Nº1 | The XOLARIS
MARKET NEWS

XOLARIS

Ladies and Gentlemen, Business Friends

Foreword

XOLARIS is now in its eleventh year of existence. Having started as a classic back-office outsourcer based in Constance, we have now developed into an international structuring and fund management platform for real assets, with offices in Liechtenstein, Germany, France, Singapore and Hong Kong.
In this regard, our growth is consistently breaking new ground.
When we made the decision to set up KVG, an independent service, in 2014, many people agreed that there would be no market for this service.
Today, the ManCo market is one of the fastest growing markets. Expansion into Asia in 2018 laid the foundations for internationalisation, which, in the capacity of first foreign market participant, reached another milestone in 2020, with relocation of the holding company to Liechtenstein and acquisition of the AIFM licence. As the next AIFM location, Paris is the logical next step of the XOLARIS Group's success story.

In this context, it was and is always important to us that we remain true to our roots in the real asset business. We will continue to maintain this focus as we move towards becoming a global real asset investment group.

With our new CI, we want to break new ground in this area. The first edition of Market News as well as our podcasts, constitute another step in the development of the Group.

I would like to take this opportunity to thank all my colleagues, without whose great work the success of XOLARIS would not have been possible.

I hope you like our new format as well. Even so, we are open to suggestions and criticism and look forward to your feedback.

Kind regards
Stefan Klaile
CHAIRMAN, XOLARIS Group

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MANAGEMENT

Stefan Klaile

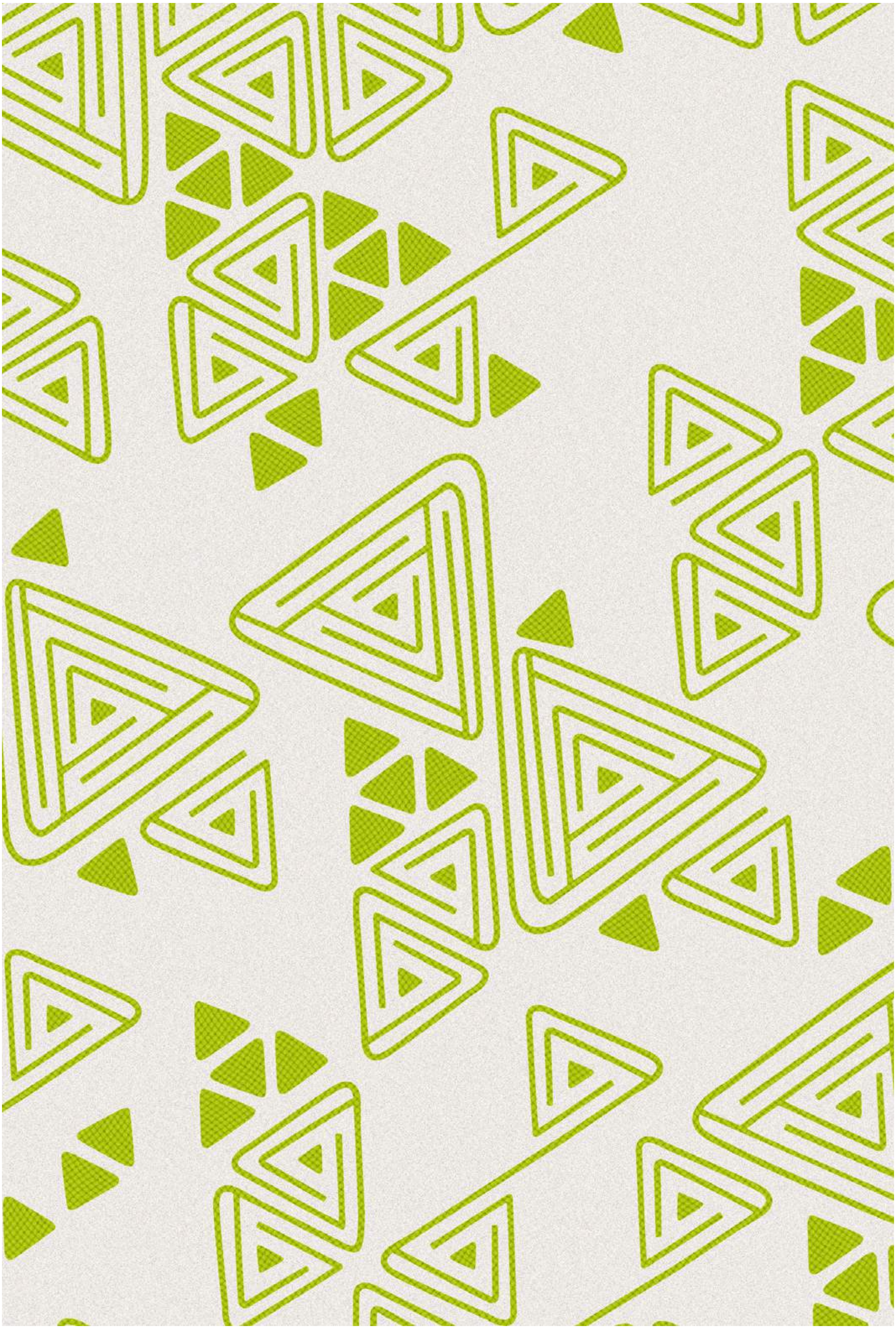
Stefan Klaile founded the XOLARIS Group in 2010. Prior to that, he gained more than 20 years of experience in the field of liquid and illiquid financial products. Since 2010 he has been managing alternative investment products for third parties with the XOLARIS Group.

In 2013, he founded the XOLARIS Service Capital AIFM in Munich as an independent Master AIFM. Since 2016 he has been chairman of the supervisory Board of ADREALIS Service KVG (AIFM), Munich, and since 2019 Chairman of the Board of XOLARIS AG Liechtenstein, Hong Kong.

Kai Renning

Kai S. Renning joined the XOLARIS Group in 2014 and has been co-responsible for the development and market positioning of the scope of services of an external Service Alternative Investment Fund Manager ("Master AIFM").

Furthermore Mr. Renning is Managing Director of the Liechtenstein based AIFM and responsible for the Portfolio Management. Prior to that, he gained more than 10 years of experiences in the international banking and finance industry as well as in the field of liquid and illiquid financial products.



AS REGARDS THE FUTURE, IT IS IMPORTANT FOR US TO RESPOND TO THE WISHES AND CONCERNS OF FINANCIAL INTERMEDIARIES AND TO FIND JOINT SOLUTIONS

Christian Minkus, Head of the Legal Section Securities und Markets Division
FMA, Financial Market Authority Liechtenstein

DEAR MR MINKUS,

Even before the AIFMD was introduced, the Principality of Liechtenstein implemented the Directive in 2012. An article in the journal ZBB 2014, 22ff stated " ...the Principality of Liechtenstein is included because this EEA state has wrested the traditional role of "first mover...." from Luxembourg; it did this by adopting it in full in December 2012."

At XOLARIS, we are familiar with the issue of first movers and the associated risks. What motivated the FMA to take this step ahead of any other European country and in this way put Liechtenstein very clearly on the map?

Liechtenstein has close economic and social ties with its neighbours. It also was and, therefore, continues to be a concern that mutual market access should be made possible. As a member of the European Economic Area, Liechtenstein is also required to implement the European financial market regulatory regime into national law. The rapid, consistent and market-driven implementation of strategic EU regulations, such as the AIFMD Directive, creates certain competitive advantages and this precisely in sectors where markets are only just opening up. As a small country, Liechtenstein uses its inherent advantage of short distances. It is a very agile and innovative country and its fund centre strategy is a successful one.

How does the FMA see the Liechtenstein today as a location in terms of regulation, within an overall comparison of European countries; and how does the FMA intend to expand its status as a "first mover" even further?

