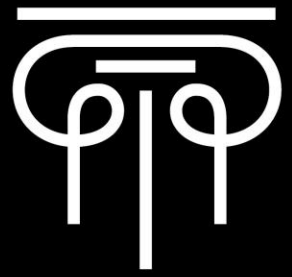
August 2024

You need to combine multiple alts in your portfolios.

Antonio Ferrer
Global Head Multi-Asset Portfolio Management, LGT Capital Partners (HK)



Portfolio Construction **Forum**

LGT CP

2000
Dot-com Bubble Burst



2001
September 11 Attacks



2001
Enron Scandal



2001
BRIC story Jim O'Neill



2003
Iraq War



2008
Lehman Brothers Bankruptcy



2008
Madoff Ponzi Scheme



2009
Euro Debt Crisis «PIIGS»



2009
Nakamoto mines genesis block of Bitcoin



2011
Fukushima Nuclear Disaster



2011
Mario Draghi «whatever it takes»



2016
Brexit Referendum



2017
Hurricanes Harvey, Irma and Maria



2018-2020
Trade War between US and China



2020
Covid-19 Pandemic



2022
Russian invasion of Ukraine



2023
Silicon Valley Bank and Credit Suisse fallout



2023
Magnificent 7 rise fueled by AI boom



Low asset class correlation allows for efficient portfolio construction

	Private equity	Private credit	Insurance-linked strategies	Real assets	Hedge funds	MSCI World Hedged NR	JPM GGBI Hedged
Private equity	1.00						
Private credit	0.15	1.00					
Insurance-linked strategies	0.09	0.05	1.00				
Real assets	0.49	0.11	0.11	1.00			
Hedge funds	-0.02	0.07	0.09	-0.04	1.00		
MSCI World Hedged NR	0.50	0.17	0.21	0.40	0.07	1.00	
JPM GGBI Hedged	-0.17	-0.07	0.12	-0.13	0.21	-0.20	1.00

Average asset class correlation: 0.11

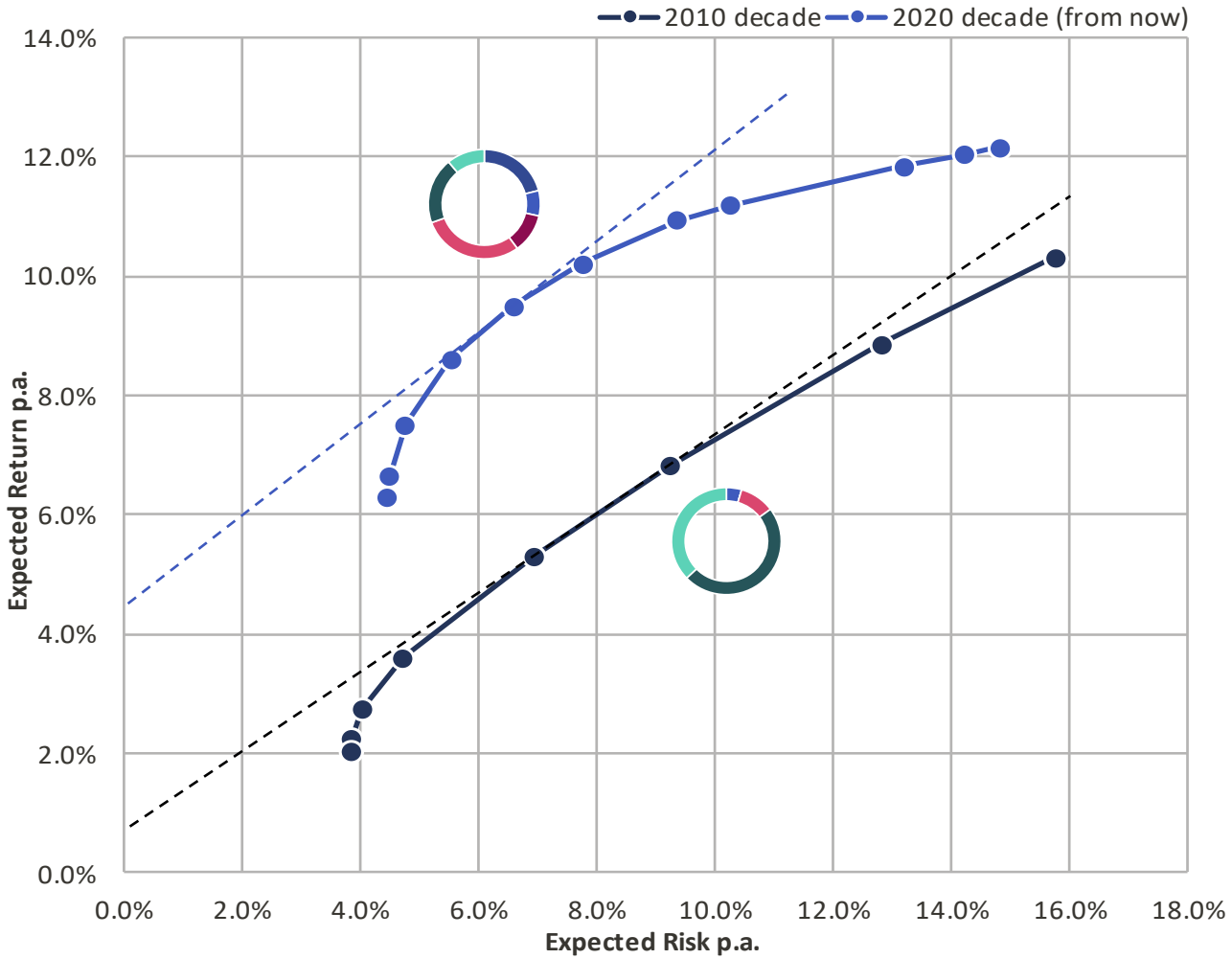
- Alternative Investments as source of **return enhancement** and **risk diversification.**
- Low mathematical volatility and **low correlation** with traditional markets.
- The combination of different alternative premia adds to portfolio **robustness and resilience.**

