

LGT Capital Partners

The growing relevance of endowment-style investing

April 2022

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- Investments can be subject to illiquidity, meaning there may be no buyer or seller available when the investor desires to invest or divest.
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Investors should note the Investment Manager's assessment of ESG characteristics may change over time and the ESG conclusions of the Investment Manager might not reflect the ESG views of investors. There is no guarantee that a company meets the expectations in relation to ESG. LGT CP integrates an assessment of Sustainability Risks into its investment processes. The results of this assessment and the potential impact on returns may vary. LGT CP or the appointed manager may rely on third-party ESG data or research providers to produce any ESG-related analysis. Such data or research may be imprecise, incorrect or unavailable and the resulting analysis may be impacted. It is considered that the policies adopted to assess and mitigate Sustainability Risks may mitigate such risks to the fund. The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities. Further details on ESG integration and sustainability-related stewardship can be found on lgtcp.com.

LGT Capital Partners

> USD 85bn AuM

> 650 staff

Privately owned



Investment competencies

Private markets

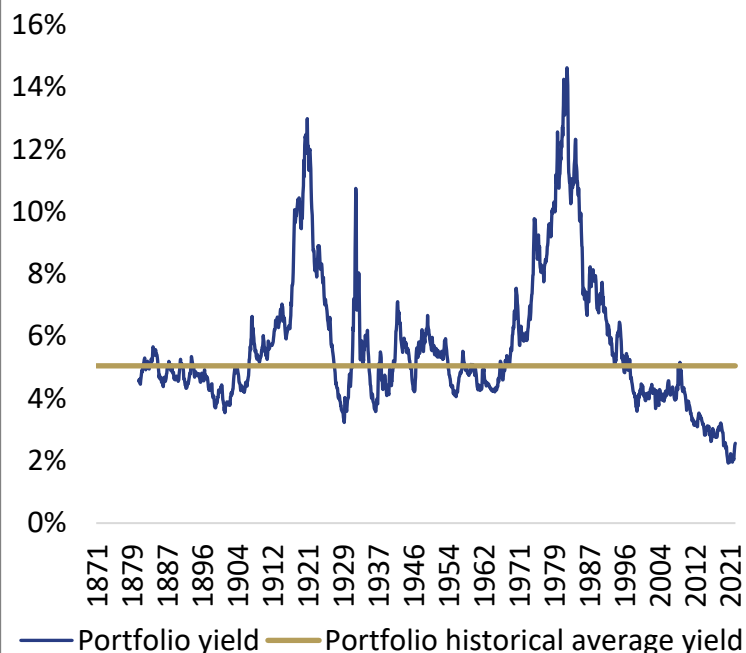
Liquid alternatives

Multi-assets

The growing relevance of endowment style investing

Capital markets suggest low prospective returns

Yield of 50% equities and 50% bonds portfolio



Valuations near 20-year peak levels

S&P 500 Index: Forward P/E ratio

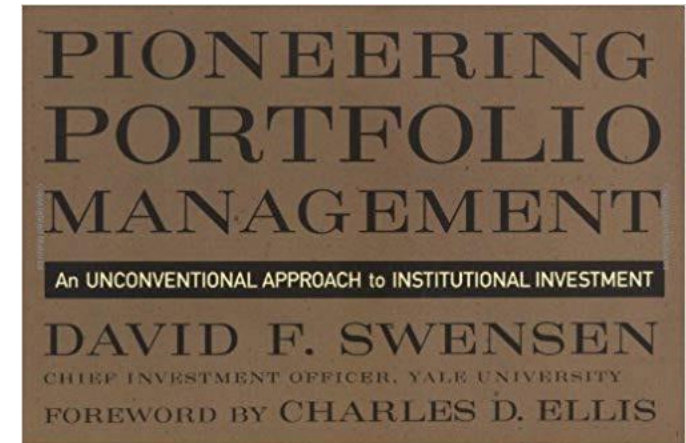


Agenda

- I. The endowment model
- II. Core investment principles of the LGT Group Endowment
- III. Challenges and lessons learned
- IV. Private equity attractiveness in the current environment
- V. Appendix