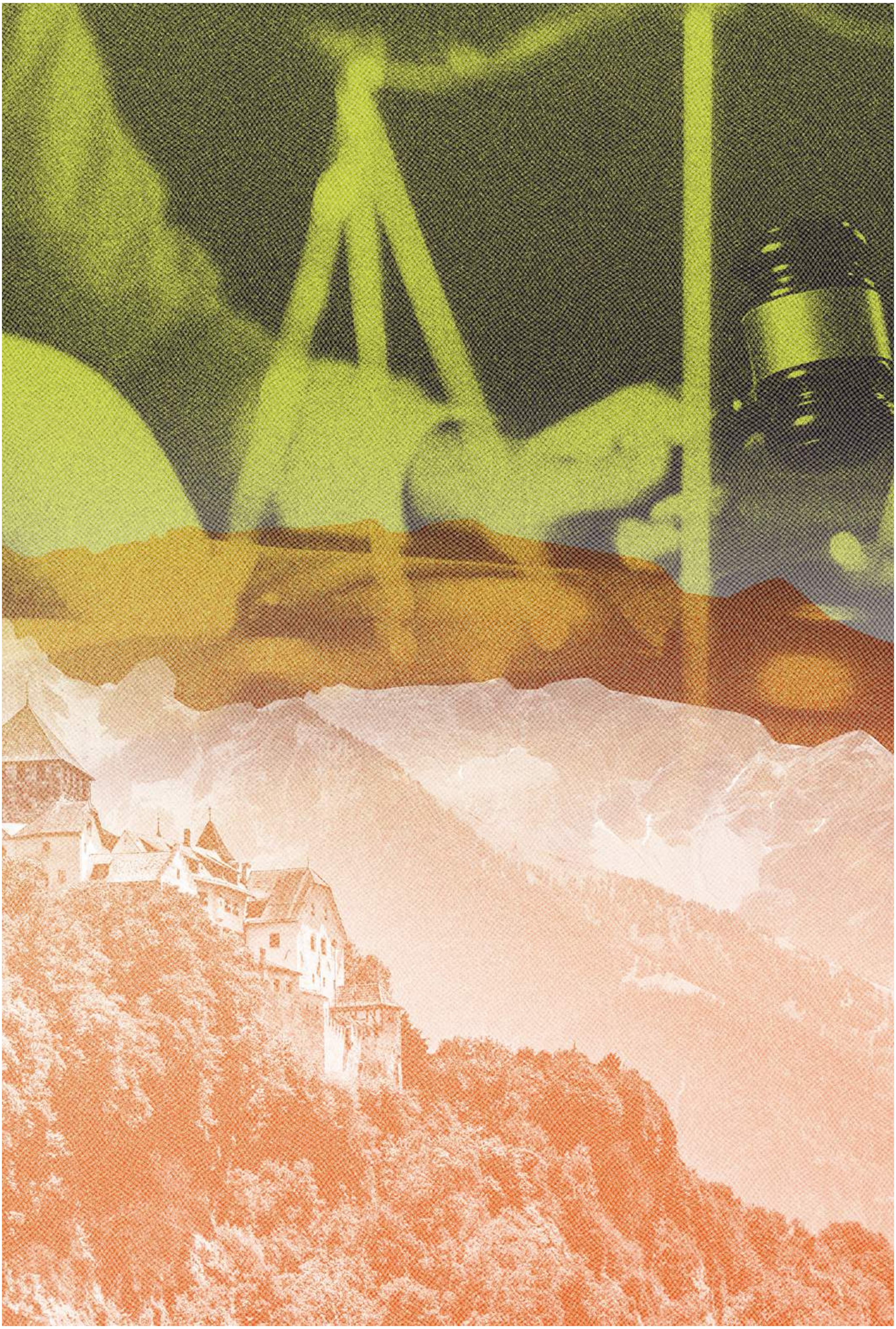
Liechtenstein is equivalent in regulatory terms to other European countries and leverages its agility. In this way, we would like to build on our good international position as a financial centre. In addition to maintaining and creating viable guidelines for Liechtenstein-based financial intermediaries, it was and continues to be important to the FMA that we are on an equal footing with intermediaries. We therefore seek and promote active, open exchanges. We would like to know what the concerns and wishes of the various sectors are. For new financial technologies, the FMA has created a regulatory laboratory that serves as a contact point for both traditional financial service providers and FinTechs.

What topics does the FMA want to use to expand Liechtenstein's position as an innovation hub for the real asset industry in Europe, so as to become a market leader?

Real assets are far more complex and challenging than traditional listed or exchange-traded assets. Therefore, it is important for the corresponding know-how to be available. Historically, at a very early stage, Liechtenstein created, and now retains, funds similar to AIF for real assets and this in conjunction with investment undertakings. The AIFMD has led to all Liechtenstein investment undertakings, with very few exceptions, operating as alternative investment funds (AIF), and thus the relevant expertise has become known by means of the passporting of AIFs. As regards the future, it is important for us to respond to the wishes and concerns of financial intermediaries and to find joint solutions. This also worked very well with crypto funds a few years back and clearly shows the advantages and existing know-how of the financial centre in relation to special assets. Naturally, as a supervisory authority with a mandate of protecting clients and ensuring stability, we always include risk in our considerations.

What is the role played here by the direct, reliable and constructive cooperation of the FMA with the individual AIFMs or the Liechtenstein Fund Investment Association?

Direct exchanges with the AIFMs or the UCITS management companies as well as the LAFV are very important, as these enable us to get to know the relevant concerns and requirements and to take them into consideration with a sense of proportion during the supervisory process. Clearly, short distances, a tradition of dialogue and a business-friendly attitude are the inherent advantages enjoyed by Liechtenstein as a location.



Market Overview – Liechtenstein

THE PLACE FOR SETTING-UP AN ALTERNATIVE INVESTMENT FUND ("AIF")

Kai Renning, Managing Director, XOLARIS Capital AG, Liechtenstein

Liechtenstein, which has been a member of the European Economic Area (EEA) since 1995, has fully implemented the European directives for UCITS and AIFM at national level; it has done so in its legislation on specific undertakings for collective investment in transferable securities (UCITSG) and on alternative investment fund managers (AIFMG). Liechtenstein funds, their providers and their managers are thus subject to exactly the same requirements at European level in the form of rights and obligations as those in EU member states and other EEA states. This includes restrictions on constitutive documentation, as well as equal participation in the European internal market via passporting. Investors, in turn, enjoy the same regulatory protection in all countries that have signed up to the European AIFM Directive.

The OECD has also been giving Liechtenstein high marks in its country assessments since 2015. Liechtenstein now has the same rating as Germany, for example, and takes effective action against tax fraud and tax evasion. Liechtenstein also committed to the OECD's AEOI standard (exchange of certain information on financial accounts in tax matters) back in 2014. Liechtenstein's AEOI now covers well over 100 countries, including EU member states. Here too, Liechtenstein ensures more tax transparency for foreign investors.

In addition to any legal and fiscal parameters, the Principality of Liechtenstein offers other advantages with significant added value when compared to other EEA member states; especially when it comes to the practical implementation of planned financing structures. In this context, the Liechtenstein Financial Market Authority ("FMA") deserves special mention, as it distinguishes itself through its highly specific practical knowledge and experience, both in terms of the market as well as in terms of investors and products. In general, the deadlines set for regulatory investigations are also significantly undercut; and this, which creates a high degree of certainty for planning purposes for product suppliers and regulatory authority stakeholders.

The Liechtenstein Investment Fund Association ("LAFV") should also be cited. This organization was not created just to market Liechtenstein as a fund location, but rather to gather together the interests of market participants and to represent them to regulators and other equivalent protagonists. One helpful example of the usefulness of how useful synergies can be is, without doubt, the standardization constituent documentation, which has led to a significant reduction in costs and effort associated with the design of new financing projects. In addition, the LAFV also acts as a publication body for all investment fund structures in the country, thereby ensuring maximum transparency.

Further advantages can undoubtedly be found in individual structuring options made possible by highly flexible company structures and in extremely uncomplicated access to Swiss investors – to be sure, a unique phenomenon among EEA states. The administrative processing of investment fund structures, their automated unit subscription, and redemption processes, as well as the issuing of custodial share certificates, all of which are based largely on bank-to-bank communication, represent a gain for investors in more than just transparency and security.

Thanks to the above factors and other diverse advantages, Liechtenstein is well equipped to continue to function as one of the most attractive, comprehensively regulated fund centers; as well as leading innovators when it comes to new types of future financing structures.

Market Overview – Germany

AS A BUSINESS LOCATION, GERMANY IS IN BETTER SHAPE THAN YOU MIGHT EXPECT AFTER THE PANDEMIC YEAR OF 2020. IS THIS A NEW GERMAN SUMMER FAIRYTALE?

Hendrik Böhrnsen, Managing Director, ADREALIS Service Kapitalverwaltungs-GmbH, Munich

One year on, the current situation in Germany is still being dictated by COVID-19, however. Just a few months ago there was considerable optimism that the second wave of the virus would sweep through Germany and that the economy would continue to recover rapidly from the consequences of the pandemic. Germany's gross domestic product (GDP) bounced back up in the summer of 2020, while the country was even described then as Europe's engine of growth. However, since November 2020, a renewed shut-down has been slowing the economy once again, with economic output stagnating after a major increase of 8.5 per cent in the third quarter. For 2020, the year of Covid-19, the overall slump in economic output was 5.5 per cent, which is slightly lower than during the global financial crisis of 2009.

In December 2020, it was assumed that the infection control measures in place since November would remain in effect unchanged until March 2021 and thus, that economic output would also decline in the first quarter of 2021; thereby meeting the requirements for a "technical" recession. Price-adjusted GDP is expected to fall by 0.7 per cent quarter-on-quarter in the first quarter of 2021, while economic output is expected to be a good 4 per cent below the pre-crisis level overall, by the end of the first quarter of 2021.

Even though we have now moved almost seamlessly from the second wave to the third wave of the virus and even though infection control measures have been extended until at least the middle of April 2021, we can still expect economic output to recover by a projected three per cent over the rest of 2021. In 2022, the recovery will continue, although its tempo will decrease significantly over the previous year. On average for the year, economic output should then increase by 2.5%. Germany's strength as a business location was demonstrated in the summer of 2020, when the economy grew by 8.5 percent; as well as by its recovery after the global financial crisis of 2009. However, this time round, the recovery will be more difficult and not as straightforward as after the global financial crisis of 2009. Unless the pandemic is now contained effectively, any economic recovery will not be sustainable. This is all the more true, since coronavirus mutations are now spreading; and these are more contagious and increase the risk of infection.

The recovery is also expected to be very uneven, as sectors of the economy were hit by the Covid-19 pandemic to differing degrees. Industry was able to increase production further in December, despite tighter lockdown measures. One pillar of this has been construction, especially housing construction. In addition, demand for logistics real estate is likely to remain high, due to booming online trading.

Another positive factor is the export-orientated manufacturing sector, which has already benefited from ongoing recovery of the global economy.

