



Wealth
Management

For Professional Advisers only

LGT Wealth Management

FEIFA Masterclass - 2023

LGT – VALUES WORTH SHARING

March 2023



FEIFA Masterclass 2023

Multi asset investing is evolving!

- Should environmental, social and governance (ESG) themes be a part of all client portfolios?
- What are the opportunities and pitfalls of this approach?



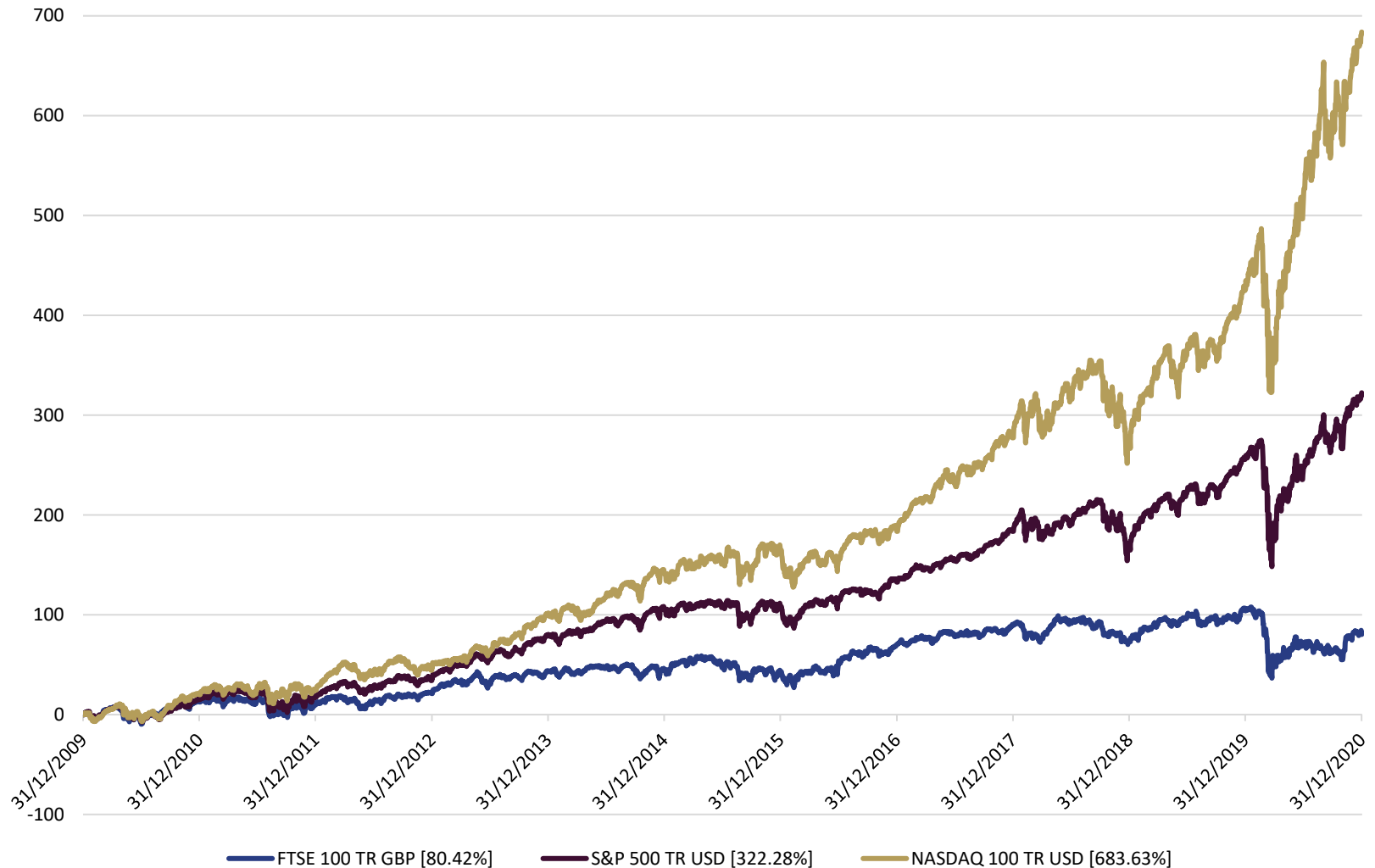
Source: Shutterstock

A proven track record of multi-asset investing

Best	ILGs 19.6	HY 37.1	Japan 17.6	US Equity 20.3	Japan 17.6	EM 33.7	FTSE All Share 18.4	Global Bonds 3.4	UK Propty 29.5	Gold 22.5	Commodities 28.2	Best	US Equity 18.2	Cash 0.1
	Gilts 14.7	UK Propty 28.1	UK Propty 11.3	UK Propty 19.9	UK Propty 11.3	US Equity 33.4	Europe Ex UK 17.2	US Equity 1.4	US Equity 26.6	FTSE All Share 17.8	UK Propty 28.1		FTSE All Share 12.7	Hedge Fund 4.9
	Gold 10.9	Europe Ex UK 17.3	US Equity 6.9	ILGs 18.8	US Equity 6.9	Commodities 33.4	Japan 14.4	Cash 0.9	FTSE All Share 21.4	US Equity 17.1	US Equity 28.0		Europe Ex UK 11.9	Global Bonds 6.0
	US Equity 2.5	FTSE All Share 14.8	LGT Vestra Balanced 6.1	Gilts 13.0	LGT Vestra Balanced 6.1	Global Bonds 26.6	UK Propty 11.8	Gilts 0.2	Europe Ex UK 20.5	ILGs 11.2	Europe Ex UK 17.6		Japan 10.3	Gilts 6.4
	Global Bonds 2.0	US Equity 11.2	Europe Ex UK 6.0	Global Bonds 7.6	Europe Ex UK 6.0	ILGs 24.0	US Equity 11.5	ILGs -0.7	Gold 15.8	EM 11.2	FTSE All Share 12.8		UK Propty 9.6	LGT Vestra Balanced 7.0
	Cash 1.2	LGT Vestra Balanced 10.6	HY 5.4	FTSE All Share 7.5	HY 5.4	Japan 22.7	Gold 10.9	HY -1.6	Japan 14.8	Japan 11.1	LGT Vestra Balanced 9.1		HY 9.4	HY 8.3