The endowment model – developed by Yale in the mid 80s

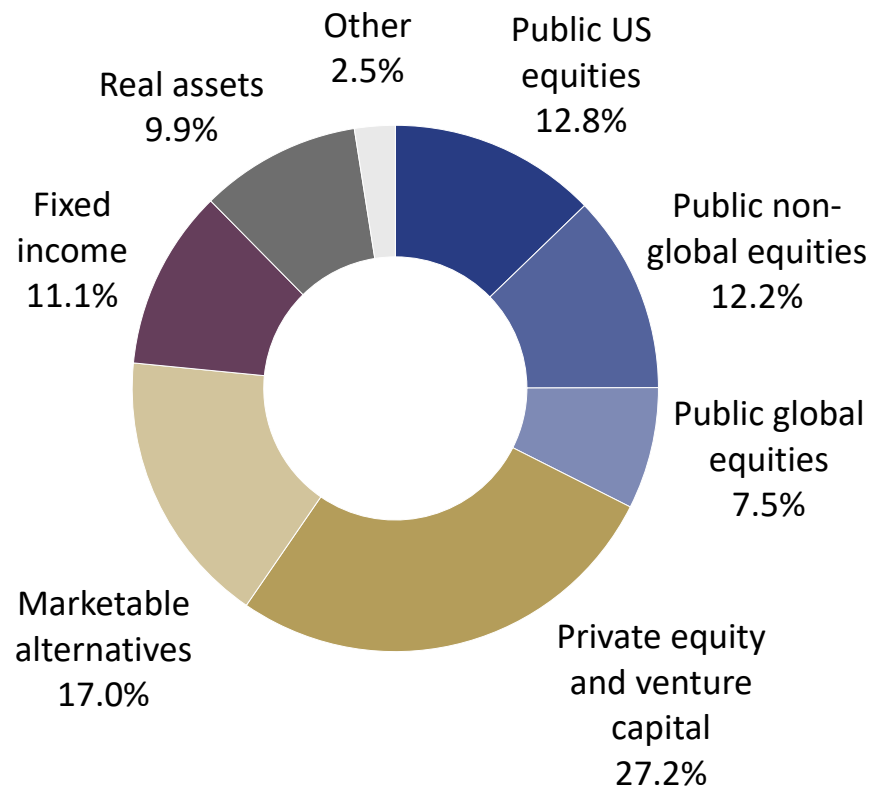
- David F. Swensen, CIO of Yale University created the Endowment Model Investing in 1985
- Growth focus, active management, high allocation to alternatives and long-term investment horizon leading to superior performance over cycle
- Concept applied by endowments and other investors in the US and across the globe



US endowments (1/2)

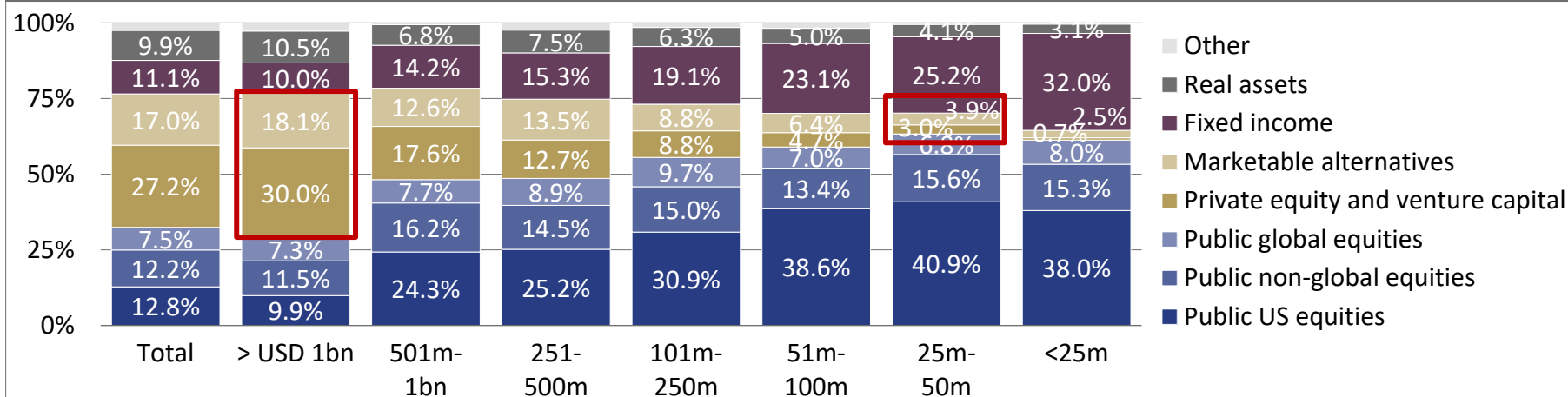
Largest US endowments		
Institution	State	Endowment (in USDbn ¹)
Harvard University	Massachusetts	53.20
Yale University	Connecticut	42.90
University of Texas System	Texas	42.10
Stanford University	California	37.80
Princeton University	New Jersey	37.70
Massachusetts MIT	Massachusetts	27.70
University of Pennsylvania	Pennsylvania	20.50
University of Notre Dame	Indiana	18.10
Texas A&M University System	Texas	18.00
University of Michigan	Michigan	17.00
Northwestern University	Illinois	14.96
Columbia University	New York	14.30
Washington University St. Louis	Missouri	13.54
Duke University	North Carolina	12.70
University of California	California	12.14

