



B E R G O S

P R I V A T E   B A N K

THIS IS THE MONTHLY NEWSLETTER  
BY AND FOR  
THE BERGOS NEXT COMMUNITY.

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N E X T  
M O N T H

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THIS MONTH IS:  
**OCTOBER**



Save *the* Date  
*Art Basel Paris*

*18<sup>th</sup> & 19<sup>th</sup> October 2022 – Paris, France*

Please contact the Bergos Next team if interested  
[NextDesk@bergos.ch](mailto:NextDesk@bergos.ch)





Save *the* Date

# Capital Markets

*First week of November – invitations will be sent out soon*

Please contact the Bergos Next team if interested  
[NextDesk@bergos.ch](mailto:NextDesk@bergos.ch)

With

Frederik Carstensen & Maximilian Mahn

# Geneva Event with AvS Trusted Advisors

17 November 2022



Geneva (CH)



For interest please reach out to [events@Bergos.ch](mailto:events@Bergos.ch). Due to a limited number of space available, registration will be accepted in the order in which they are received.



A BERGOS BRIEFING

# *Real Estate*

EQUITIES  
BOTTOM UP VIEW

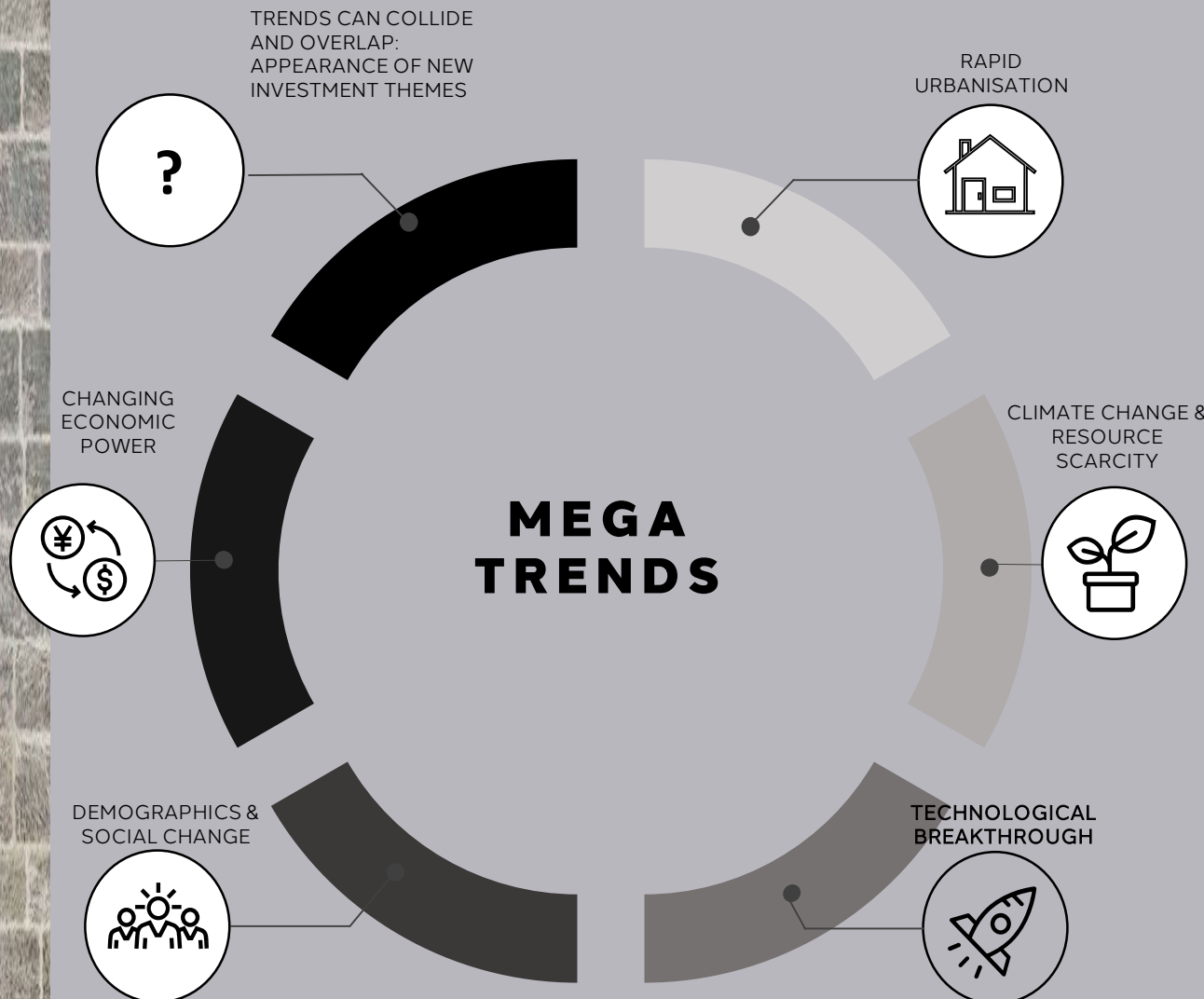
