



**GESSLER CAPITAL**  
CREATING GROWTH

# FINANCING PROJECTS THROUGH FINANCIAL INSTRUMENTS

# WINCENT GESSLER

FOUNDER & CEO OF GESSLER CAPITAL GMBH, ZURICH.

[GESSLERCAPITAL.COM](https://www.gesslercapital.com)

Gessler Capital was founded in 2019 and has evolved over the years into a solutions platform. Today, we are solution experts in wrapping “bankable” and “non-bankable” assets via securitizations, fund solutions, and last but not least Security Token Offerings (STOs). In addition to peer-to-peer contracts, which are sometimes used for project financing, these formats can provide access to investors who require a standardized financial instrument to invest.

It is common for a client to contact us for a particular solution but then ultimately choose another solution. This is the purpose of being a neutral platform, and such a Swiss approach is in the DNA of our company.



AUGUST 2022: CIT NETWORKS

**The benefits of being a single source**

The rationale for becoming a platform, rather than limiting ourselves to one or two offerings, has to do with the fact that there are all sorts of financial product formats from different jurisdictions. Each comes with its own advantages and disadvantages. The product ultimately chosen by the capital seeker is very subjective, as each client perceives their trade-

We are constantly working to evolve in this direction.

**The role of the client's anchor investor**

When it comes to the chosen format, the final decision often rests with the client's anchor investor and not, as is sometimes wrongly assumed, with the capital seeker themselves. Thus, the first investor influences the choice of



off differently. As a platform, we can offer our clients access to a wide range of solutions with minimal trade-offs. Thus, the tedious search for a perfect solution ends when they turn to us as a solution platform. Our main goal is to provide a client-oriented and competitive service from a single source, as a one-stop shop, so to speak.

the format, not necessarily the client, who can of course submit their preference. This anchor investor may object to the suggested format, leaving the client at an impasse if they do not follow the investor's preference. The reasons for such an objection could include the reputation or regulation of the product jurisdiction, tax aspects, or security aspects such as segregation

of assets or whether these instruments are regulated by law.

**Serving as a sparring partner to our clients**

As solutions experts, we have the experience to maneuver the client through the entire range of options. We can highlight any stumbling blocks and give the client a thorough overview with the most important solution features. If necessary, we can refer to our cooperation partners. Once the client has decided on a solution, we will serve as their sparring partner, accompanying them throughout the process from idea to implementation.

**Product requirements and variations**

The underlying businesses may range from individual vessels to real estate projects to portfolio solutions, which can include various investments; there are hardly any limitations here. The payout types range from simple participation in the business or project success to variable coupon payments and hybrid payout types. In terms of size, requests are possible starting at one million euros and can be well over 100 million. The most common inquiries we receive are for projects in the EUR 5 to 50 million range.

***"We can wrap almost any asset or contract into a financial instrument."***

In the non-bankable area, we mostly see private equity or debt investments, but in principle any other contractual agreements or future revenue sources can be integrated. This allows for plenty of flexibility in the design of the financial product. Such contractual agreements are usually secured with additional collateral. For example, in the case of securitizations, this could be the underlying assets or shares of the company raising the capital. This reduces the risk for the investor, as these assets, in the event of a default, can be sold for the investor's benefit. Often a note is launched on an investment company or a specifically created Special Purpose Vehicle (SPV). However,

this is very case specific and should be evaluated accordingly. A note can also be used to increase the share capital without losing any voting rights, thus retaining full control of the company. Through a capital increase, a company could then obtain a line of credit or other financing from its bank. As you can see, there are several possibilities.

In the bankable field, which involves stocks, bonds, currencies, etc., we mostly offer portfolio solutions or so-called Actively Managed Certificates (AMCs) with licensed asset managers as clients. There are also solutions for pure advisors, although a licensed asset manager must be involved here as well. In such a format, almost any portfolio strategy can be implemented. With regard to the choice of broker, there are either predefined platform solutions with lower entry costs or open architectures, which can be linked to any desired broker and custodian. Similar to portfolio solutions, there are also tracker notes, which statically replicate only one underlying asset or a basket of assets. One key advantage of a portfolio solution is that investors do not get their money back each time an investment is realized – as is the case with individual investments – but remain permanently invested in the portfolio, providing the Strategy Manager with the funds for further use and thereby recycling the money within the AMC. Investors can thus participate in multiple projects for an indefinite period of time through a single purchase and thus also indirectly diversify their risk without realizing the gains in their own portfolio. The AMC itself is much cheaper compared to an Alternative Investment Fund (AIF), and licensing as an asset manager would be sufficient for any amount, whereas with the AIF an additional Management Company (ManCo) must be brought in.

**When size really matters**

Essentially, it can be said that the larger the projects and thus the capital requirements, the

larger the selection of suitable financial products. For larger projects, from about EUR 50 million, fund solutions can also be considered. Smaller amounts are economically less meaningful for such cost-intensive forms, which additionally require a regulated ManCo. In general, the setup and maintenance costs play an important role, as they strongly influence the performance of the investors or the income of the client. Of course, the trade-off increases with cheaper solutions, while the costs increase with higher-quality products in favor of better investor acceptance. This is exactly where we come in as experts to outline the respective advantages, disadvantages, and possibilities.

**“The selection of suitable financial product solutions depends primarily on the starting amount.”**

#### Getting your proposal

Once the format has been chosen and all

the context has been compiled, a final Q&A round with our cooperation partner completes the initial process. Armed with information, the client can then receive an offer from the respective service provider. As a platform, we participate in the regular margin of this partner and the client does not pay any additional premium for this service.