Source: LGT Capital Partners, Refinitiv
Data ranges from 1 January 2006 to 30 June 2024 in USD. Data refers to the asset class components of the LGT Multi-Alternatives strategy which as single components are not available to investors. Assets shows the arithmetic mean of Real Estate and Infrastructure and not the effective weightings held in the two categories. Returns may increase or decrease as a result of currency fluctuations.
Simulated past performance means performance that has been calculated for a period for which no actual performance information for the fund is available. Actual performance results may differ, and may differ substantially, from such simulated past performance. The pro-forma track record and simulated past performance is for information purposes only.

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Better balance portfolio across risk factors and return sources

Efficient frontier is higher and more curved



- Frontier moved up due to higher base rate and (not uniform) increases in risk premia
- It is also much more curved, and the optimal portfolio consists of many different asset categories

- Choice between two assets (equities and bonds)
- Very linear frontier with little diversification benefits
- Long-term investors moved into equity risk (TINA)

Private credit
Real assets
ILS
Hedge funds
Equities
Fixed income

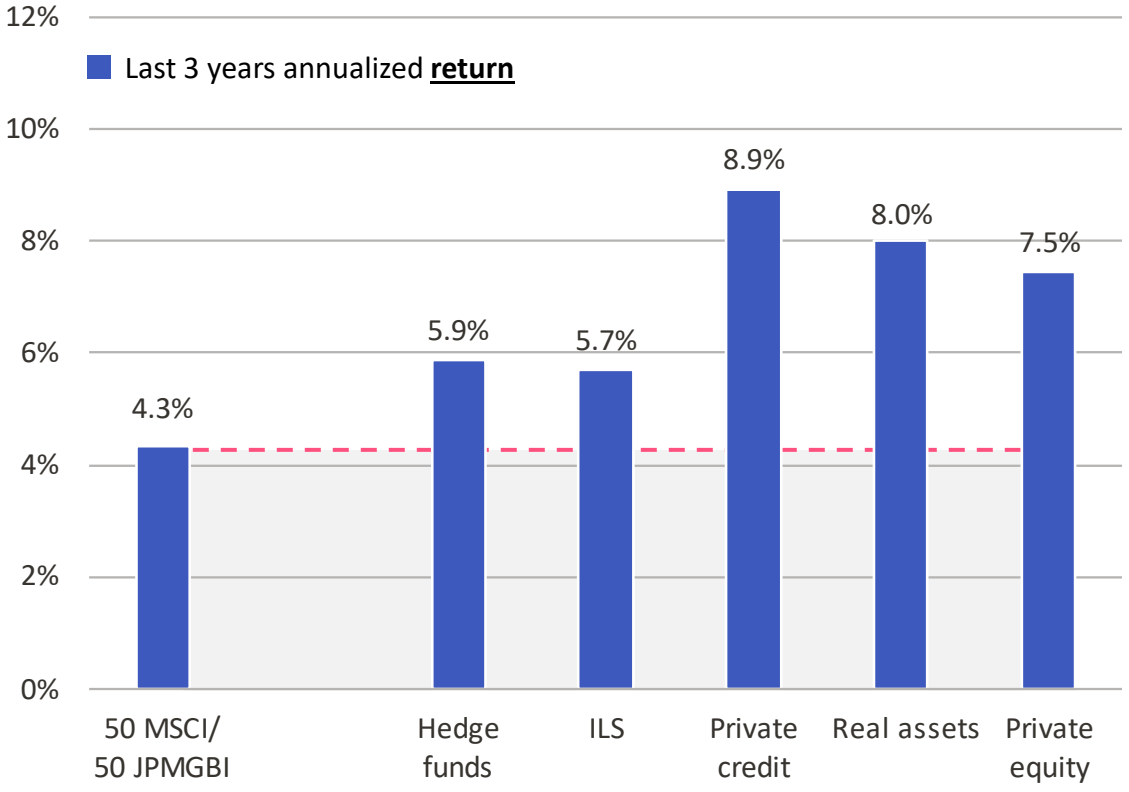
Source: LGT Capital Partners, Refinitiv. The grey curve in the graph depicts a traditional mixed portfolio's performance during the 2010 decade. In the initial point, the portfolio is predominantly composed of over 95% investment-grade bonds, transitioning to a 100% equity allocation by the last point. For the upcoming 2020 decade, the efficient frontier forecast (covering 2024 to 2029) is based on return expectations spanning a 5-year horizon. This forecasted curve incorporates a more diversified allocation strategy encompassing equities, investment-grade bonds, and various alternative investments. The equity component progressively rises from 1% at the initial data point to 77% at the final data point, while the allocation to alternatives begins at 40% and diminishes to 22% over the same period. Performance data net of underlying manager fees. Fees and other costs will reduce the performance to the investor. Numerical modelling is purely indicative and not a guarantee of future results. This data is purely indicative and is not a guarantee of future results, and there can be no assurance that the fund or portfolio will achieve comparable results.

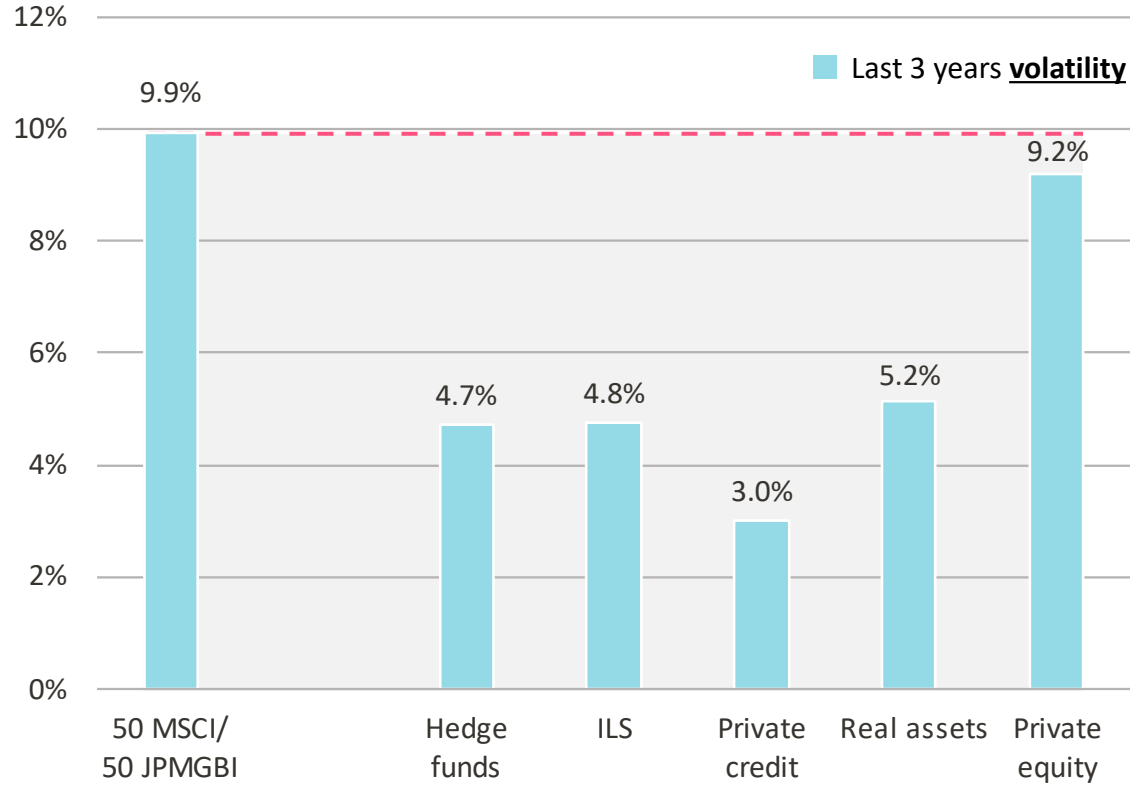
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Alternative investments with better risk adjusted returns