The absence of any pandemic-related restrictions on industry, especially in many non-European trading partners, is likely to have been a contributing factor. This shows that, unlike in the spring of 2020, industry continues to be less affected by the measures. Sectors that are more dependent on social contacts are markedly more affected by the lockdown and their recovery depends, in particular, on the further progress of infections and on further assistance from the federal government. If the federal government cuts back on aid early, phases out short-time working and ends its exemptions from the insolvency obligation, many smaller businesses in particular will be threatened with wipe-out.

Most economic institutes have been expecting a hesitant start to 2021; but they also project that an economic recovery will begin rapidly in the summer, once infection control measures are withdrawn or lifted. Given the financial buffer that has been built up in private households, there is much to be said for a major surge in consumption this summer. As soon as people are allowed back into shops and restaurants, they will of course go to them. However, just when this surge in consumption will start and what level of intensity it will be able to develop in 2021 depends largely on the progress of infections. Moreover, this effect will be limited by the continuing worries many employees have in terms of being able to keep their jobs. Government consumption will continue to increase noticeably until 2022, as a result of the federal government's support measures. The next federal government is expected to begin budget consolidation in 2023 and Germany will most likely be one of the first EU states to comply with the European deficit criterion again.

Lingering uncertainty continues to burden the investment climate and the general mood of the population. Businesses and individuals alike are waiting for the pandemic and the associated infection control measures to end, so that they can participate in social life and start doing business again. In this sense, however, a look at the third quarter of 2020 in particular also provides some hope, as the recovery turned out to be significantly faster than expected. Depending on the further course of infections, a recovery is now also expected for this summer, and perhaps even what will turn out to be a new German summer fairy tale. In 2021, about a third of the slump should be recovered from and by 2023, German exports should reach pre-crisis levels once again. In particular, this recovery will come from the sectors most affected by the Covid-19 pandemic and the impact of infection control measures. Moreover, this crisis has accelerated the process of structural change in various sectors; while it remains true that, in such cases, there will always be winners and losers .

Market Overview – France

French investment funds market is larger than UK and very promising for Real Estate Funds

Volodymyr Andrianov, XOLARIS Capital AG, Liechtenstein

France is the 4th largest investment funds market in Europe (after respectively Luxembourg, Ireland and Germany), holding over 11% of the European total funds' assets amounting up to over 1.900. trln. euro (out of total 17,5 trln. euro of funds assets in Europe). And on the AIF´s market, France is the second largest in Europe, after Germany. From total number of French funds (around 11 000), almost 70% are focused on alternative assets. Also on asset size, the share of alternative fund assets overweight the UCITS assets almost by half (1.150 bln. against 800 bln.). In terms of AIF assets, French AIF market is almost 3 times higher than UK (over 1.143 trln. in France against 439 bln. in UK). While traditionally the share of liquid assets had always been substantially higher on average across Europe.

However, the majority of the institutional investors in France still rely on discretionary mandates, making it second largest asset management market in Europe in terms of assets size. Equally, it holds second place in Europe in terms of number of assets management companies located in country (633 in France out of 4 539 for the whole Europe in 2018). At the same time the role of funds management companies evidenced some growth trend on the French market in the last few years making more and more asset holders to entrust it´s investment to fund's management structures making this market attractive for the new entries by independent third party AIFM service providers.

The AIFM´s represent strong advantages for passive investors, comparing to traditional discretionary mandates, due to strictly regulated operation policies and procedures, personal liability of its' core officers, existing multiple lines of defense of investor interests and enhanced standards

Country	Assets	%
Luxembourg	4696.2	26.7%
Ireland	3077.4	17.5%
Germany	2391.8	13.6%
France	1973.7	11.2%
United Kingdom	1609.0	9.2%
Netherlands	910.7	5.2%
Switzerland	728.8	4.1%
Sweden	428.5	2.4%
Italy	321.3	1.8%
Denmark	311.1	1.8%
Spain	291.1	1.7%
Austria	191.7	1.1%
Belgium	159.4	0.9%
Norway	125.5	0.7%
Finland	122.3	0.7%

independence protection in their decisions to the benefit of investors. The AIFM´s themselves being placed under very strict direct supervision of financial market regulating authority (which is Autorite des Marches Financiers in France) focused on preservation of investor rights protection and stability of the financial market infrastructure.

Country	Assets	%
Poland	59.3	0.34%
Liechtenstein	51.8	0.29%
Turkey	26.2	0,15%
Portugal	23.6	0.13%
Hungary	17.6	0.10%
Czech Republic	14.0	0.08%
Malta	13.8	0.08%
Greece	9.0	0.05%
Romania	8.0	0.05%
Slovakia	7.5	0.04%
Cyprus	4.9	0.03%
Slovenia	3.1	0.02%
Croatia	2.9	0.02%
Bulgaria	0.8	0.00%
EUROPE	***17580.9***	***100.0%***

EUR billions Source: EFAMA

Moreover, the AIFMs have other multiple levels of internal controls overviewing it´s daily activity. Actually, investor benefit from granted state protection though governmental supervision of the AIFM´s industry and activities of particular funds management companies and key function holding persons. Selection process and the identity of the core officers of the funds' management companies being scrupulously reviewed at all stage of the activity of the management company and indirectly controlled by the financial regulator and other market participants, such as auditors of accounts and auditors of procedures, to prevent any even potential conflict of interest or professional negligence. Moreover, to ensure the double control over the impartiality of investment decisions by investment firms, their investment activity is being also overviewed by funds´ boards often composed with independent directors.

While in general the number of professional funds managers is considerably present, there are only few of them that are focused on such niche of the alternative investment market as Real Estate products. Despite very large interest of French investor real estate market there are limited number of independent funds management companies focused on that sector and availability of flexible regulated products was very limited till recently. Historically available real estate collective investment forms had numerous heavy restrictions as to its investment strategies and had not allowed necessary flexibility for successful investments activity to ensure best possible return. Moreover, already at market infrastructure level there had been few depository and transfer agents willing to manage and administer clients´ accounts of specific real estate funds, such as very old fashioned SCPIs, substantially limiting also leverage opportunities. That also limited attractivity of any offered real estate products through such vehicles while increased return is usually being insured by highest possible property leverage in the global environment of substantially lowered interest rates. The situation started to change in the recent years with adoption by the French legislator of new collective investment form called SLP, a modern form of limited partnership (Societe de Libre Parteneriat in French) fully suitable also for investment into Real Estate, one of the most stable growing sectors in the last decade. The prospective opened with new, much more flexible form of collective investment scheme, substantially changing attractivity of the French market for professional funds investors. This being considerably enhanced by the fact that in French law there is substantially lower investment amount required to be considered as professional investor- 100 000 euro per person, comparing to other European countries, majority of which referring to minimum investment of 200 000 Euro per person provided by European regulation. This represents additional benefits for the funds initiators and funds promoters whishing to enter the French professional private investor market, as the market coverage in France in terms of targeted audience would be substantially larger than in any other European country.

In a nutshell, while French investment funds market is biggest one on continental Europe, it represents biggest opportunities for the new market participants whishing to enter it´s Real Estate sector, first due to recent change in the legislation making available much more flexible collective investment forms than before, with traditionally lower managers competitivity, and second – much larger scope of private investors that could be addressed out of professional investment funds due to substantially lower investment threshold requirements.

XOLARIS Capital AG as Risk Manager

Dirk Kiencke, Managing Director, XOLARIS Capital AG, Liechtenstein

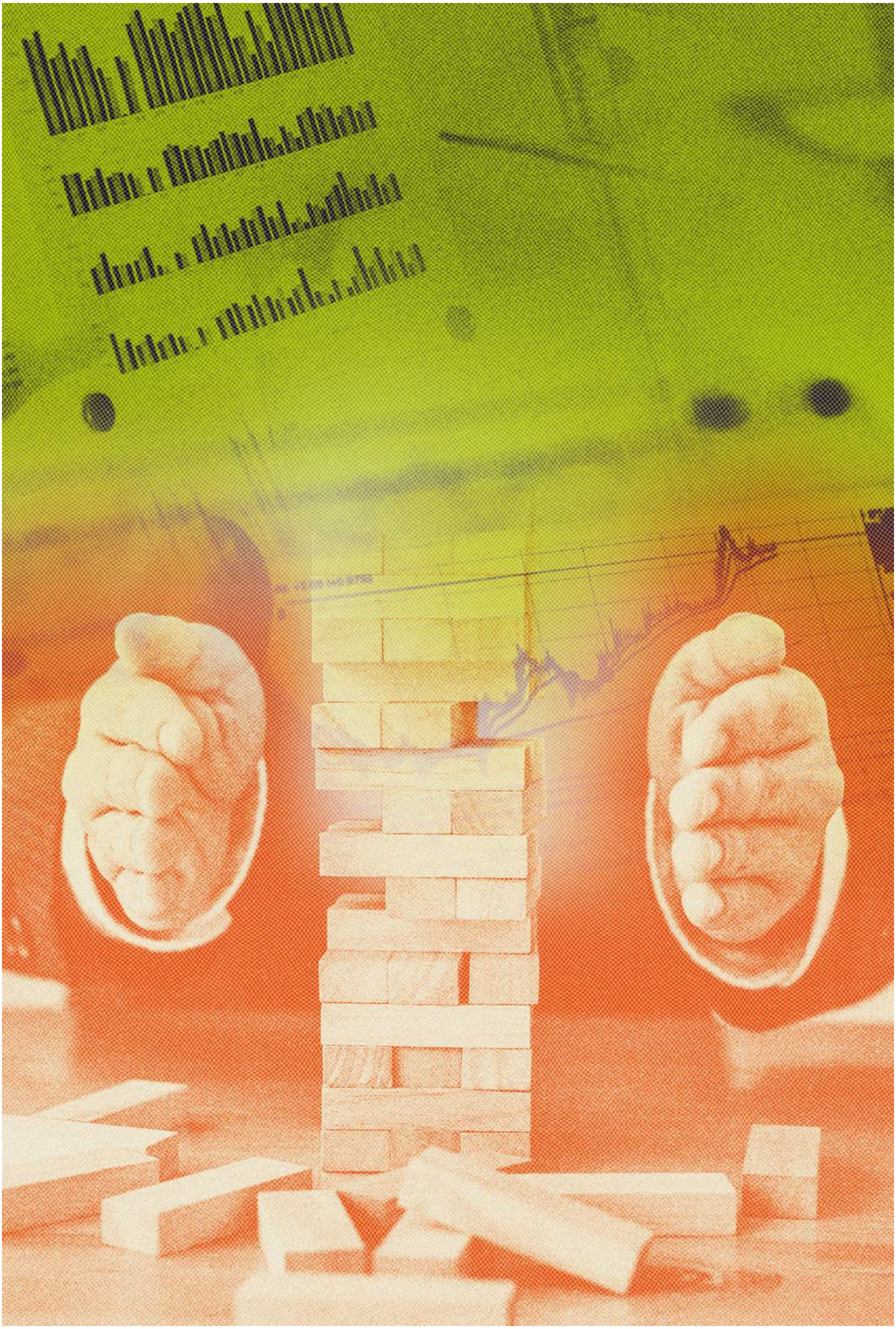
AIFMS ARE FACED BY A LOT OF REGULATORY CHANGES IN RESPECT OF RISK MANAGEMENT.
LATES DEVELOPMENT WAS THE INTRODUCTION OF ESG CRITERIA AS A NEW RISK FACTOR. WHICH LEADS TO SIGNIFICANT CHANGES IN THE WHOLE SET-UP OF AN ORGANIZATION AND IN DAILY OPERATIONS.