Asset allocation of US endowments

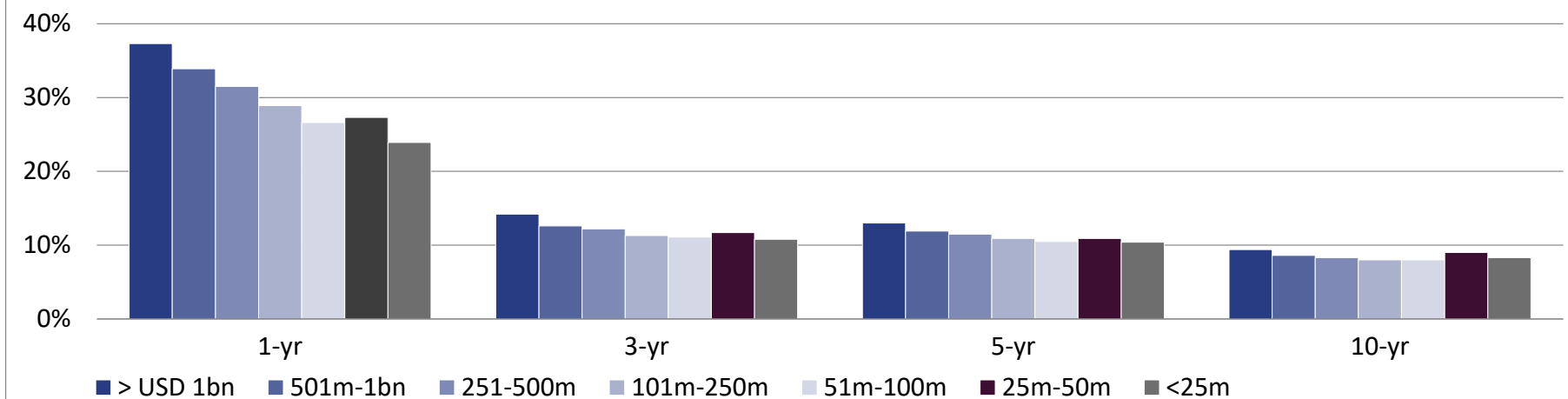


US endowments (2/2)

Asset allocation of US endowments



Performance of US endowments



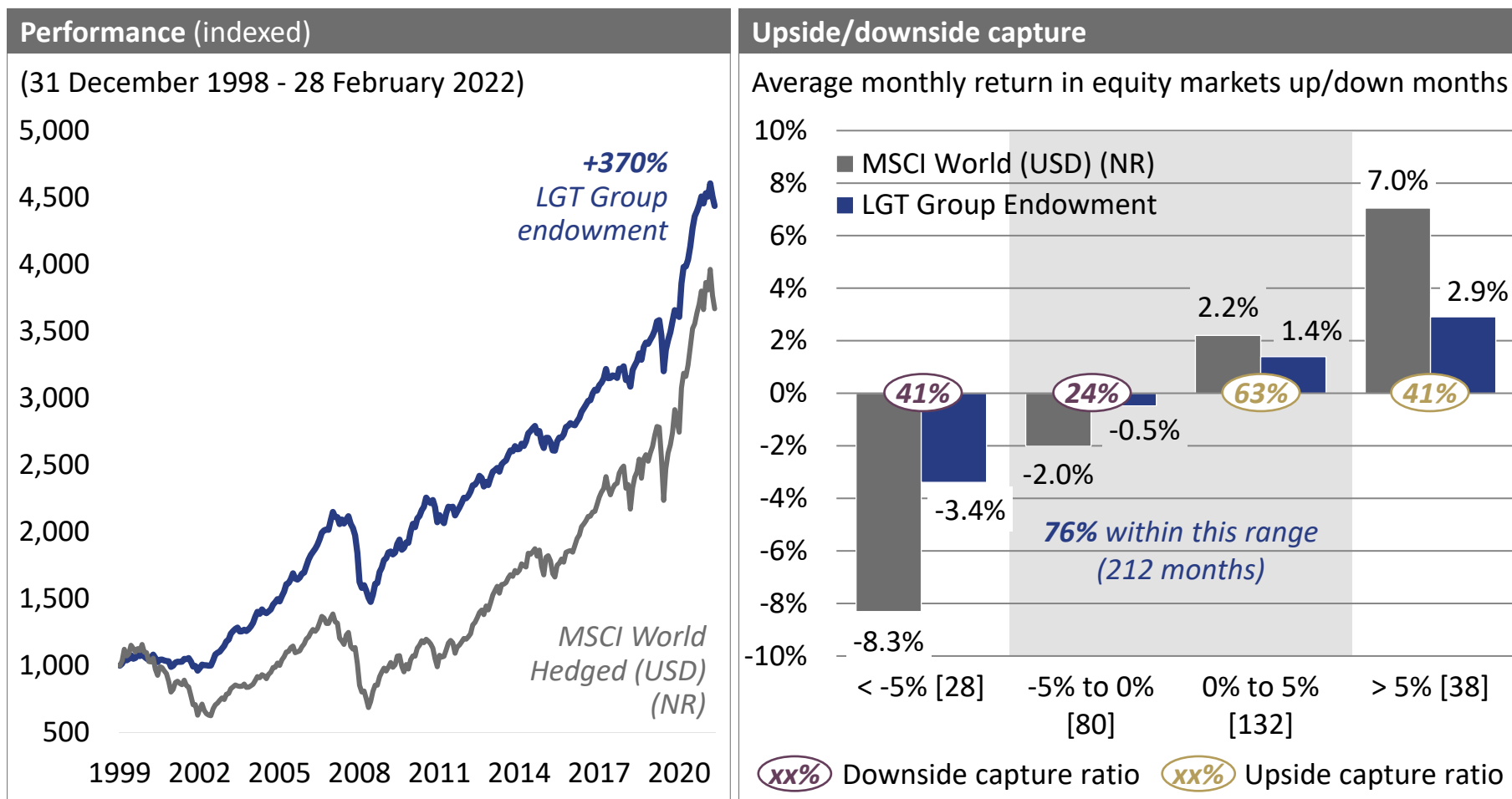
Source: LGT Capital Partners, 2021 NACUBO-TIAA STUDY OF ENDOWMENTS