Illiquidity, active engagement and skill as source of return

Performance of a 50/50 portfolio versus alternative asset classes (as per 31 March 2024)





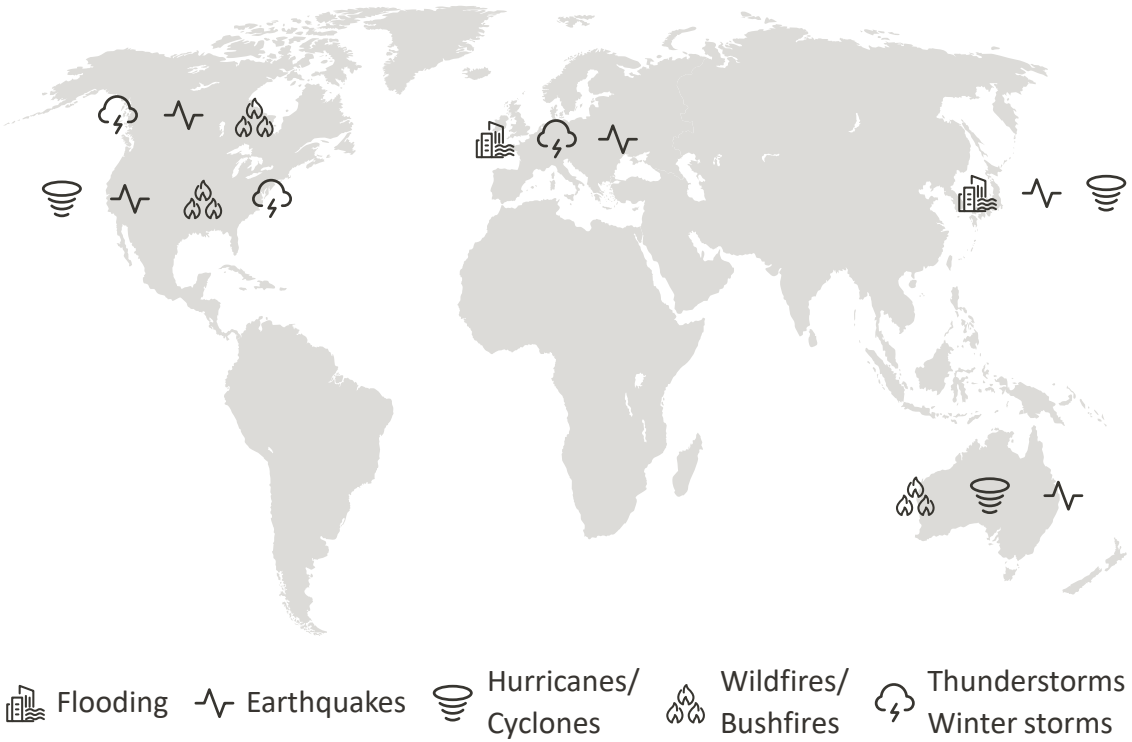
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Source: LGT Capital Partners, Refinitiv, Burgiss
Data as of 31 March 2024. Hedge funds: HFRI Diversifying Hedge Fund Strategies (see page 10 for details); ILS: Eurekahedge ILS Advisers Index, Private credit/Real assets (50% infrastructure + 50% real estate)/Private equity: MSCI/Burgiss indices
Returns may increase or decrease as a result of currency fluctuations.