Both real estate and private equity fund managers are concerned about the burden laid down to them as far as risk management is concerned. This was performed more or less with the help of a portfolio management system but without processes and procedures in place to fulfill regulatory requirements in full.

With the requirement for AIFMs to implement a functionally and hierarchically independent risk management function and setting up a documented risk management process, RE and PE fund managers have to familiarize themselves with a new operating model. In order to be independent of the risk-management function, specific safeguards have to be established. Senior Management must be composed adequately as well as the board, remuneration committee, and conflicts of interest policy. As an example, the oversight of risk management cannot be performed by the conducting officer in charge of portfolio management. Similarly, remuneration for personnel in control functions has to be separated from that of employees in operational units. The precondition for an AIFMD-compliant risk-management function is thus the implementation of an accordingtoorganizationalandgovernancestructure.

The result is a huge challenge for current and prospective fund managers because all current processes and structures must be reviewed and – where necessary- replaced by appropriate procedures. Another difficulty is to find well-trained and experienced staff in order to be able to perform all risk management tasks properly because the job specification of a risk manager has changed dramatically during past years and the labor market for these specialists isn`t that big.

Another item in respect of performing risk management according to regulatory requirements is the question of which risk management software to use. This is dependent of the kind of funds an AIFM is administering and the risk management policy as well as measurement and management tools. The key obligations set out in the AIFMD and its delegated regulation (Level 2) are to identify, document, measure and monitor all risks that are relevant for each of its AIFs and the AIFM itself with adequate frequency. Risks that have to be monitored generally include market, credit, liquidity, counterparty, operational and ESG risks.



AIFMs must have a clear idea of the meaning and implications of risks for each AIF they administer. Therefore a stringent risk management framework has to be established allowing to monitor different fund types and associated risks and to set up risk limits. Once breached a predefined escalation process has to be followed. As an example, market risk for a RE fund may be defined along the lines of investment market and micro-location developments, whereas for a PE fund investing in companies producing goods it may rather relate to developments within target customer groups or competitor movements.

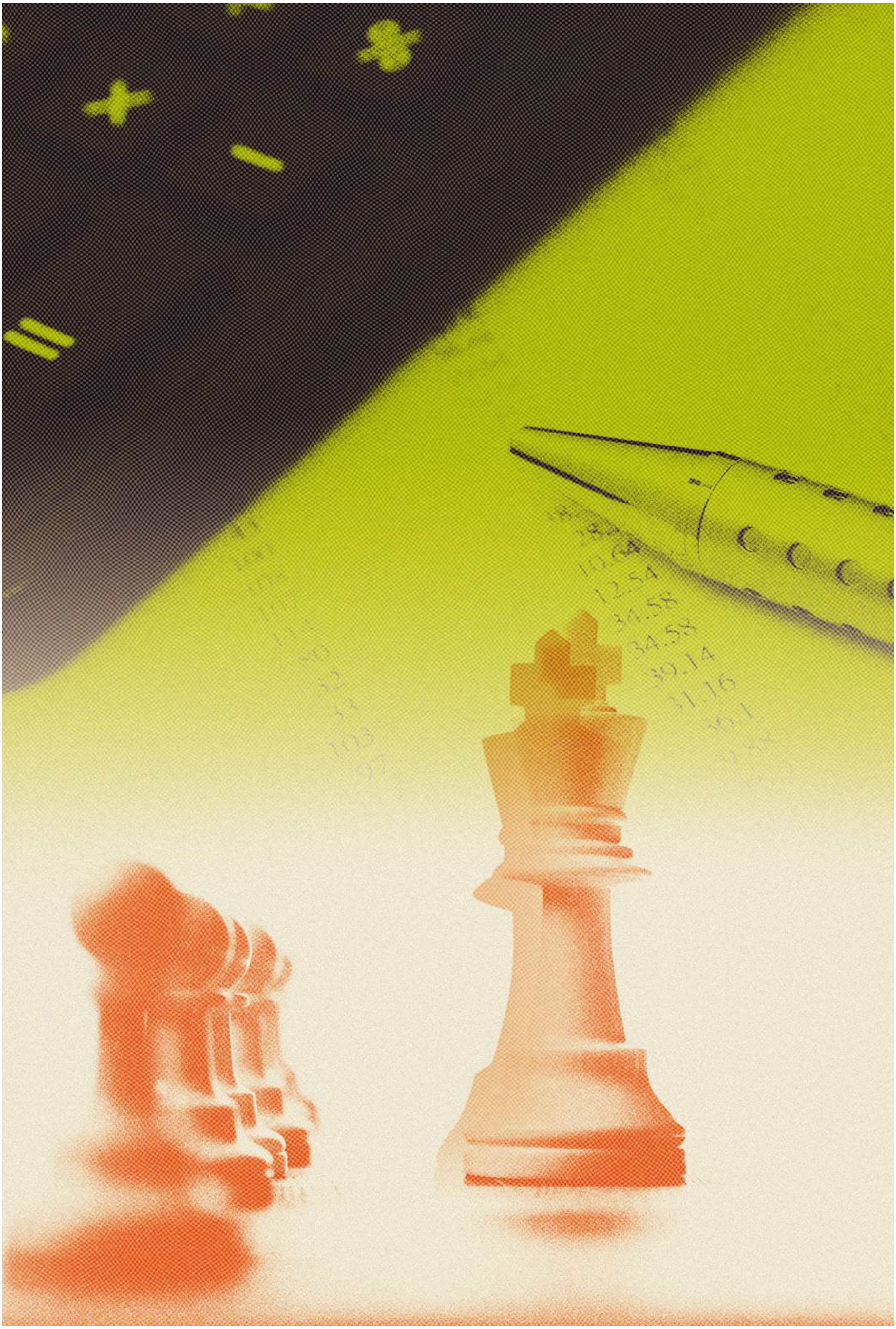
Being able to fully understand all risks in each AIF leads to the requirement for the creation of a risk catalog with different risk categories and their definition. This should be a living document enabling risk managers to elaborate interdependencies between single categories. Important to know is the level at which risks arise. Some of them have their origin on AIFM level, others on the single AIF level or a mixture of both. For this reason, it is imperative to include risk categories for the AIFM as well. Risks in an AIF must be monitored at the origin`s level which is important when setting indicators for these. The number must be limited in order to operate in an effective way, but are to show captured risks and their priority. Latter one should be determined by biggest potential loss and the probability.

