

# A fund for generations to come A province that seizes opportunities

fibeg and the Lower Austrian Generation Fund



# fibeg.

## Managing the assets of the Lower Austrian Generation Fund



### Funding

Around EUR 2.5 billion from the province of Lower Austria

### Mission

Long-term investments that generate the maximum possible benefits for Lower Austria

### Foundation

The investment and risk management guidelines stated by the Parliament of Lower Austria

### Lower Austria

Austria's largest federal province, situated at the crossroads between Eastern and Western Europe

1.625 million inhabitants in 573 municipalities*	One in five Austrians lives in Lower Austria (19.2%)
19,178 km <sup>2</sup>	Just under a quarter of Austria's total area (22.9%)
85 inhabitants per km <sup>2</sup>	Eurozone: 127 per km <sup>2</sup>
Gross regional product per capita: EUR 31,100*	Eurozone: EUR 28,600*
Employment rate: 73.3%*	Eurozone: 63.5%*

\*Source: Statistics Austria

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# Protecting gains. Opening up new opportunities.

**State Parliament resolutions:** The Lower Austrian Parliament started with allocating assets in funds in 2002. Land Niederoesterreich Finanz- und Beteiligungsmanagement GmbH (fibeg) was set up in November 2001 to govern these investments. The company is fully owned by the province of Lower Austria.

## The Generation Fund

The Parliament established the Lower Austrian Generation Fund in 2014, and transferred securitised assets for the fund to Niederoesterreich-Fonds (NOE-Fonds) in the form of profit-sharing certificates.

As the dedicated accounting entity for Lower Austria, the Generation Fund uses investment gains to fund social initiatives aimed at addressing the prospective challenges facing the community. This underlies the goals of the province's long-term public provident saving scheme.

- The **long-term return target** is 150–250 Basis Points above the average government bond yield weighted by outstanding amounts (UDRB).
- The **capital stock** of the Generation Fund will benefit future generations of Lower Austrians.

## Annual payouts

The annual payouts from the Generation Fund enhance Lower Austria's financial strength.



## fibeg's structure

Our structure is shaped by checks and balances and transparency, reflecting our strong sense of responsibility as a public entity.

In line with the expectations of a publicly funded organisation, fibeg's staff of 10 govern the Generation Fund assets with a view to maximising cost effectiveness. Regular consultation in accordance with the principle of redundant supervision facilitates high-quality decisions, while specially selected partners help to ensure professionalism in all of our investments.



# Guidelines and operating principles: investments

The Parliament of Lower Austria revised the investment guidelines for NOE-Fonds when establishing the Generation Fund in 2014. Alternative investments such as hedge funds and commodities were excluded and unhedged foreign currency exposure was limited to 20% of total assets.

Asset class	Max. allocation under inv. guidelines, %
<b>Asset allocation</b>	
Bonds (incl. money markets)	100
Equities and equivalent financial instruments	40
Real estate	20
<b>Bonds</b>	
Investment-grade (incl. proxy ratings)	100
High-yield and unrated securities	20
<b>Other requirements</b>	
Unlisted securities	20
Currency risk (non-USD < 5% per currency)	20
Derivative limit	10
Hedge funds, commodities and exotic derivatives	0

## Compliance

NOE-Fonds investment structure ensures compliance with investment guidelines set by the Parliament of Lower Austria and also federal statutory regulations (in particular the Investment Fund Act 2011 and the Alternative Investment Fund Manager Act).

## Applicable principles

fibeg is primarily responsible for controlling and monitoring investments:

- Generation Fund assets are split into **independent special funds** that are valued by a management company using the fair value principle.



- Developed in collaboration with an international investment consultant, the **strategic asset allocation** provides the framework for tactical asset allocation and for mandates managed by external asset managers.
- Systemic **risk management**, which is applied on a number of different levels, is fully separated from asset management.
- Detailed emergency procedures are implemented in the event of turbulence on the capital markets.
- Under the **multi-manager approach**, decisions on individual securities are outsourced to asset managers in Austria and abroad.

### Word for word

Adopted in March 2014, the Lower Austrian Parliament's investment and risk management guidelines state that:

Assets must be invested with a view to generating the **maximum possible benefit for the province** of Lower Austria.

Assets must be invested in such a way that in the event of a conflict of interest, investment decisions are taken **solely in the interests of the province** of Lower Austria.

Investments must be long-term and diversified. The applicable specific investment requirements should take into account the **security, quality and liquidity of the overall investment**.

Investment risks must be continuously assessed and managed, and the choice of **risk management methods** should be geared towards the technical and scientific state of the art.

Investments and risk management must always conform to the **specific investment requirements**.

To the greatest possible extent, investments must **take into consideration international agreements** and guidelines on the environment, human rights and corruption.

# In the public interest: transparency and accountability

Under its official mandate, the Generation Fund invests on behalf of and in the interests of the people of Lower Austria. fibeg is committed to publishing information on its operating principles and results as part of its obligations to the population and their elected representatives.

## **Extensive Reporting Standards**

fibeg prepares regular reports for its Advisory and Supervisory Boards, and for the government and the Parliament of Lower Austria. This includes an annual report together with an independent auditors' report.

fibeg also posts information for the general public on its activities and the returns on investments made by NOE-Fonds on the following websites:

[www.fibeg.at](http://www.fibeg.at)

[www.generationenfonds.at](http://www.generationenfonds.at)

## **Auditing**

Besides fibeg itself, the asset managers, management company, custodian and auditors all assess the company's compliance with the investment guidelines and statutory requirements.

The most recent **audit by the Austrian Court of Audit** took place in 2012. The court's audit opinion underlined fibeg's professional approach.



# “If we see values as part of our responsibilities, we turn them into opportunities.”

The decision to invest Lower Austria’s assets was a far-sighted, groundbreaking choice. Our structures and processes meet the latest professional and international standards, as well as opening up long-term opportunities and minimising risk effectively.



At fibeg, a strong sense of responsibility is the cornerstone of our activities. This is underpinned by clear guidelines, professional management and strict governance procedures.

Robert Piller  
Managing Director

Johannes Kern  
Managing Director





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[www.fibeg.at](http://www.fibeg.at)