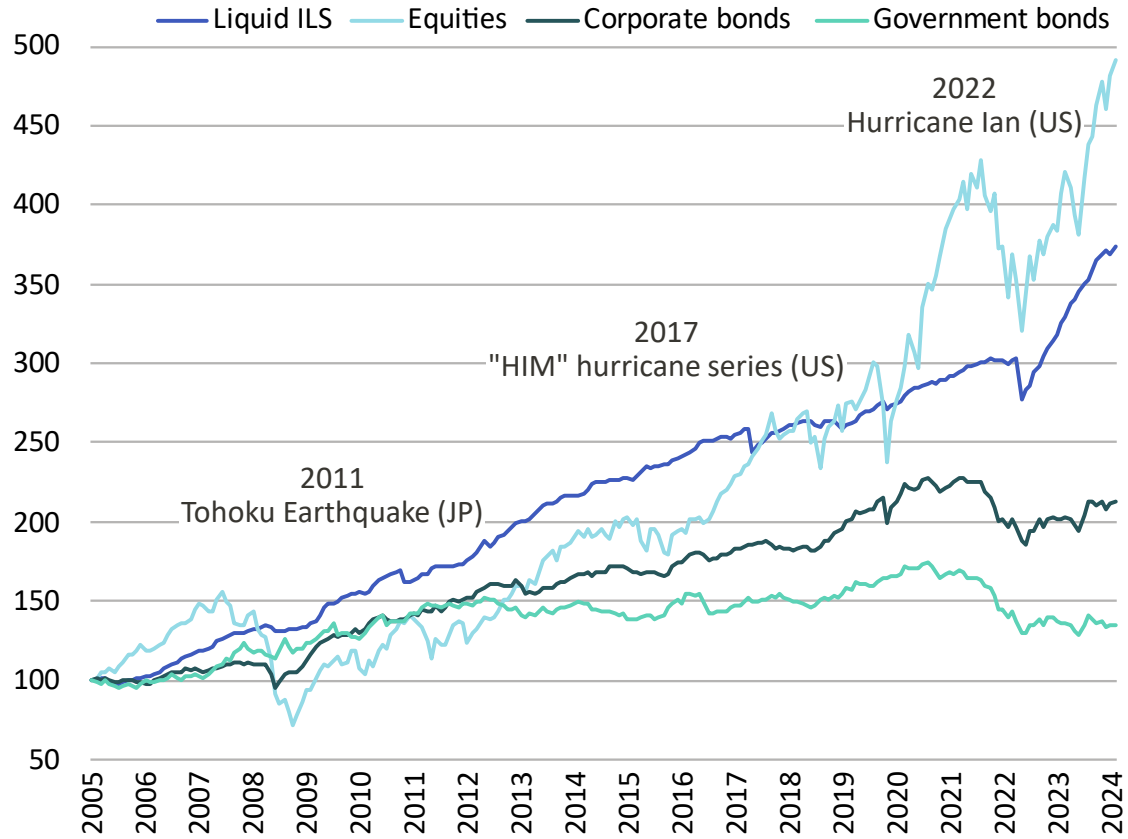
Insurance-linked strategies – risk mitigation through low correlation and low volatility

Exposure to risk factors that lead to uncorrelated returns

Key perils and regions



Performance vs. traditional asset classes (indexed)