ACTIVE ADVISORY



**NEXT  
INVESTOR**

## WHAT IS THEMATIC INVESTING

New long-term trends are transforming the global economy. Thematic investing is about finding companies that are set to benefit from a global structural change backed by the Megatrends, which we believe will drive outperformance compared to global equities in the long-run. Moreover, thematic investing seeks to align asset selection with certain economic, political, and social themes prevalent in modern society. In order to represent a long-term component in the portfolio, we seek to capture the arising opportunities across sectors and geographies.





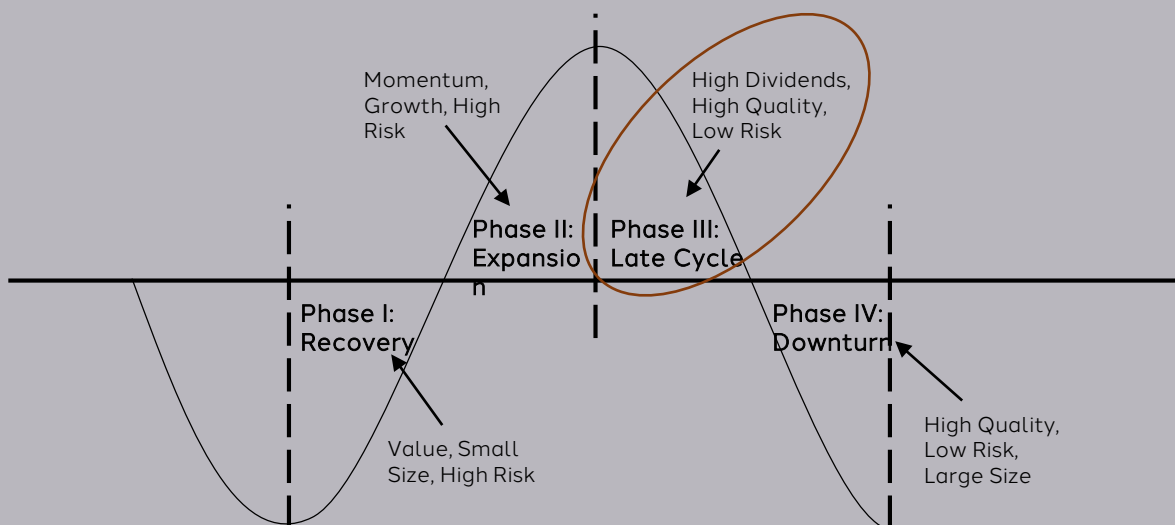
# BOTTOM UP: REAL ESTATE

## SECTOR FOCUS POINTS

Currently, the macro environment is the toughest for Real Estate in over a decade. Year-to-date (YTD), the Real Estate sector has lagged the S&P 500, only topping the three sectors Communication Services, Consumer Discretionary, and Technology, which are characterized as being long-duration Growth sectors and which were also impacted by rising rates.