	Hedge Fund -2.9	EM 9.0	FTSE All Share 5.2	LGT Vestra Balanced 7.4	FTSE All Share 5.2	Europe Ex UK 19.7	LGT Vestra Balanced 10.5	EM -2.8	HY 13.4	LGT Vestra Balanced 8.9	Hedge Fund 7.6		LGT Vestra Balanced 8.3	EM 9.5
	HY -3.0	Global Bonds 7.7	EM 3.0	HY 5.6	EM 3.0	FTSE All Share 16.6	HY 7.8	Gold -3.2	LGT Vestra Balanced 13.2	Europe Ex UK 8.9	EM 4.8		EM 7.6	ILGs 10.2
	LGT Vestra Balanced -5.6	Hedge Fund 7.5	Global Bonds 1.8	EM 5.1	Global Bonds 1.8	LGT Vestra Balanced 11.0	Hedge Fund 5.9	FTSE All Share -3.4	EM 8.9	Gilts 8.2	ILGs 4.1		ILGs 6.3	FTSE All Share 10.8
	UK Propty -9.0	Gold 5.0	Cash 0.7	Hedge Fund 4.1	Cash 0.7	HY 10.5	EM 4.9	Hedge Fund -5.1	Hedge Fund 7.1	Hedge Fund 4.9	HY 3.8		Global Bonds 4.0	US Equity 12.3
	FTSE All Share -9.2	Japan 3.3	Gilts 0.1	Japan 2.7	Gilts 0.1	Gilts 9.5	ILGs 2.2	LGT Vestra Balanced -5.3	Gilts 6.4	HY 4.6	Japan 2.5		Hedge Fund 3.9	Japan 12.3
	EM -12.0	Gilts 1.8	Hedge Fund -0.8	Cash 0.6	Hedge Fund -0.8	Gold 7.6	Gilts 1.7	Commodities -5.8	ILGs 6.0	Global Bonds 0.7	Cash 0.1		Gilts 3.0	Commodities 12.8
	Commodities -12.7	Cash 1.4	ILGs -1.1	Europe Ex UK 0.0	ILGs -1.1	Hedge Fund 0.7	Cash 0.4	Japan -7.6	Global Bonds 4.0	Cash 0.6	Global Bonds -2.1		Cash 0.7	Europe Ex UK 14.6
	Japan -12.9	ILGs 0.2	Gold -12.5	Gold -0.3	Gold -12.5	Cash 0.7	Global Bonds -2.3	Europe Ex UK -9.1	Commodities 3.6	Commodities -6.1	Gilts -5.2		Gold 0.3	UK Propty 15.8
Worst	Europe Ex UK -14.4	Commodities -5.4	Commodities -20.3	Commodities -11.9	Commodities -20.3	UK Propty -9.0	Commodities -7.1	UK Propty -13.6	Cash 1.0	UK Propty -16.3	Gold -5.2	Worst	Commodities -1.4	Gold 16.0
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		2012 - 2022	Ann. vol