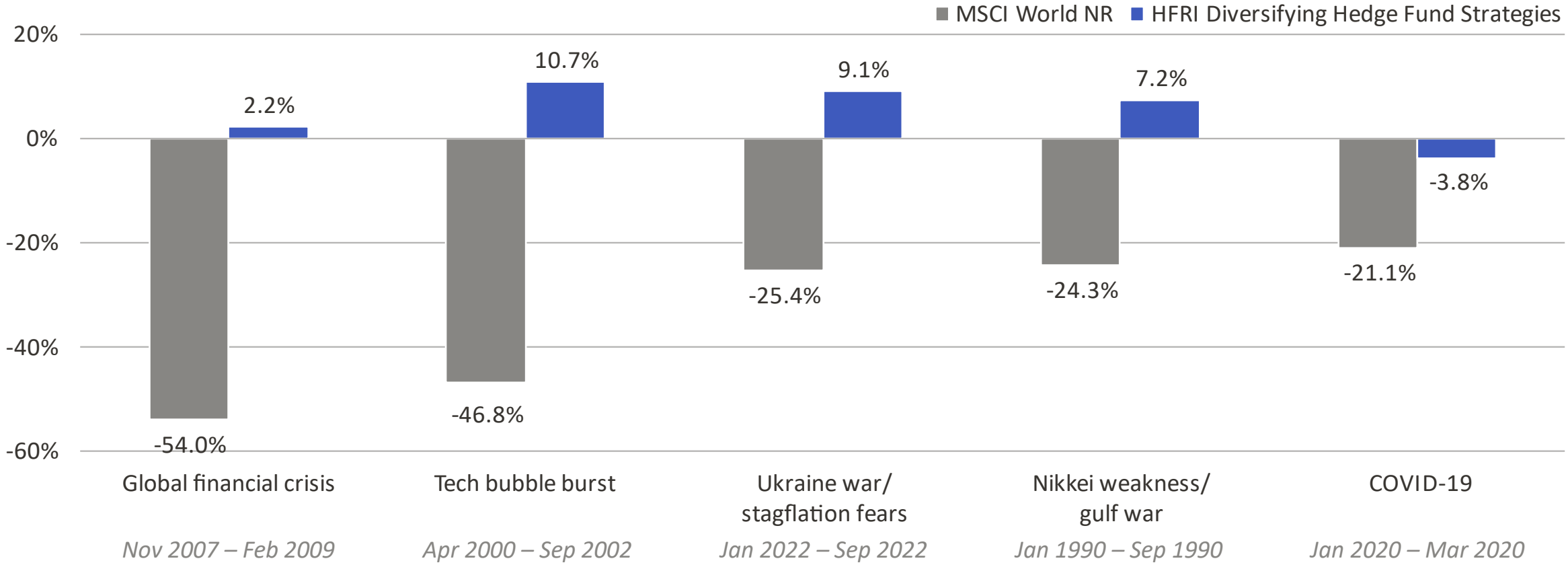
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Liquid ILS: Swiss Re Cat Bond Index TR; Equities: MSCI World TR; Corporate bonds: Lehman Investment Grade Corporate TR Government bonds: JP Morgan Global Government Bond TR
Source: LGT ILS Partners, Refinitiv
Data ranges from 30 June 2005 until 30 June 2024. Returns may increase or decrease as a result of currency fluctuations.

Hedge funds – diversification through times of equity market turmoil

Focus on downside mitigation to lower the overall portfolio beta

Performance of hedge fund strategies during the five largest equity market drawdowns since 1990



HFRI Diversifying Hedge Fund Strategies: 50% HFRI Macro: Systematic Diversified Index, 25% HFRI Equity Market Neutral Index, 15% HFRI ED: Merger Arbitrage Index, 10% HFRI Relative Value Index
Source: LGT Capital Partners, Refinitiv
Returns may increase or decrease as a result of currency fluctuations.

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Access to top-tier managers and assets

Building partnerships with specialist managers

Private equity

Index Ventures · Cinven · Gryphon Investors · Genstar Capital · Sequoia · LGP Leonard Green & Partners · Arcline Investment Management · Clayton Dubilier & Rice · BainCapital · CVC Capital Partners · Hellman & Friedman · Triton · AEA · PAG · TPG

Private credit

Ares Capital Corporation · GoldenTree Asset Management LP · HPS · Permira · Golub Capital · CVC Credit Partners · Park Square · The Carlyle Group · Pearl Diver Capital · Arrow Global · Arcmont Asset Management · cerberus · Astra amco · Ares · BainCapital Credit