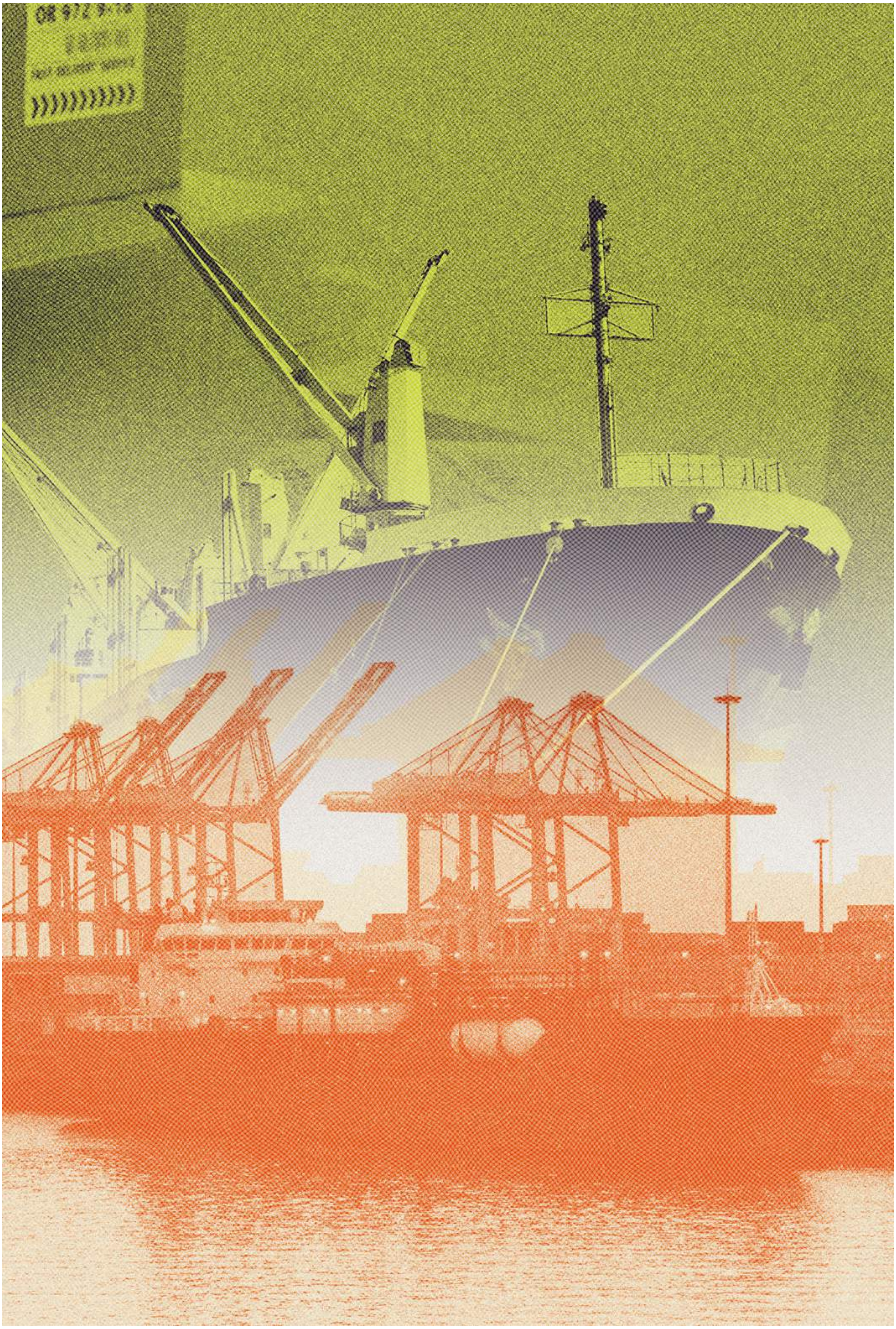
Level 2 requires AIFMs to define limits for the identified risks, which are in line with the risk profile of the AIF. At this, the regulation states a clear preference for quantitative measurement. The use of qualitative limits, where considered more appropriate, should thus be justified with objective reasons.

Risk limits, especially when quantitative, should allow for regular fluctuations of the respective parameter but reliably detect irregularities. In order to ensure efficient detection and to be able to take proactive action, especially for high priority risks, AIFMs may consider setting risk limits for early warning and for immediate mitigation. Once set up, the risk management function will have to address and interact with various areas and functions covered by the AIFMD. Accordingly, AIFMs should carefully consider how they want to integrate risk management into their overall organization. Processes for the coordination with adjacent areas, such as liquidity management, leverage, valuation, and reporting need to be established and implemented.

Especially for liquidity management, AIFMs need to decide on where the respective tasks shall be performed. Liquidity stress-testing, for example, could either be performed directly by risk management or by portfolio management, with risk management validating the applied parameters, models, and scenarios. In addition, sufficient thought should be given to what appropriate stress-testing means for the respective AIF and at which levels within the structure liquidity risks arise. As an example, a closed-ended PE fund investing in a single company is likely to require less extensive and sophisticated stress-testing than an open-ended RE fund investing in a large, internationally diversified portfolio including various property types at different stages in their lifecycle. Also, when stressing the liquidity of an AIF, to the extent feasible based on available data, scenarios used should be comprehensive and should take into account knock-on and feedback effects throughout the entire structure, starting from the asset level.

Overall, requirements on and implications of establishing AIFMD-compliant risk management are manifold and complex. Applicant AIFMs are thus advised to reflect on their business model and intended organizational structure before setting up the function and framework. AIFMs should spend thorough thought on the composition of their senior management and board, including the allocation of responsibilities for the oversight of operational and control functions, and the extent to which they might benefit from the proportionality principle. In addition, AIFMs may consider outsourcing part or all of the risk management operations. With this regard, several options, including the outsourcing of more ‘mechanical’ tasks, such as data collection and report writing are currently discussed within the alternative investment industry.





The International Shipping Market

Harald Piper, Portfoliomanager, ADREALIS Service Kapitalverwaltungs-GmbH, Munich

The Global Economy, Global Trade and Shipping

The development of the global economy, global trade, and global merchant shipping are closely interlinked. Worldwide economic interdependencies and, above all, the distribution of production and manufacturing locations across all continents make shipping an essential element of global trade flows. The importance of maritime trade has increased mainly because of relatively low freight costs. Raw materials, semi-finished and finished products must all be transported as quickly and as cheaply as possible between production sites and sales markets, throughout the world.

Today, water is the most efficient mode of transport. Between 95 and 98% of intercontinental goods traffic therefore already takes place by the sea. Depending on the cargo, container ships, tankers, or bulkers are used for this purpose. Finally, in the tourism sector, the cruise subsector is also enjoying steadily increasing demand.
After global logistics collapsed almost completely in the spring of 2020 in the wake of the Coronavirus pandemic, - global economic growth plummeted from average annual growth of around 5% to a new low of less than 0% within a very short period of time- although a strong recovery did set in the second half of the year. A good nine months later, the demand for cargo volumes has almost returned to pre-crisis levels and freight costs are now rising rapidly; merchant shipping is running at full speed as it has not done in a way not seen for some time.

The Market for Container Ships

Global trade is no longer imaginable without container ships. Today, more than 70% of all goods traded worldwide are handled by container ships. Containers are perfectly suited for this purpose, as almost everything can be stowed in them that used to be shipped in sacks, boxes or bales before containerization, i.e. up to the mid-1960s.

Container ships are designed and optimized to move standardized transport units. The TEU (Twenty-foot Equivalent Unit), i.e. a twenty-foot standard container, is an internationally standardized unit and is also describes the loading capacity of container ships. The largest container ships are currently around 400 meters in length and have a cargo volume of over 21,000 TEU. Around 6,500 container ships in total are currently in operation worldwide.

The need for container ships and the availability of corresponding cargo volume s are linked closely to the development of the global economy and global trade. As the chart shows, global supply, i.e. the capacity of container ships (measured in available TEU) has developed at an average rate of just under 10% p.a. over the past 30 years. Since 1990, supply has grown from around 400 million TEU to approx. 5,600 million TEU by the end of 2019, which corresponds to a multiple of 14. Although container throughput slumped dramatically in spring 2020, it now appears to be stabilizing again at a high level. In this regard, the effects of the global Coronavirus pandemic hardly seem to have had any lasting impact at all on global trade.

The Market for Oil and Product Tankers

Tankers carry mainly liquids and gaseous substances. Depending on the type of cargo, a distinction exists between crude oil tankers, product tankers, and liquefied gas tankers.

In addition to container ships, oil tankers are an essential element of global trade: almost 100 million barrels of oil are consumed worldwide every day. Once converted, this corresponds to about 180,000 liters of crude oil consumed per second. More than half of this is transported by an oil tanker.

The Bulker Market

Bulk carriers, also called bulkers, are used to transport loose goods such as ore, coal, or grain. The advantage of this type of ship is that it can be used flexibly. At over 50%, the bulk carrier market accounts for the largest share of the total ship market.

The Cruise Market

The cruise market is a growth market. There are currently around 400 ocean-going cruise ships in service worldwide, although most of them are currently not in operation due to the pandemic. Further and, above all, increasingly larger units are set to follow in coming years, according to the current order books, this amounts to at least 50 ships over the next four years.