Past performance is not a guarantee, nor an indication of current or future performance. Returns may increase or decrease as a result of currency fluctuations.

Core investment principles

- **Growth-orientated** multi-asset **portfolio** with a long-term investment horizon
- Unconstrained **global investable markets'** approach
- Scenario planning methodology to ensure **robust strategic asset allocation** and optimal portfolio diversification
- **Best-in class selection** of active managers, measured **tactical asset allocation**, and a systematic framework for anti-cyclical value opportunities
- **Efficient implementation** through a thorough and continued cost-benefit analysis
- Integrated **sustainability/ESG** considerations over the entire investment process
- Strong alignment of interest

Growth-orientated multi-asset portfolio with a long-term investment horizon

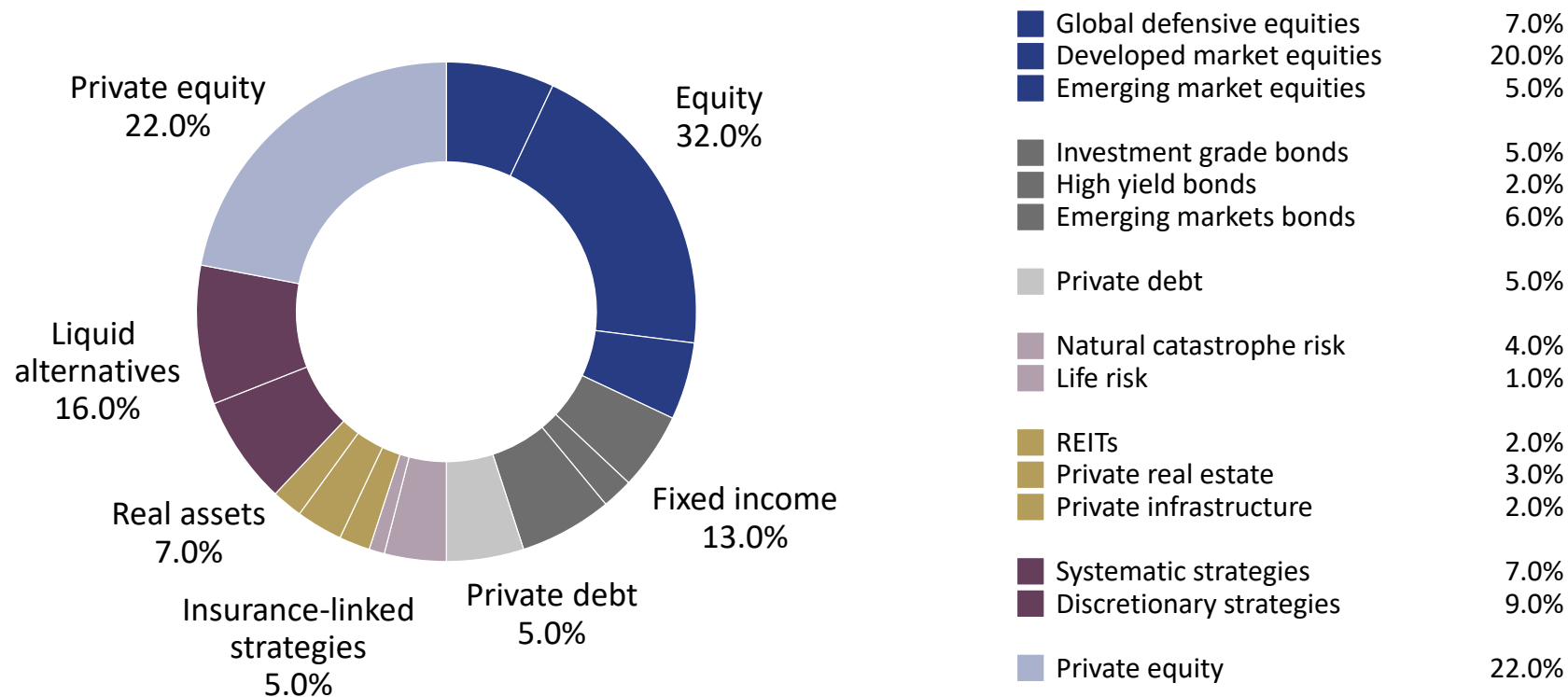


Source: LGT Capital Partners, in USD before fees. Fees and other costs will reduce the performance to the investor.