ILS/real assets

Fermat Capital Management · Securis Investment Partners · Arch · Columbia Threadneedle Investments · Henderson Park · DIF Capital Partners · The Carlyle Group · Elementum · Resolution Capital · Paloma Capital · Ranger Global Real Estate Advisors · Basalt Infrastructure Partners · Starlight Investments · Rialto Capital Management

Hedge funds

Zebedee Capital Partners LLP · Linden Advisors · Astignes Capital · nekton · Seligman Investments · Tresidor Investment Management · The Voleon Group · Bridgewater · Capeview Capital · 杭州龙旗科技有限公司 Longqi Scientific Investment · Voloridge Investment Management · Crabel Capital Management · Florin Court Capital · Pentwater Capital Management LP · Greenvale Capital

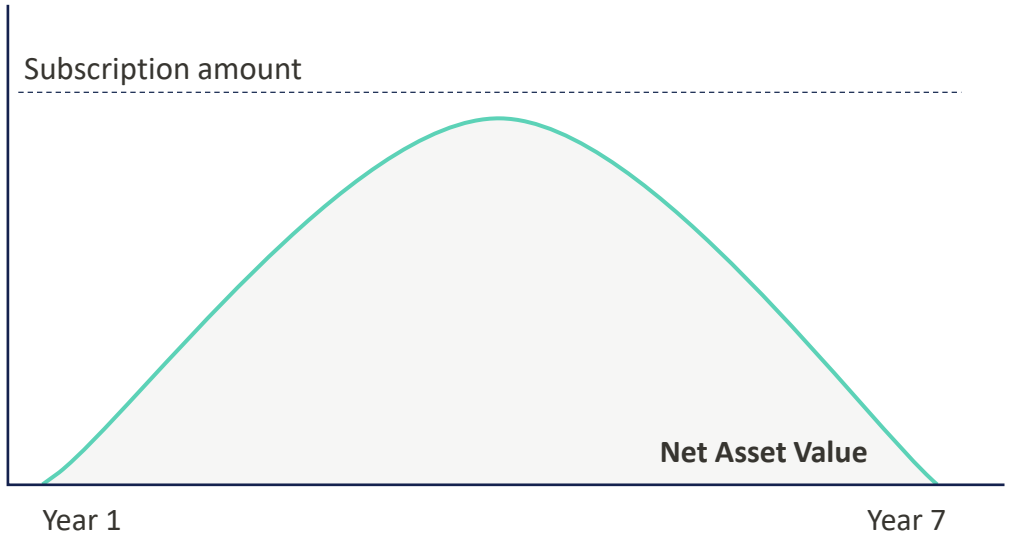
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Source: LGT Capital Partners
Managers with a weight of < 0.05% of overall Princely Strategy are not included in the above manager count.

Evergreens versus Commitment-based investing

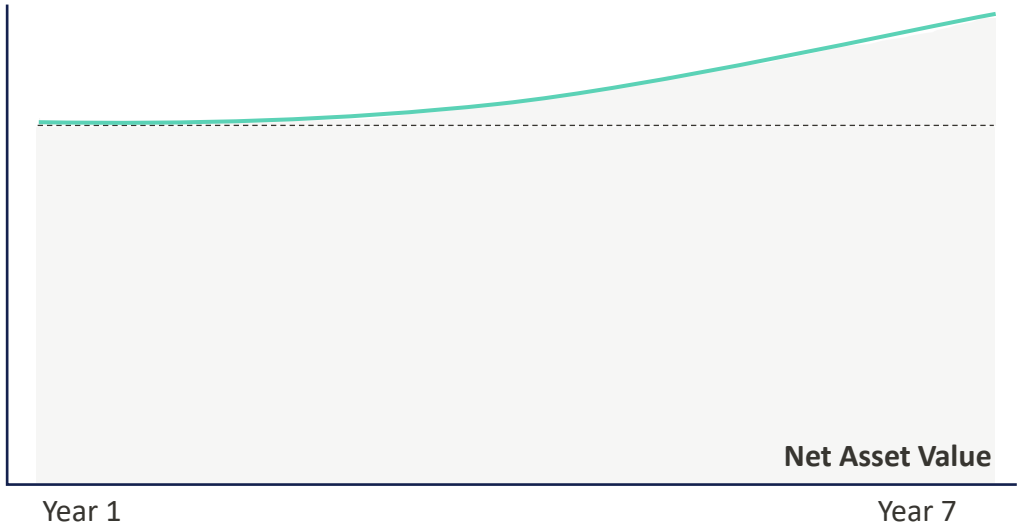
Stable and dynamic exposure to private markets can be challenging with closed-ended funds

Closed-end drawdown fund



VS.

