraft turbines. In its history, the group has launched investments totaling around one billion euros in this segment and has a mature, international network. The average payout of 5.6% achieved in 2021 is a respectable result from Scope's point of view in the context of the aviation sector, which was hit particularly hard by the Covid crisis.

The asset classes covered by LHI will not be able to completely resist the current challenges due to the changed economic and geopolitical framework conditions. In particular, the sharp rise in interest rates and a looming recession will lead to a slump in the transaction volume and will result in falling real estate prices with a time lag. Scope notes positively that LHI has no direct or indirect business relations with Russia.

With regards to the ongoing Covid crisis, LHI was already technically and procedurally well prepared for the challenges at the beginning of the pandemic. Thus, LHI succeeded in maintaining processes in the interest of investors and business partners without friction and on schedule also in 2021. LHI's business performance was not significantly impaired either in the operational processes or in the acquisition and implementation of new business. Also positive to note, is that the Corona pandemic did not have a significant impact on the net assets, financial and operating results of the company in the financial year 2021.

Rating Summary



Rating drivers

- (+) Very extensive industry experience and long tenure at first and second management level
- (+) Robust business model with broad revenue base, moderate risk values as well as excellent fixed cost coverage due to well plannable management fees
- (+) Outstanding expertise in structuring individual product solutions for institutional investors and underpinned by seasoned relationship managers
- (+) Good to very good investment performance in the three asset classes considered
- (+) Proven and modern operational processes and effective risk control and compliance mechanisms
- (-) Integrated portfolio management system not implemented for all assets

Important notes and information

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Rating history

Date	Rating Action	Rating	Date	Rating Action	Rating
28.11.2022	Affirmation	AA_{AMR}	30.11.2016	Affirmation	AA_{AMR}
30.11.2021	Affirmation	AA_{AMR}	02.12.2015	Affirmation	AA_{AMR}
10.11.2020	Affirmation	AA_{AMR}	08.05.2015	Watchlist resolved / Affirmation	AA_{AMR}
08.01.2020	Affirmation	AA_{AMR}	20.04.2015	Watchlist (evolving)	AA_{AMR}
21.12.2018	Affirmation	AA_{AMR}	05.05.2014	Initial Rating	AA_{AMR}
06.12.2017	Affirmation	AA_{AMR}			

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This management rating was prepared independently by SFA but in return for payment, based on an agreement with the asset management company on the provision of this management rating.

Wesentliche Quellen des Management-Ratings

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 - interim financial statements - data supplied by external data providers - interview with the asset management company – external market reports - press reports/other published data.

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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 SFA. The applicable methodology can be viewed at https://www.scopeexplorer.com/methodologies . Information on the meaning of the rating scale used for the rating is contained in the applicable methodology.

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