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Unconstrained global investable markets' portfolio

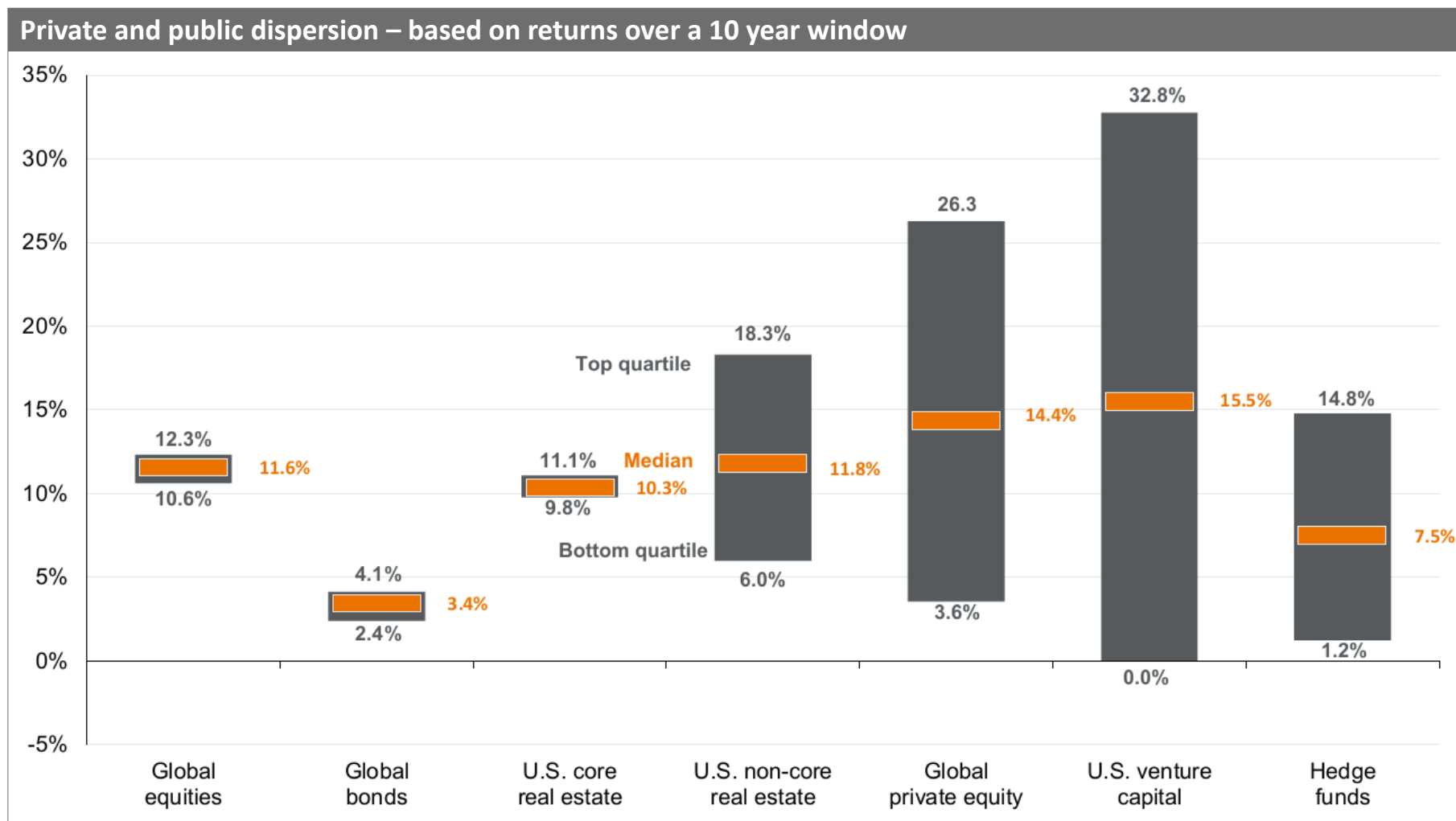
Strategic asset allocation of LGT Endowment portfolio



Source: LGT Capital Partners

Data as of 1 January 2022. Private Equity weighting to be managed in ranges. To take into account the relevant situation on the financial markets, the actual ("tactical") asset allocation may deviate significantly from the targeted strategic asset allocation. Please note that the 3% allocation to the dynamic protection strategy is an overlay strategy and is thus not added to the overall sum of assets allocated