Evergreen fund



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Source: LGT Capital Partners. For illustrative purposes only. Not indicative of future investment performance. Data as of January 2024.

The power of a managed account platform and why you don’t need to invest in a black-box

Focus on risk mitigation and transparency

Manager

Managed account platform

Opportunity set

- All managers are in scope
- Entire liquidity spectrum

Customization

- Concentration – sizing parameters
- Dealing terms and individual fee structure

Transparency

- Full and real-time transparency
- Control liquidity management

Control

- Governance
- Transition management

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Source: LGT Capital Partners

The whole is greater than the sum of its parts!
You need to combine multiple alts in your portfolios

Focus on low asset class correlation

- Historically bonds were the main **source of diversification** but their correlation with equities has grown and hence their power of diversification has faded
- Private Markets and liquid alternatives add value due to **low mathematical volatility** and **low correlation** with traditional markets

Why combining alternative investments?

- The private markets **universe is larger** than public one and thus provides a more attractive opportunity set
- Private Markets excess returns are driven by **skill, active engagement and illiquidity premium**
- Alternative investment are not only return enhancing but also offer **better ways to diversify risks**

How to allocate to alternative investments?

- Private market exposure should be **broadly diversification** in terms of vintages, investment types, styles, sectors and geographies - Investing in an **evergreen structures** enable the desired diversification.
- Increase the level of **transparency and customization** while at the same time focus on **reducing the operational risk** of investing in alternative investments

Efficient portfolio construction

- Combining different alternative investments in one strategy increases the **robustness and resilience** of the portfolio
- Process, structure and the inclusion of uncorrelated, liquid alternative asset classes can support more **dynamic and opportunistic portfolio management**

Source: LGT Capital Partners

Risk factors

Investors should carefully consider the product's risks as detailed in the fund offering documentation. The risks related to alternative investments generally include, without limitation:

- **Alternative investments are speculative, involve complex instruments, and carry a high degree of risk.** Such investments generally involve additional risks including higher levels of borrowing, limited transferability of investments, reduced investor protection, and less information to investors than would apply in major securities markets. An investment should only be made by those persons who could sustain a loss on their investment and is only suitable for professional investors (with the exception of Liechtenstein).
- Investments can be subject to illiquidity, meaning there may be no buyer or seller available when the investor desires to invest or divest.
- The value of investments may be affected by uncertainties such as political developments, changes in government policies, changes in taxation, restrictions on foreign investments and currency repatriation, unfavorable exchange rate movements, and other developments in the laws and regulations of countries in which investments are made. This product may include investments in emerging markets. Emerging markets investments present heightened political risks, economic risks, credit risks, exchange rate risks, market liquidity risks, legal risks, settlement risks, market risks, shareholder risk, and creditor risk.
- Additional risks of alternative investments include: (i) substantial or total loss on the investment due to extensive use of short sales, derivatives and debt capital, (ii) incentives to make investments that are riskier or more speculative due to performance based compensation, (iii) volatility of returns, (iv) potential lack of diversification and resulting higher risk due to concentration, (v) high fees and expenses that may offset profits, (vi) no requirement to provide periodic pricing or valuation information to investors, (vii) complex tax structures and delays in distributing important tax information, (viii) fewer regulatory requirements than registered funds, (ix) credit risks i.e. the failure of counterparties to meet contractual financial obligations and (x) operational risk due to insufficient internal processes or systems, misbehavior of staff or external circumstances.
- With regard to private markets investments specifically, investors are required to contribute capital as and when requested, any default may trigger substantial penalties, and prior distributions to investors can be recalled, and investors may be bound to lock-up periods in excess of 15 years.

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Important information

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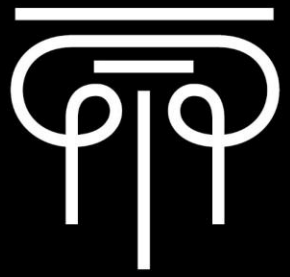
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