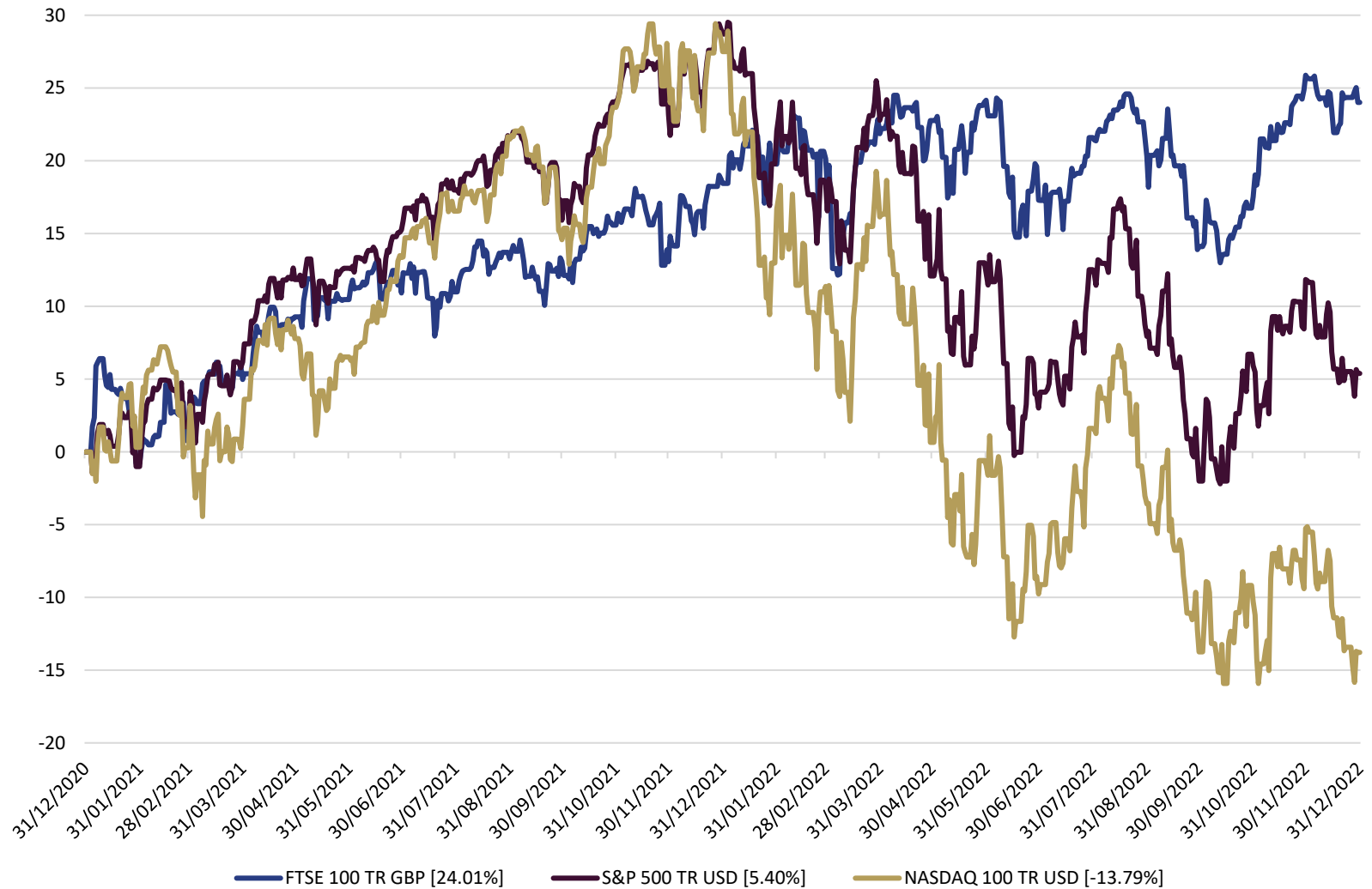
Source: Morningstar

The decade that was