Focus on active management where it counts



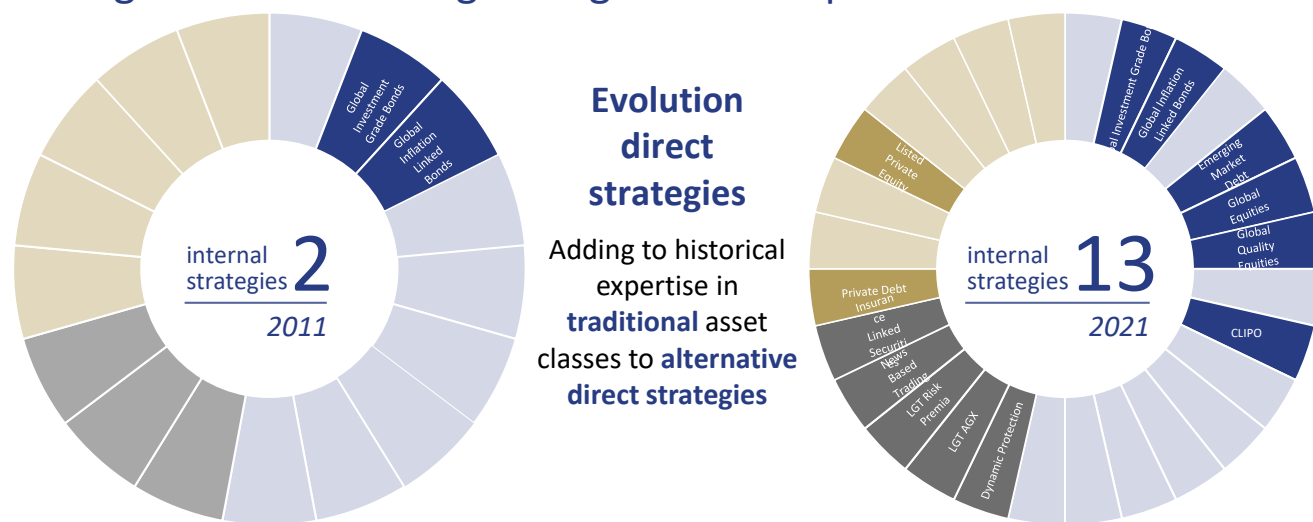
Source: LGT Capital Partners, J.P. Morgan Guide to Alternatives Q1 2022

Past performance is not a guarantee, nor an indication of current or future performance. Returns may increase or decrease as a result of currency fluctuations.

Efficient implementation

- Pay for alpha and align incentive structures
- Invest directly into active internal strategies and co-investments
- Minimize all non-performance-relevant costs

Increase allocation to direct strategies – allocation to direct strategies as a result of growing internal capabilities



Private markets

Liquid alternatives

Specialized equities and fixed income

- **Leverage internal experience and skill set** in traditional and increasingly also in alternative and private markets direct investments
- Advantage to **customize mandates** with internal teams with respect to benchmarks, overlays and attractive fees
- More transparency and active engagement to align allocation with desired **ESG score and climate action targets**

Challenges and lessons learned

Overall

- Robust strategic asset allocation and mix of diversifying asset classes is key
- "Measured" tactical timing of liquid asset classes including anti-cyclical value opportunities framework
- Implementation through internal and best in class active external strategies
- Pay for alpha, minimize costs otherwise

Private markets

- Address operational complexities and illiquidity
- Secure access to established and emerging top quartile managers
- Invest in more direct strategies, e.g. secondaries, co-investments, co-underwrites, etc.
- Stay the course
- Consider public market proxies at times

Liquid alternatives

- Address liquid alternatives investing pitfalls, eg transparency, risk management and alignment of interest issues
- Implement viable concept in the overall endowment framework (alpha versus beta, absolute return versus diversification/protection)
- Measure alpha, avoid paying for market risk and implement cost-effectively

Are private markets still attractive in the current environment?

- Breadth and depth of private markets have increased significantly
- Valuations have increased but are relatively attractive to public markets
- Private markets still have the highest expected returns in a diversified endowment portfolio

Summary

- The endowment model is as relevant as ever given traditional markets' return expectations
- A robust strategic asset allocation, high allocation to alternative investment strategies and active management should continue to generate good returns
- Generating top quartile returns requires access to top investment managers and strategies, solutions to entry barriers and pitfalls as well experience in addressing operational and investment complexities
- Well executed private market investments should continue to outperform

Contact details

Pfaffikon (Switzerland)

LGT Capital Partners Ltd.
Schuetzenstrasse 6
P.O. Box
CH-8808 Pfaffikon
Phone +41 55 415 9600

Vaduz (Liechtenstein)

LGT Capital Partners (FL) Ltd.
Herrengasse 12
FL-9490 Vaduz
Phone +423 235 2525

Dublin

LGT Capital Partners (Ireland) Limited
Third Floor
30 Herbert Street, Dublin 2
Phone +353 1 433 7420

London

LGT Capital Partners (U.K.) Limited
LGT Private Debt (UK) Ltd.
1 St. James's Market
London SW1Y 4AH
Phone +44 20 7484 2500

New York

LGT Capital Partners (USA) Inc.
30th Floor
1133 Avenue of the Americas
New York, NY 10036
Phone +1 212 336 0650

Raleigh

LGT Capital Partners (USA) Inc.
Fifth Floor
1 Glenwood Avenue
Raleigh, NC 27603
Phone +1 919 798 2677