## LATE CYCLE WINNER – BUT RECESSION RISKS AHEAD

The real estate cycle, as demonstrated in the figure below, comprises four phases: Recovery, Expansion, Late Cycle, and Downturn. Each cycle can cause the real estate market to shift significantly, however, investors who are aware of the cycles and who closely monitor the market, may find interesting opportunities in each cycle.



Source: Bergos, Bank of America

An ongoing slowdown marks the Late Cycle, during which High Quality, Low Risk, and High Dividend factors have historically outperformed. The real estate sector has attractive dividend yields and strong fundamentals. Bank of America argues that real estate has been one of the best performing sectors during Late Cycle, outperforming 75% of time. Moreover, Bank of America states that hedge funds have increased their net exposure during the past three months and slightly overweight Real Estate.

The current macro environment of heightened inflation, rising interest rates, rising cost-of-living, as well as a fear of recession is not in favor of the Real Estate sector. Particularly, the current rate environment as well as the recession risks are big headwinds, as they can drive property prices. On the other hand, the sector benefits from higher inflation, as this is driving up prices for rental property rates.

For the first time in many years, heightened uncertainties among market participants broke the continuous price increase (especially in the Core/Core+ segment) as fewer buyers are active on the market, hence, transaction prices are falling and yields are rising.

# BOTTOM UP: REAL ESTATE

## RISK DIAGRAM IN REAL ESTATE

Brick by brick, private real estate rebounded. During the pandemic uncertainty about how we will live, work, shop, and eat slowed fundraising activity. In 2021, investors returned to the asset class and according to McKinsey, fundraising in opportunistic and value-add strategies grew sharply. They estimated a 57% rise in opportunistic and a 12% rise in value-add strategies.

## CORE AND CORE+ STRATEGIES

A central principle of modern finance is the so-called mean-variance model, which analyses the relationship between expected return and risk, measured by volatility of returns. Investing in real estate also fits into this framework and typically lies between bonds and equities on the risk-spectrum. Within real estate strategies, Core as well as Core+ strategies are in the lower portion of the real estate risk-return spectrum, as shown in the figure below. Core and Core+ properties require only little asset management, they generate stable and consistent cash flow, and are suitable for conservatively oriented investors.