Source: Bloomberg, LGT

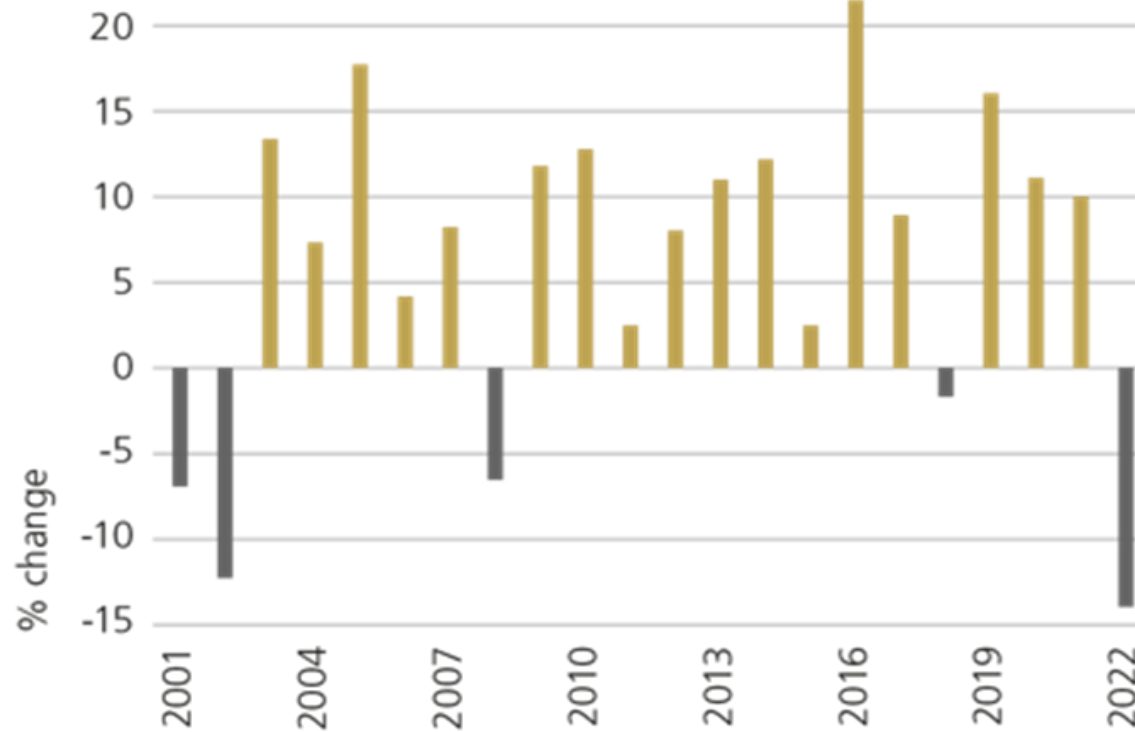
Not so easy...