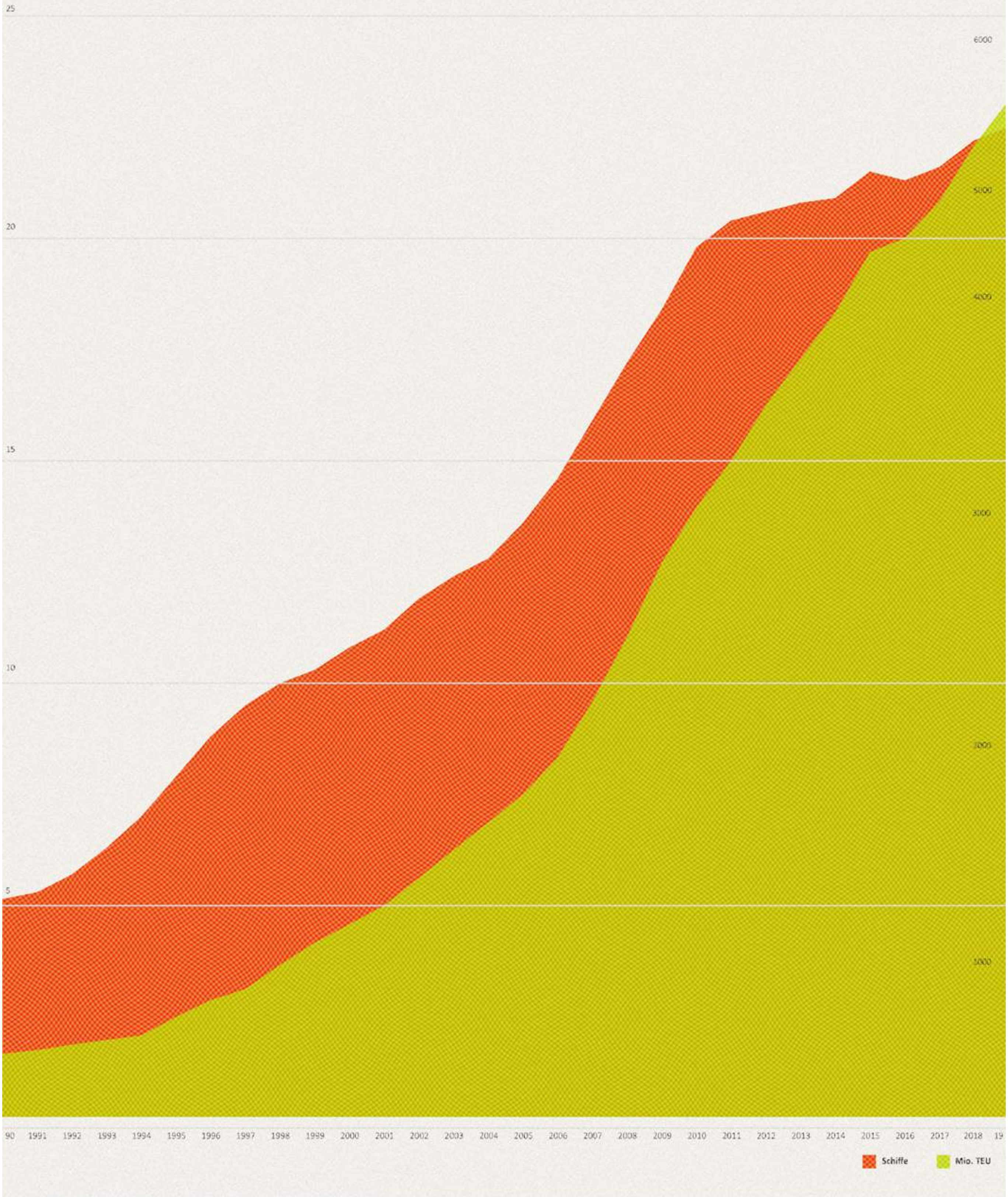
Overall Development and Outlook

Water transport of goods has enjoyed a growth trend for many years now and according to forecasts will continue to do so. From an ecological and economic point of view, it is the only way to efficiently transport the goods volumes required worldwide. More than 95% of global trade takes place by the sea, with an average of about 12 billion tonnes of goods being moved each year. According to projections, this figure could rise to between 50 and 90 billion tonnes in the next few years. Shipping is therefore a dynamic market that offers lucrative investment opportunities.

Both in the merchant shipping sector and in the cruise market, the issue of environmental protection has become a fundamental component of planning. Ideas range from using low-sulfur heavy fuel oil, which is already required in many places today, to using LNG liquid gas as a way of completely replacing heavy fuel oil (which is controversial), with hydrogen propulsion. Completely new concepts such as replacing ships fabricated from steel with sustainable, lighter materials are also currently under research.

Development of The Global Fleet of Container Ships

International Shipping Market



Retail in Transition

Bernhard Bertele, Portfoliomanager, ADREALIS Service Kapitalverwaltungs-GmbH, Munich

ANY USEFUL EXAMINATION OF THE RETAIL TRADE
MUST INVOLVE AN ANALYSIS OF HOW IT IS STRUCTURED

An initial approach to this can be obtained from the type of product assortment available. Below, we look at both the food sector (including related products) and the non-food sector.
When it comes to distribution channels, a basic distinction can be drawn between stationary retail and online retail, whereby stationary retail can be broken down in turn into "shopping malls", "specialist retail centres" and inner-city retail.

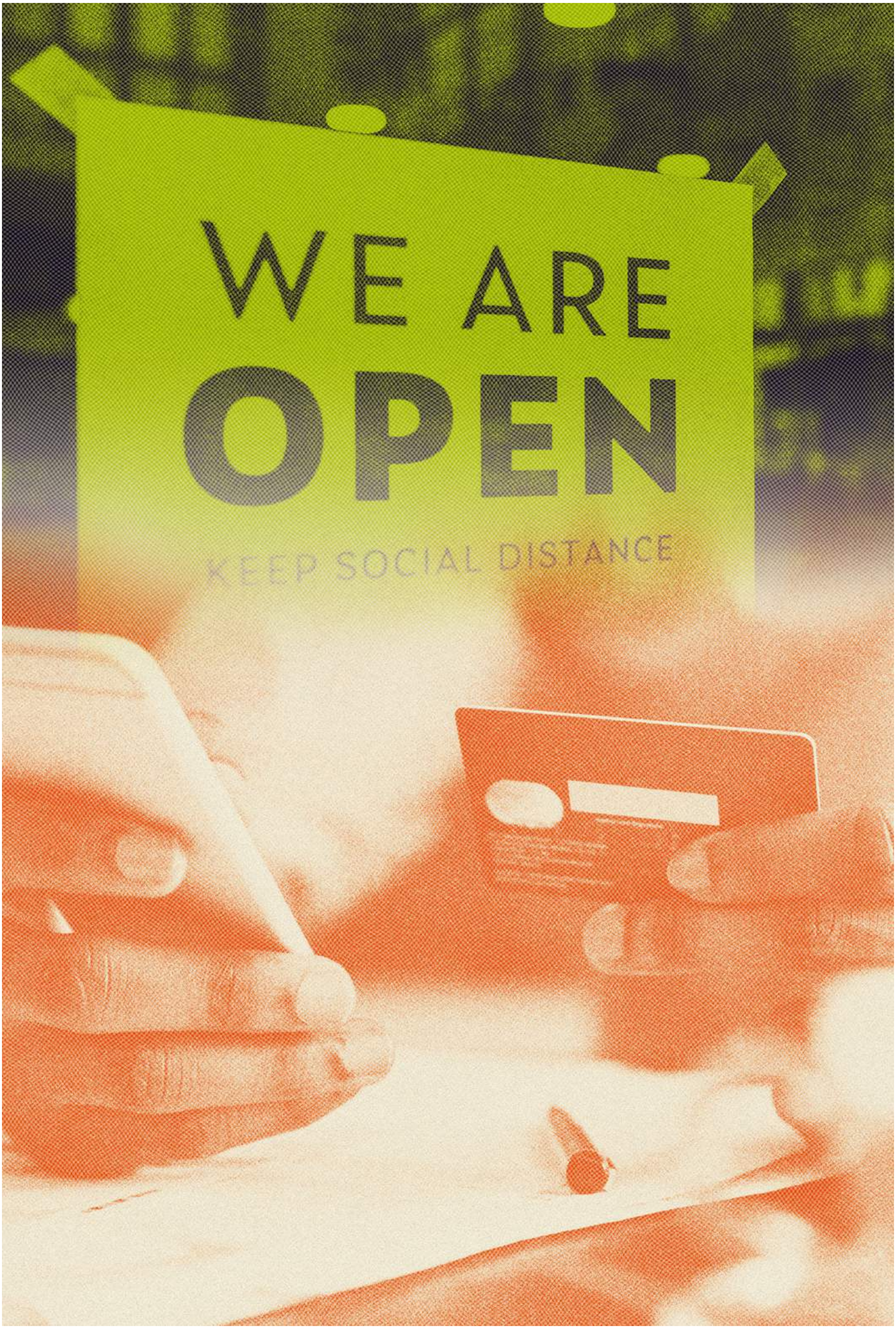
The retail trade ensures that the population is supplied with its basic needs. In this regard, any changes taking place in this sector are an issue of crucial importance in relation to the its socio-economic structure, as they are accompanied by corresponding alterations in lifestyle and the ways people organise their lives.