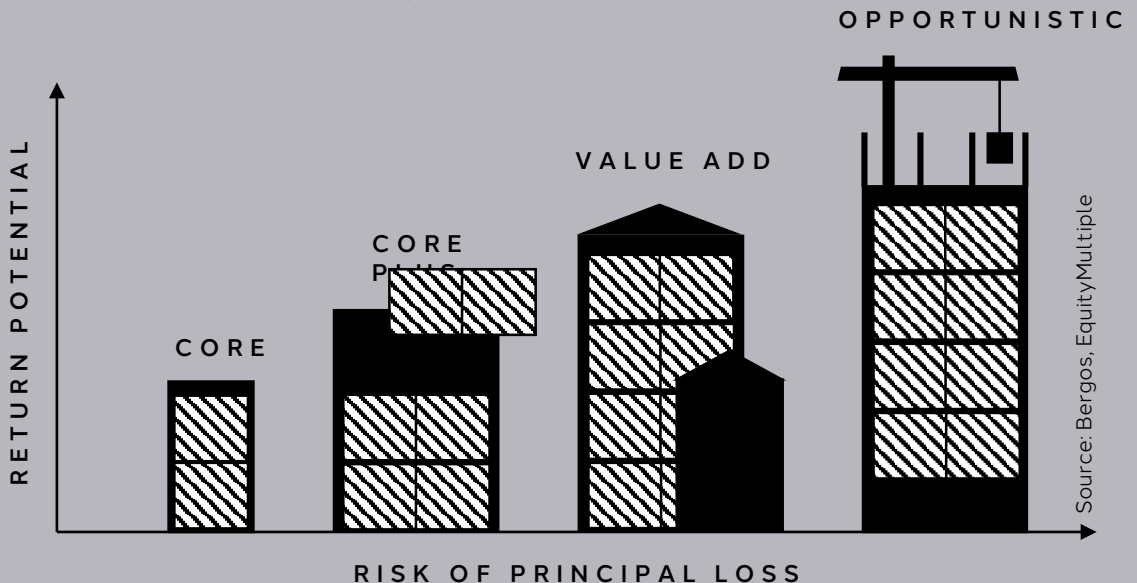
## VALUE-ADD STRATEGIES

A central principle of modern finance is the so-called mean-variance model, which analyses the relationship between expected return and risk, measured by volatility of returns. Investing in real estate also fits into this framework and typically lies between bonds and equities on the risk-spectrum. Within real estate strategies, value-add strategies are in the upper-mid portion of the real estate risk-return spectrum as shown in the figure below.

Value-add Real Estate is defined as an existing property with optimization potential through renovations, rebranding, or operational efficiencies. The properties may be physically outdated, are lacking a proper management, or may experience below market rents or occupancy rates. Therefore, value-add strategies offer investors the opportunity to monetize hidden values of "undermanaged assets".

## OPPORTUNISTIC STRATEGIES

At the top of the risk ladder, we find opportunistic real estate strategies, which target properties that require major renovations. Typically, the improvement plan is more complex than it is for value-add strategies. Opportunistic strategies have the highest potential of loss, however, with greater risk comes the potential for great reward, too.





## SPOTLIGHT: REAL ESTATE

### GERMANY: A LIQUID REAL ESTATE MARKET

Germany's dynamic city hubs such as Berlin, Frankfurt, Munich, and Hamburg are among the top 10 in Europe, according to "Emerging Trends in Real Estate Europe 2022", a study conducted by pwc. Another finding of the study was that Berlin just followed after London in being the most-favoured city for combined investment and development opportunities.

Moreover, in the first half of the year 2022, office properties continued to be the strongest asset class on the German commercial real estate market with around EUR 13.1 billion placed in this segment. Of these EUR 13.1 billion, a significant EUR 9.8 billion was invested in the A-locations, where Frankfurt is the most dominant region. According to BNP Paribas, an office tower was traded in the triple-digit million range in Frankfurt during the second quarter of the year. But also B-locations are gaining market share, as the spread of price expectations between buyers and sellers is more narrow and as they seem to reach negotiation results more quickly.

### CLIMATE RISK AND OPPORTUNITIES FOR REAL ESTATE INVESTMENTS

Climate change has moved to the top of the agenda. Attention to climate risks and environmental, social, and governance (ESG) factors led many governments to incorporate clean energy policies in post-pandemic recovery plans, passing laws to target emissions. On the other hand, regulators developed reporting standards, investors made net-zero commitments, tenants are demanding more sustainable buildings, and the list continues.

In the real estate industry, building climate intelligence is not only essential for value creation but also for strategic differentiation. The same is also true reverse. According to McKinsey, Real Estate drives approximately 39% of total global emissions and, hence, is central to global climate change efforts. Mainly two components are key drivers: raw-material processing for buildings and infrastructure through energy-intensive cement and steel production and buildings operations.

Significant reductions in emissions associated with real estate can be achieved with positive economics through technologies that already exist.

Source: Bergos, pwc, BoA, UBS, BNP, Equity Multiple





# P

## odcasts *of the month*

### 1 Will Art Survive as an Asset Class?

With Dr. Thomas Kellein, Head of Art Consult

### 2 Developments in *FinTech*

With our investment specialist Martina Oetiker

### 3 ESG

*From an investmnets point of view*

With Therese Schwerzmann, Head of Fund Selection

### 4 *Bergos NEXT*

Why Banks should focus on the younger generation

With Naila Malemusa, Project Manager CEO Office & Next-Desk



# Who is *Next*

## *Introducing* – Eva-Maria Grano-Lindner & Valentina Ronner

### How did you come to the bank?

#### **Eva-Maria Grano-Lindner**

I have been with the Bergos Family since August 2020. My professional roots lie in the hospitality and hotel business, where I was primarily responsible for marketing and press relations. After an excursion into the watch and jewelry industry, I finally came to banking, which has accompanied me since 2018.