Source: Bloomberg, LGT

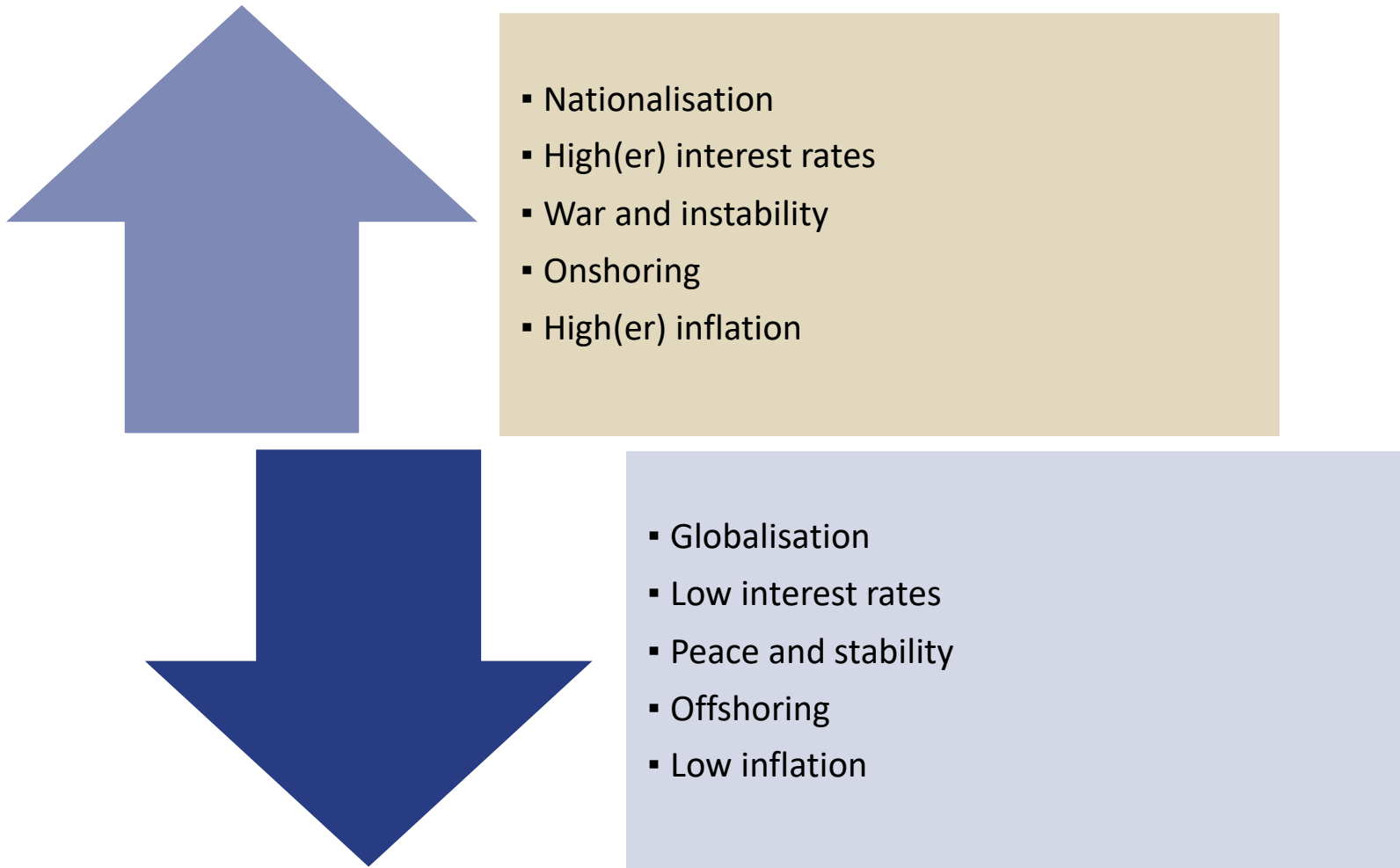
The traditional 60/40 portfolio

60% MSCI All Country World Equity / 40% FTSE UK Gilts portfolios annual performance %



Source: Bloomberg, LGT

The seismic shift in the world order

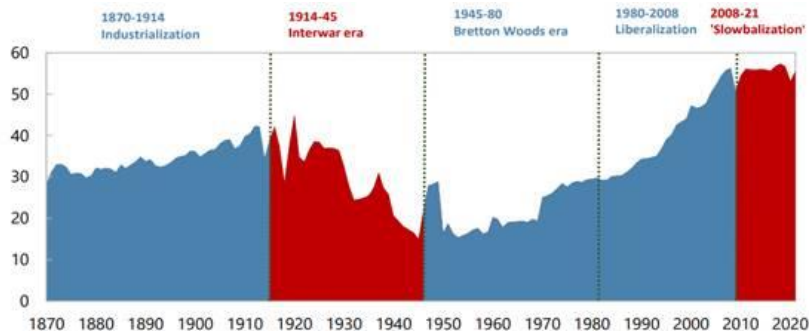


Globalisation to nationalisation

Globalisation has contributed to benefits such as:

- Lower costs
- Lower prices
- Greater economies of scale
- Improved living standards in many countries
- Low inflation for nearly 40 years

Trade openness, 1870-2021



Source: 2023, IMF, Geo-economic Fragmentation and the Future of Multilateralism

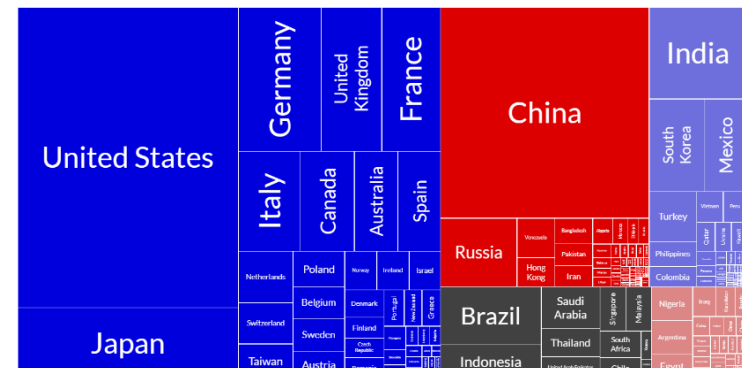
The UK's decision to leave the EU is a prime example of a broader nationalisation trend, driven by concerns over:

- National security
- Trade
- Migration

Deglobalisation could result in the creation of two main trading-blocks. This would have major implications for:

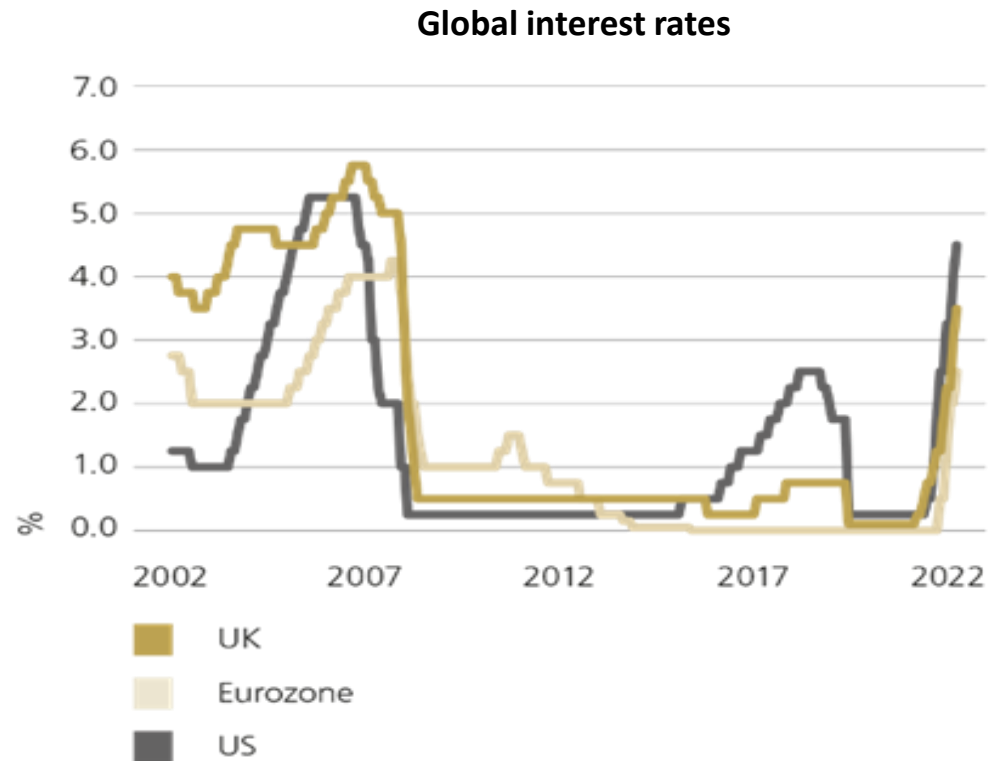
- Trade
- Inflation
- Currencies

Economic size of US-China blocks (US \$, GDP 2019)