Sydney

LGT Capital Partners (Australia) Pty Limited
Suite 40.04, Level 40
264 George Street
Sydney NSW 2000
Phone +61 2 7908 7777

Dubai

LGT Capital Partners (Dubai) Limited
Office 7, Level 3, Gate Village 10
Dubai International Financial Centre
P.O. Box 125115
Dubai, United Arab Emirates
Phone +971 4 401 9900

Hong Kong

LGT Capital Partners (Asia-Pacific) Limited
4203 Two Exchange Square
8 Connaught Place Central
G.P.O. Box 13398
Hong Kong
Phone +852 2522 2900

Paris

LGT Private Debt (France) S.A.S.
43 Avenue de Friedland
75008 Paris
Phone +33 1 81 80 5600

Frankfurt

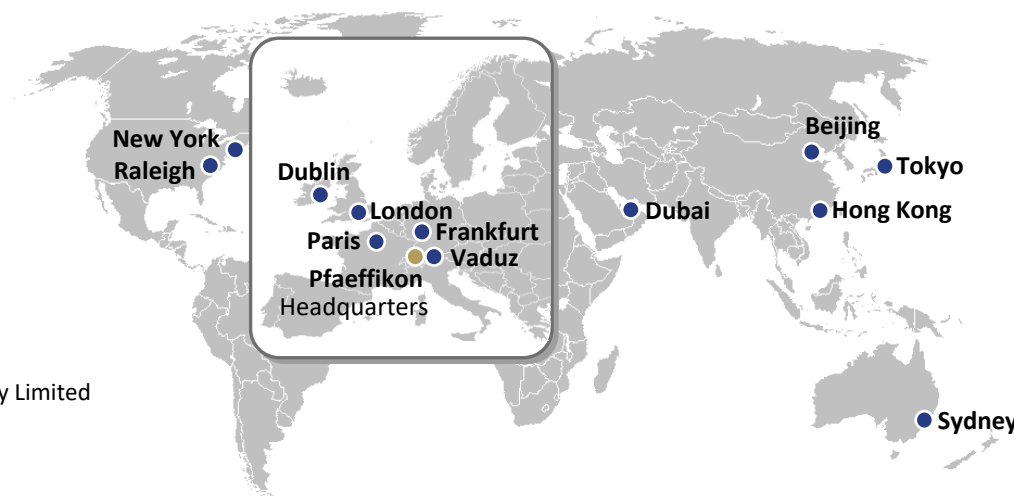
LGT Private Debt (Germany) GmbH
Neue Mainzer Strasse 6-10
60311 Frankfurt am Main
Phone +49 69 505060 4701

Tokyo

LGT Capital Partners (Japan) Co., Ltd.
9th Floor, Okura Prestige Tower
2-10-4, Toranomon, Minato-ku
Tokyo 105-0001
Phone +81 3 6272 6442

Beijing

LGT Investment Consulting (Beijing) Ltd.
Floor 61/Unit 01, China World Tower 3B
1 Jianguomenwai Ave
Chaoyang District
Beijing, P.R. China 100004
Phone +86 10 6505 8225



Integrated sustainability/ESG considerations

Mission statement: *We strive to become a leader in ESG amongst our peers through (1) the integration of ESG factors at all levels of the investment process, (2) the alignment of the portfolio with the 2-degree scenario of the Paris Climate Agreement, and (3) by taking an active role in promoting ESG integration in the investment community.*