#### **Valentina Ronner**

After my studies at the Hospitality Management School, where I accomplished two internships in Hong Kong and in London, I joined the Bank in February 2020 as an intern. During my internship I gained valuable insights in the Events and Communications department and was very determined to work permanently for Bergos.

### What is your regular job with us?

The Bergos Events Team is primarily responsible for the organization and execution of our top-class events. With a lot of joy and passion we both act as a “dream team” and make sure that our guests feel comfortable and experience the Bergos family spirit that is so important to all of us. A precise and far ahead planning way of working is very important in our department. Embedded in the communication team, we work very closely with the Art Consult team, the Private Banking department as well as the CEO Office and the Bergos Welcome Desk.

### What is my role in Next?

Our role at Bergos Next is to understand the needs of our Next community and reflect them in our events. We organize all Bergos next events in close cooperation with the Next Core Team, secure suitable locations and support the selection of interesting and exciting topics for the respective event.

For our recent Bergos Next Weekend in Hamburg we received great feedback and we are happy to announce that many more exciting events are planned for the future.

### What do you do when your are not at the bank?

#### **Eva-Maria Grano-Lindner**

During my free time I spend a lot of time with my seven-year-old son, I like to go running or sailing.

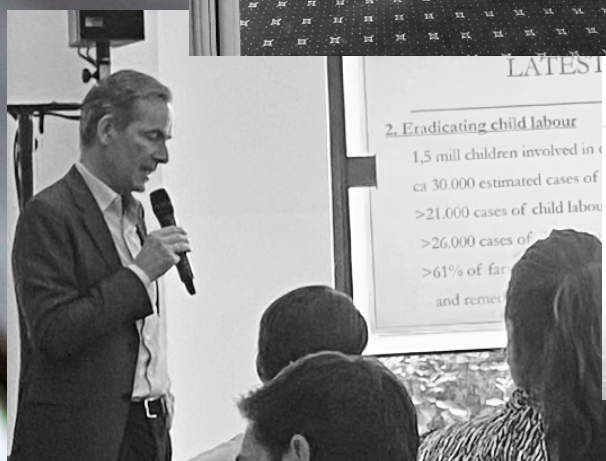
#### **Valentina Ronner**

When I am not at the bank, I enjoy my time with my family and friends, love to travel and in winter you can find me skiing in the mountains.

# Impressions

# Next Weekend

## Hamburg



### **Saturday, 10 September 2022**

1030 Welcome Coffee & Remarks - Automuseum Prototyp ([Website](#))

11.15 Case Study Corporate Responsibility

by [Dr. Andreas Jacobs](#)

1200 Lunch

1330 Guided Tour / Network Sessions

15.00 Keynote by Nils Kohle (Founder of [Ownr](#))

18.45 Meeting for Private Reception ([The Fontenay](#))

19.00 Start of Private Reception followed by Flying Dinner





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## W H O W E A R E

You probably know us, but if not, here are a few words about us. We'd be happy to chat more! Reach out: [info@bergos.ch](mailto:info@bergos.ch) or [next@bergos.ch](mailto:next@bergos.ch) are great ways to get in touch! So here we go:

We are Bergos, an independent, internationally operating Swiss Private Bank. We have a clear focus: protecting and growing private wealth.

Our name honors the many generations who, for more than four centuries, fostered entrepreneurial thinking, good education, and personal integrity. It expresses the ideals of independence, continuity, and openness to the world. We understand, respect and value this responsibility.

And we are glad you are here!

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