Source: IMF, Capital Economics

Low interest rates to high(er) interest rates

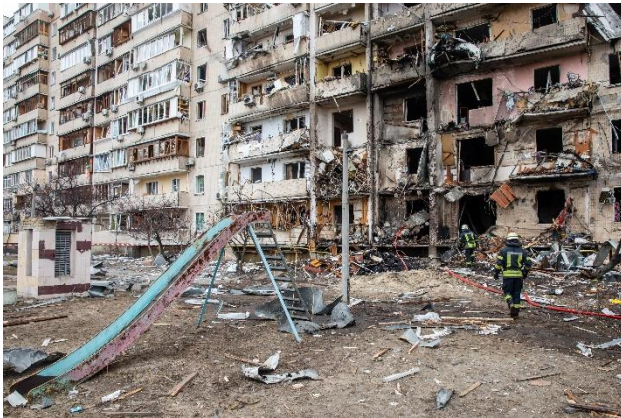


Source: Bloomberg, LGT

From peace and stability to war and instability



Source: Shutterstock



Source: Shutterstock

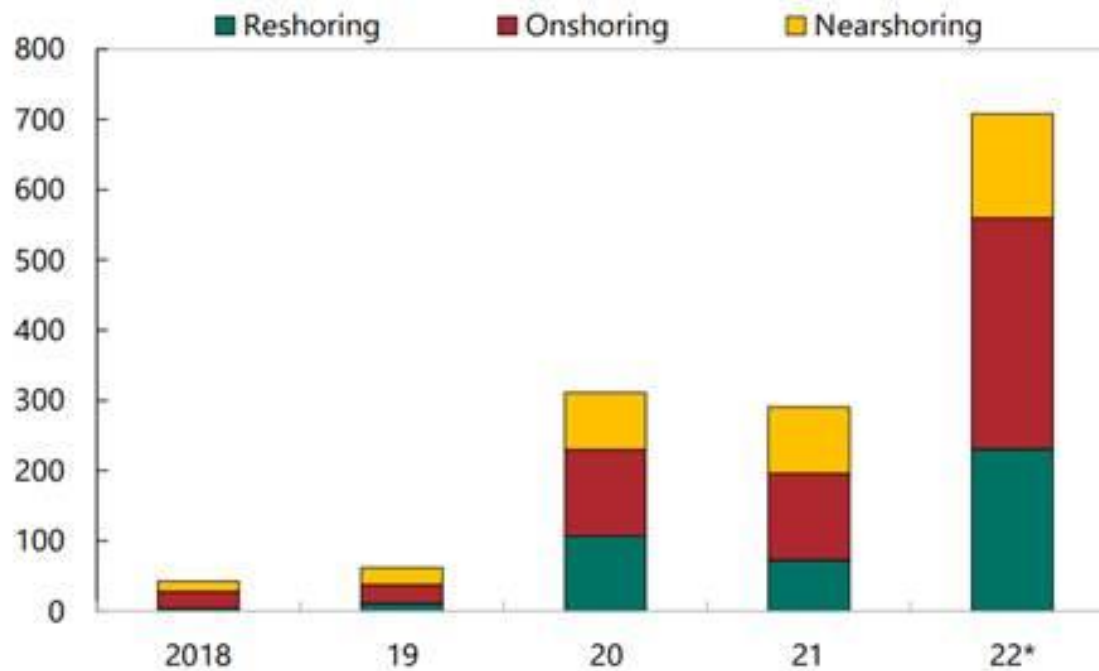
Euro/US dollar exchange rate



Source: Markets Insider

Offshoring to reshoring

Mentions of key terms in corporate presentations

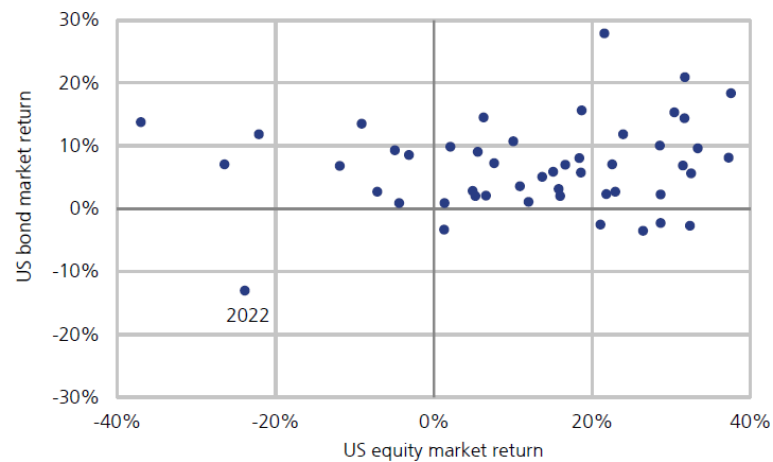


*This report was produced in October 2022 so for 2022 the numbers were rescaled to account for the fact that data was only available through August.

Source: 2022, IMF, Regional Economic Outlook: Asia and Pacific

2022 – a tough year for multi-asset investors

US equity vs. bond returns over the last 50 years



Source: Bloomberg, LGT

Wealth destruction...



Source: FE fundinfo

Where next...

- The 60/40 portfolio idea is not dead, but...
- Trends within the allocation of capital
- No longer a binary decision

US Investment



23/02/2018 - 23/02/2023 Data from FE fundinfo 2023

Source: FE fundinfo

Benefits of passives (ones held in the portfolios)