ESG integration approach

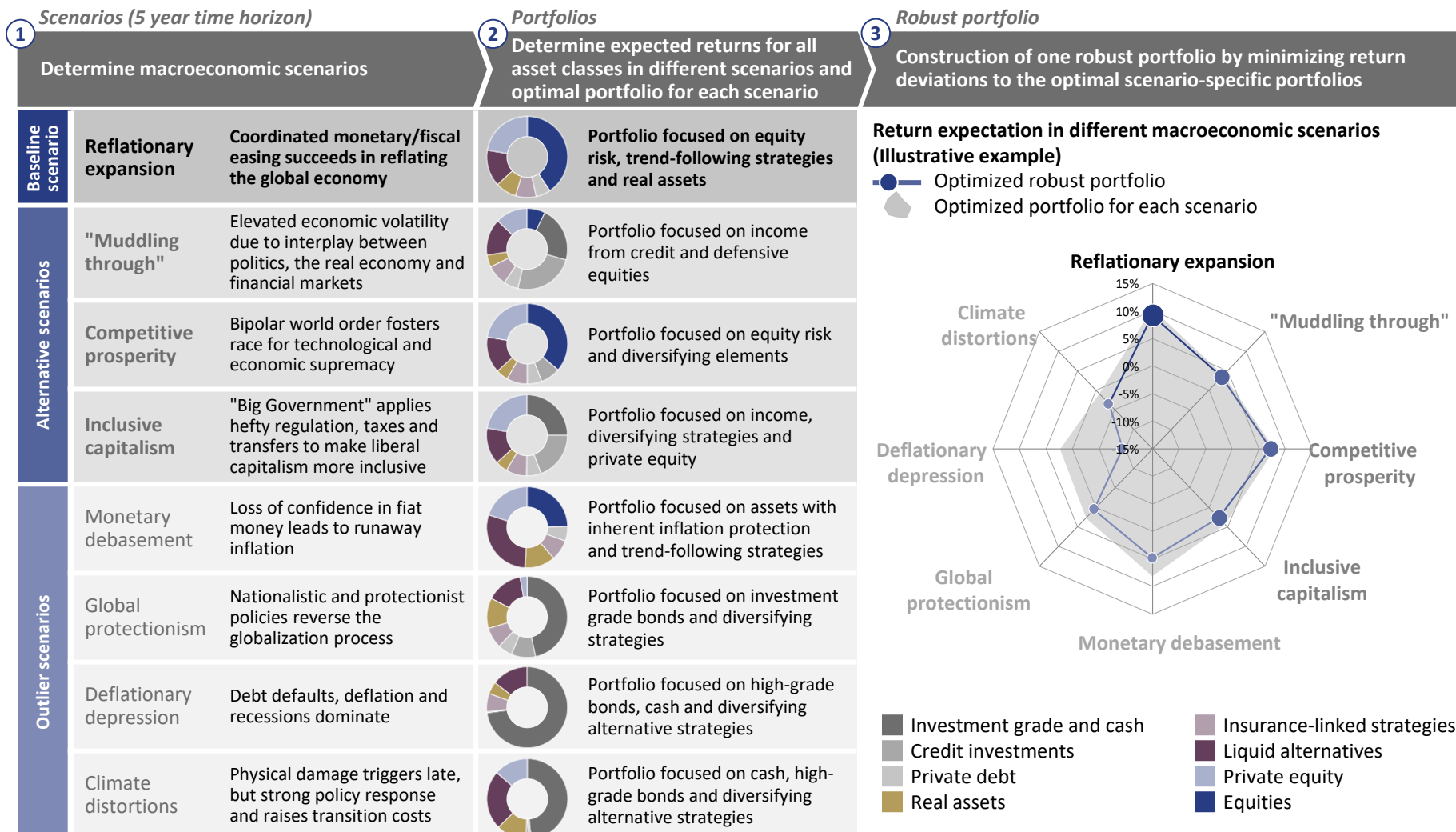
Exclusions	<ul style="list-style-type: none"> Group-wide exclusion of companies related to controversial weapons and thermal coal Structured approach to identifying potentially sensitive industries and conduct
ESG integration	<ul style="list-style-type: none"> Broad ESG integration on all decision levels¹ and across all asset classes Security selection based on ESG scoring using proprietary tool and integration of ESG controversies Manager selection combining top-down process assessment with bottom-up position scoring
Engagement	<ul style="list-style-type: none"> Active ownership in direct equity and fixed income strategies Engagement with managers on best-practice Knowledge sharing and participation in industry networks
Monitoring and reporting	<ul style="list-style-type: none"> Ongoing monitoring of managers and companies (e.g. scores, carbon footprint, controversies) ESG committee² as forum to discuss ESG-related issues and developments Transparent reporting including biennial report on how we integrate ESG in the Princely Strategy

¹ Decision levels: asset allocation, manager selection and security selection.

² LGT Capital Partners' ESG committee comprises twelve members of different business units. The ESG committee and its subcommittees coordinate the development of ESG-related policies and procedures across investment management, reporting and client service.

Source: LGT Capital Partners. The Princely Strategy follows the same investment approach to that used for the Princely Family of Liechtenstein. The investments underlying this strategy do not take into account the EU criteria for environmentally sustainable economic activities.

Scenario-based robust portfolio construction



Source: LGT Capital Partners

Fees and other costs will reduce the performance to the investor. This data is purely indicative and is not a guarantee of future results.

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Anticyclical value opportunities – asset classes tracked

Equity-related assets

US stocks	<ul style="list-style-type: none"> Price/Book Investor sentiment
European stocks	<ul style="list-style-type: none"> Price/Book Investor sentiment
Japanese stocks	<ul style="list-style-type: none"> Price/Book Investor sentiment
Emerging market stocks	<ul style="list-style-type: none"> Price/Cash earnings Relative performance
Listed real estate (REITs)	<ul style="list-style-type: none"> Relative valuation (stocks, bonds, physical real estate)
Listed private equity	<ul style="list-style-type: none"> Discount to NAV
Dividend swaps (EUR)	<ul style="list-style-type: none"> Implied dividend yield Stock market momentum

Credit-related assets

US high yield bonds	<ul style="list-style-type: none"> Option-adjusted spread
European high yield bonds	<ul style="list-style-type: none"> Option-adjusted spread
Emerging market bonds (USD)	<ul style="list-style-type: none"> Option-adjusted spread
US collateralized loan obligations (CLOs)	<ul style="list-style-type: none"> Secondary spreads
Business development companies (BDCs)	<ul style="list-style-type: none"> Discount to NAV