#### The advantages of financial instruments

These financial instruments have various advantages for the investors, too. They can be acquired through a simple bank transaction and are equivalent to a contract. The subscription, redemption, and any coupons are automatically settled between the financial institutions, and all investors are treated the same. Furthermore, an instrument will only be launched if the project and its stakeholders provide complete Know Your



Client (KYC) information, and the service provider and its Paying Agent perform due diligence. Nevertheless, investors should carefully check whether they believe in the project and whether it has a good chance of success. It should be kept in mind that the wrapper itself of such an investment says nothing about the quality of the underlying investment; it only standardizes the transaction into a widely accepted format, making it available to multiple investors at the same time and on the same terms. This also eliminates the involved legal fees and tedious negotiations of a direct investment.

#### The most popular solution

Luxembourg securitizations (notes) are the format most frequently requested from us. Price-wise, this is the best choice if the size is not large enough for an AIF but you still want it to be generally well received. Notes, regardless of the jurisdiction, have the advantage of creating liquidity from current or imminent transactions, such as trade finance transactions. As mentioned, single or multiple trades can be bundled and wrapped via a bankable ISIN with an associated term sheet. A securitized form

enables professional investors to participate in these alternative investment forms, which are otherwise very difficult to access and to hold them with their bank. The counterparty, as borrower, enjoys the liquidity gained and in return is happy to pass on part of its profits to the investors. This creates a win-win situation. In most cases, the yields awarded on such securitizations are higher than on liquid exchange-traded funds (ETFs) or any other listed product. This can also be attributed to the illiquidity and capital commitment of an investment.

#### Looking ahead with private alternative investments

Many of these mostly private placements for professional investors are welcomed portfolio additions due to the fact that their behavior is often uncorrelated to the regular financial markets. We are convinced that many client projects in the field of alternative investments take the pulse of the times. In the current market environment, it is becoming increasingly difficult for even the brightest minds to find quality investments; therefore, our focus is to help our



## VINCENT GESSLER

*a seasoned banking professional with an extensive network in the financial industry. His career started in 1995 with Swiss Bank Corporation (UBS), and he became the youngest sales trader on the UBS floor in Opfikon (CH) at age 21.*

*He ended his banking career as the Head of Securities Dealing at BIL Suisse in 2018. During his last two decades in banking, he was a member of an investment committee, held numerous advisory roles, and handled external asset managers and direct dealing clients.*

*Today, Vincent's inside knowledge of the securitization and fund business has positioned him, along with his team, to offer highly professional services that will prove invaluable to his clients.*

clients create those opportunities so they can present their investors with a ready-made and easily purchasable solution. An investor no longer needs to worry about any peer-to-peer contracts and can instead acquire a securitized form of a project or investment strategy simply and easily through their principal bank. If you are interested in such investments, you can register as an investor through our website. We are pleased to support our clients in their search for capital during the planning phase.

#### **Our client groups**

Our clients are mainly asset managers, family offices, banks, and alternative investment companies, as well as SMEs who want to scale up after a proof of concept and need to raise larger amounts. Sometimes we are also contacted by advisors who need a partner for the setup of a financial instrument within the scope of their mandate. Such advisors are sometimes also entrusted with the capital search.

#### **Notes on portfolios**

Asset managers and banks are particularly interested in AMC (note on portfolio) and fund solutions. They can use these to implement investment strategies more efficiently for their smaller mandates or to invest in a diversified manner in illiquid investments such as hedge funds or certain bonds that require high minimum investments.

Family offices see the advantages of securitization in the preservation of privacy as an investor in a project, tax optimization through the recycling of funds in the financial instrument, or as an interim solution for the provisional distribution of certain illiquid assets.

Those who specialize in alternative investments see the potential as a club deal alternative (which, by the way, we can also offer), or they are interested in the securitization of direct investments (private equity and debt) and portfolio solutions in such underlyings.

#### **Private equity and debt**

Meanwhile, SMEs are looking for another way to place their equity or debt capital. For SMEs, securitization opens entirely new doors to otherwise inaccessible investor groups that require an ISIN to invest, but this does not preclude further parallel direct investments. Of course, each client group has its own unique needs, which is what makes our business so exciting and multifaceted.

#### **Our business concept**

Since our start almost three years ago, our primary goal has been to steadily expand our range of solutions, which we have largely achieved. Of course, we will be very selective in choosing additional partners so that we can continue to accommodate the most diverse variations and needs of our clients in the future. Clients should be able to weigh all the advantages and disadvantages through us, so they can make a decision between several solutions that suits them best. We work in a solution-oriented manner and strive to be a reliable and innovative partner to our clients.

**“Our clients do not pay any additional premium for our services.”**

Our clients receive the same conditions through us as they do directly from our partners. In this way, we create a win-win-win situation for all parties involved. With the future in mind, we have planned new business fields and are currently in the process of establishing them. If you would like to stay informed about the exciting developments within our company, you can follow us on LinkedIn or via our company newsletter.

A stag with large, glowing red antlers stands in a dark forest. The scene is illuminated with a strong red and purple light, creating a dramatic and intense atmosphere. The stag is facing right, and its body is dark against the lighter, glowing background.

# START STRONG FINISH STRONGER

**INSPIRE GENERATIONS**

# CORPORATE INVESTMENT TIMES