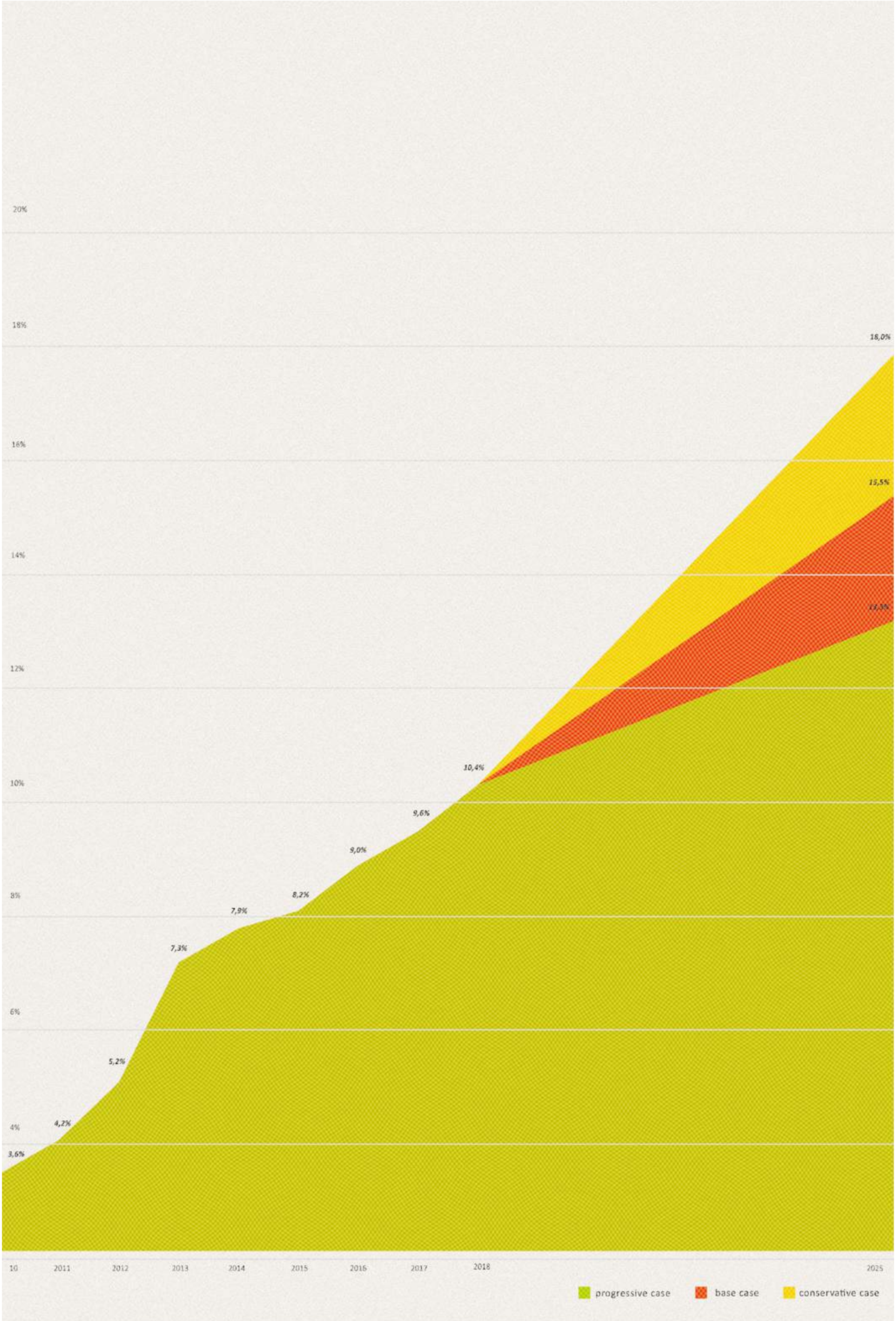
In the last 20 years, for example, it has become clear that "department stores" as a concept are increasingly just the "shopping temples" of a bygone era, they are virtually obsolete. In Germany first and foremost, the demise of Karstadt comes to mind. Changes in buying and demand behaviour have largely led to the "department stores'" becoming increasingly irrelevant, and this process has been accompanied by numerous individual store closures.

Online trading in clothing, computers, electronic articles and here, sales figures have been increasing for years. Top of the list in terms of online sales is clothing, at almost 9 billion euros, followed by computers and software at around 6 billion euros, and other retail at 4 billion euros.

If one looks at the importance of online trade for the individual product groups, a different picture emerges: the share of online trade is only 17.1 % for clothing, as over 51 billion euros were turned over here in stationary retail. Clothing is only in twentieth place among product groups with the highest online share. Musical instruments and music supplies are at the top, at just under 52 %, while recorded sound and image products account for almost 49 % of online sales. Antiquarian bookshops follow in third place at over 45 %, with toys in fourth place at over 36 %. The food sector, with a 3.8 % share of total online sales, amounts to a vanishingly small share.

The share of online trade as a proportion of total trading volume rose from 3.5% in 2010 to its current market share of 10.4% in 2020. The following diagram illustrates this and projects that, even estimated conservatively, its market share will continue to rise.


WE ARE
OPEN
KEEP SOCIAL DISTANCE



20%
18%
16%
14%
12%
10%
8%
6%
4%
3,6%
4,2%
5,2%
7,3%
7,9%
8,2%
9,0%
9,6%
10,4%
18,0%
15,5%
10
2011
2012
2013
2014
2015
2016
2017
2018
2025
progressive case
base case
conservative case

Thus, online retailing will become increasingly important in the future, and this means that "non-online retail" will have to adapt to these changes.

Face-to-face shopping in non-food retail will become increasingly less significant. This could have far-reaching effects on shopping malls and inner-city "shopping miles", in particular. To date, the latter have served as an development and urban planning concept intended to revitalize city centres, but it must always be borne in mind that today's real estate investments are our urban planning face of tomorrow. In this regard, change is only possible slowly and gradually. While it will certainly be possible to convert individual retail properties, I am somewhat sceptical when it comes to large scale developments. In this regard, creative ideas and schemes for urban design and revitalisation are needed. Shopping as an “event” seems to be slowly dying out.

If there really is a significant decline in demand for retail space, there will be downward pressure on rents for non-food space. Thus, the food sector, it seems at present, will be little affected by this trend.

Since March 2020, Covid-19 has been circulating around the world in the form of a pandemic. To contain it, our government has ordered two lockdowns During the first lockdown, from the end of March to mid-May, all non-food retailers were required to close their stores. Numerous government transfer payments were supposed to at least partially compensate for the corresponding losses of sales. After six weeks of closures, most retailers have recovered. During the second lockdown from 15.12.2020, which we are currently still in, all non-food retail markets have had to close again.

Transfer payments were also intended to mitigate the loss of sales. However, due to bureaucratic obstacles and hurdles, only a small part of the transfers were actually taken up. Large retail chains, such as Adler and Pimkie- , have already filed for insolvency. In addition, during the lockdown, shopping was only possible online. This meant that even avid face to face shoppers were forced to order online. While some of them will certainly now be more open to online shopping than previously, just how major the shambles will be, once the retail trade reopens, will only become clear in early summer. Further insolvencies seem at least a possibility.

There is a broad consensus that structural changes to the retail sector will be reinforced and accelerated by Covid-19. In any case, the losers will be retail shops, with smaller shops, in particular, bebeing severely affected.

So it remains exciting to see what the future holds in terms of shopping behaviour. What is certain, however, is that retail properties will be losers and logistics properties supporting online tradinge will be winners.

Renewables Energy

Angelo Olympio, Portfoliomanager, ADREALIS Service Kapitalverwaltungs-GmbH, Munich

ELECTRICITY HAS BECOME A VITAL PART OF THE WORLD WITHOUT IT WE WOULD STILL LIVE LIKE IN THE STONE AGE IT ENABLES INDUSTRIAL PRODUCTION, MOBILITY AND ENTERTAINMENT. OUR SOCIETY HAS BECOME ACCUSTOMED TO THE MOST IMPORTANT TECHNOLOGY THE INTERNET WOULD NOT WORK WITHOUT ELECTRICITY. TO SEE IF WE CAN PRODUCE THIS ELECTRICITY IN A SUSTAINABLE WAY, I WILL EXPLAIN IN A SHORT PARAGRAPH WHAT SUSTAINABILITY MEANS ENVIRONMENTAL SOCIAL GOVERNANCE (ESG)

Environmental Social Governance

ESG is the abbreviation for "Environment Social Governance". ESG-based or sustainable investing does not yet function according to a fixed predefined model. Since there are no uniform guidelines yet and the understanding is often on the subjective level of each individual. The most important criteria are explained below.

Environmental

This component of ESG investments primarily includes environmental and climate protection. The aim is to ensure that the earth's natural resources are protected during production. Specifically, this includes investments in renewable energies, efficient use of energy and raw materials, and environmentally compatible production and low emissions to air and water.

Social

This criterion for ESG investments covers all social impacts of the company's activities, in particular the specific working conditions. This includes above all that human dignity is respected and that good conditions prevail for all. In addition, compliance with labor rights is important. It also includes occupational health and safety, fair conditions at the workplace, as well as appropriate remuneration and opportunities for training and continuing education. Respect for human rights and human dignity as well as prohibition of child and forced labor.

Governance

The third aspect of the ESG criteria considers the ethical behavior of the company - both in society and within the company. Of particular importance here are transparency and fairness, Targeted measures against corruption¸ transparency and openness; diversity and equal opportunities;

In the creation of a sustainable investment portfolio, the ESG criteria have a decisive function, as according to them certain companies or even industries are excluded if they are not observed. The exclusion principle, whereby companies that do not meet certain predefined values are excluded from the investment process, is the most common way of implementing ESG criteria.

One of the "Global Trends" we identify is Renewable Energies even though it serves as a buzzword, renewable energies are predestined for the ESG label. Global investments in renewable energy between 2004 and 2019 amount to USD 3.5 trillion and the trend is rising. Due to ongoing digitalization, the demand for electricity will increase even further in the future since the industrial revolution, the energy mix of most countries in the world has been dominated by fossil fuels. This has a significant impact on the global climate and human health. Three-quarters of global greenhouse gas emissions result from burning fossil fuels for energy. Fossil fuels are also responsible for large amounts of local air pollution. This air pollution is known to cause health problems.

In this respect, the advantages of renewable energy are clear. Nuclear power has many risks, these can be avoided. The climate is protected and fewer pollutants are produced. Emissions of greenhouse gases such as carbon dioxide (CO_2) and methane are reduced, the global greenhouse effect is slower, and climate change is not accelerated any further. The increasingly scarce fossil fuels such as oil, gas, coal and uranium can be optimally replaced by renewable energy sources. The energy supply of industry as well as private households can thus be maintained. The use of renewable energies and the resulting strong and diverse competitive landscape guarantee a high level of quality with a fair price-performance ratio. There are no oligopolies that can dominate and keep prices high. Inexhaustible and free energy sources - especially sun, wind, water is available in abundant quantities and can be used permanently by power plants to generate electricity or heat. Green investments also stand for more employment in the field of alternative energies (research, development, planning and production of energy power plants). The above-mentioned advantages allow us to draw conclusions that not only the rational but also the moral compass of the investors has been activated over the years. Investors are of paramount importance to funds as well as their managers, as without one the other cannot function. Thus, fund managers are no longer just chasing returns, they also represent values, norms and principles that the ESG approach defines as filters. With this in mind, renewable energy funds, among others, have been set up. These include stocks and/or real estate assets from the renewable energy sector. These can be, for example: Hydrogen, plastic recycling, electric car manufacturers, wind power plants, biomass power plants, hydroelectric power plants, geothermal power plants, energy storage manufacturers and supplier companies for manufacturers from the previously mentioned sectors. From these areas, fund managers can now create packages that are potentially interesting for investors. Thus, even in the renewable energy fund sector, there are products with high risk but also high returns, as well as solid investments designed for long-term value creation that have more moderate returns. Renewable energies will play a key role in the decarbonization of our energy systems in the coming decades.

ESG in a Service ManCo

Ernst Rohwedder, Managing Director, ADREALIS Service Kapitalverwaltungs-GmbH, Munich

WHAT IS ESG?

ESG (environment, social, governance) risks

is concept that include various sustainability factors, those related to overall climate change impacts mitigation and adaptation, environmental management practices and resilient duty of care, working and safety condition, respect for human rights, anti-bribery and corruption practices, and compliance to relevant laws and regulations.

The ESG criteria for some time already have become the standard for evaluating sustainable investments. These will allow public and investors to determine whether companies systematically evaluate risks and opportunities from an environmental, social, and governance standpoint.

When combined with a classic financial analysis and due diligence process which is inherently embedded in investing process, these factors can be used to better estimate future performance and risks of the investments on one hand, and on the other hand investors can strategically design their portfolio in accordance with their personal values, goals and sustainability improvement.

Environmental

Environmental criteria include aspects of a company's resource and energy consumption, pollution standards and/or emissions. This also includes the evaluation of potential environmental risks that the company is facing on a daily business basis, potential effects of existing and new environmental laws and regulations and how they will handle these risks.

Social

Social criteria are concerned with the values that are defined within a company, for its treatment of stakeholders including employees, clients, subcontractors, and overall community. It can range for obeying and compliance with employment laws to actively enforcing sustainability standards with all of its stakeholders.

Governance

Especially with recent scandals and business failures, governance criteria are used to evaluate companies in terms of their management and control structures, business ethics, and transparency of their corporate policies. This includes how they respond to whistleblowers, or management's attitude toward shareholder codetermination.

Potentially, investors may profit from ESG investments. Besides with good feeling that comes with investing in positive change for long run sustainability, environmental and social issues, considering of sustainability criteria factors means better-informed investment decisions. This is the reason why is focus on ESG disclosure. In terms of profitability some studies show that companies with good ESG management tend to be more profitable and resistant (for instance COVID-19 crisis).

WHY ESG?

Regulation and role of ESG service ManCo

With new regulation, Management Companies should be assessing not only all relevant financial risks on an ongoing basis, but also all relevant sustainability risks.
The aim of furthering sustainable finance and ESG integration, the European Commission introduced a package of legislative measures in 2018 that includes three key Regulations:

- the Taxonomy Regulation,
- the Disclosures Regulation, and
- the Low Carbon and Positive Impacts Benchmarks Regulation.

The underlying impact assessment to this legislative package also demonstrated that it was necessary to make clear that AIFMs should take sustainability risks and factors into account as part of their duties towards investors.

Role of service ManCo is to be able to help all stakeholders (investors, asset management companies, etc…) in identification, measurement and disclosure of ESG related parameters.

Common ESG approaches

When it comes to different approaches, based on level of sophistication and focus of methodologies, we have at least 3 approaches:

Exclusions (negative list):

Avoidance of investments in controversial business segments or industries, or specific companies that conduct themselves in a manner inconsistent with pre-defined standards and values. For example, this could include companies from the arms industry or those that tolerate unethical working conditions.

Integration:

Consideration of financially relevant ESG risks and opportunities in combination with a traditional financial analysis at the time of target investing and portfolio creation.

Thematic strategies (target approach/ impact investing):

Besides generating market-oriented returns, impact investing also consider the contribution to the UN's sustainable development goals. This includes, for example, eradicating poverty and hunger, measures to counteract climate change, and promoting education and gender equality all over the world.

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info@xol-group.com
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Publish by
XOLARIS AG
Austrasse 15
FL-9490 Vaduz
Liechtenstein

Tel. +423 265 056 0
Fax +423 265 056 9

@xolarisgroup

Press Contact
Zoe Peffer
marketing@xol-group.com
+49 7531 584 88-30

Writees
Christian Minkus, FMA – Finanzmarktaufsicht Liechtenstein

Hendrik Böhrnsen,
Managing Director,
ADREALIS Service Kapitalverwaltungs-GmbH

Kai Renning,
Managing Director,
XOLARIS Capital AG

Volodymyr Andrianov,
XOLARIS Capital AG

Harald Piper,
Portfoliomanager,
ADREALIS Service Kapitalverwaltungs-GmbH

Bernhard Bertele,
Portfoliomanager,
ADREALIS Service Kapitalverwaltungs-GmbH

Ernst Rohwedder,
Managing Director,
ADREALIS Service Kapitalverwaltungs-GmbH

Angelo Olympio,
Portfoliomanager,
ADREALIS Service Kapitalverwaltungs-GmbH

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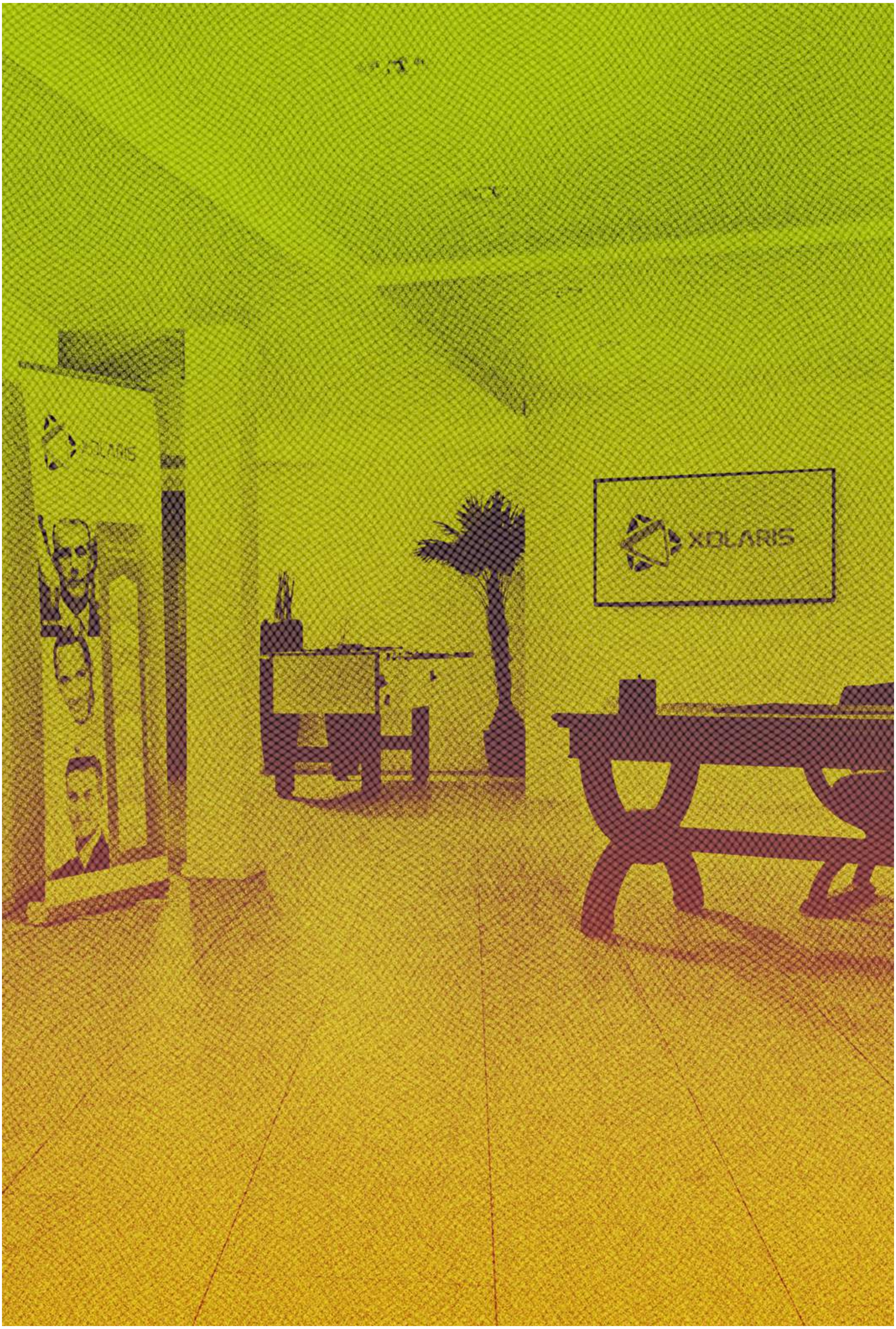
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XOLARIS

XOLARIS AG
Austrasse 15
FL-9490 Vaduz
Liechtenstein

Tel. +423 265 056 0
Fax +423 265 056 9

info@xol-group.com
www.xol-group.com