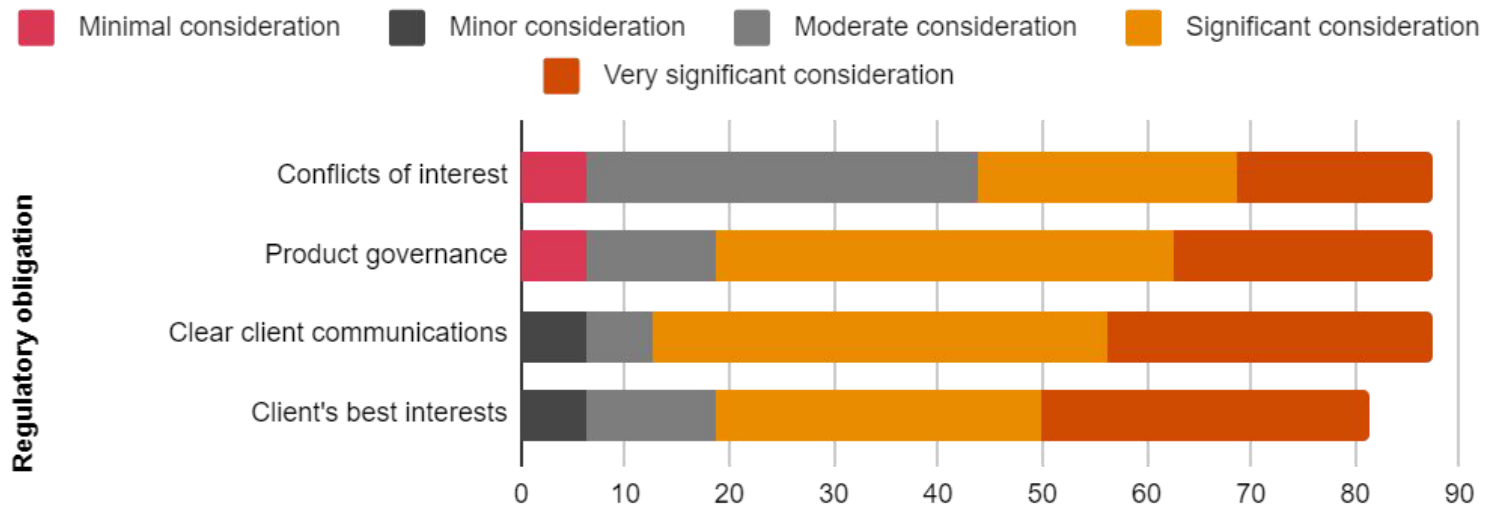


23/02/2018 - 23/02/2023 Data from FE fundinfo2023

Source: FE fundinfo

ESG and the broader regulatory context

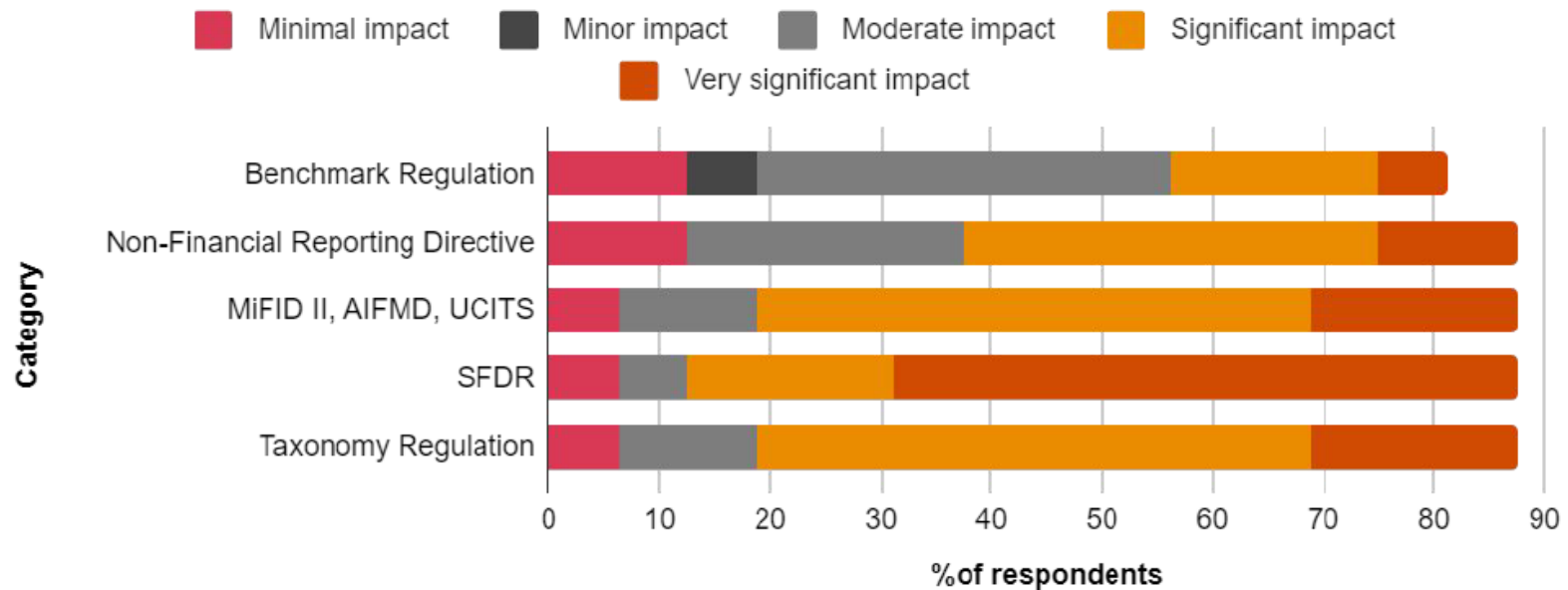
To what extent are you considering ESG issues in the context of meeting the following existing regulatory obligations?



Source: Embracing ESG Transformation - PWC

The impact of EU regulation

How would you rate the following EU initiatives in terms of the impact they are having/is likely to have on your UK business?



Source: Embracing ESG Transformation - PWC

Opportunity knocks

How would you rate the following opportunities associated with ESG integration?



Source: Embracing ESG Transformation - PWC

Sustainable investing at LGT



United Nations Sustainable Development Goals

- The United Nations Sustainable Development Goals (UN SDGs) were agreed by all UN Member States in 2015 and aim to ensure that capital is channelled toward the areas that need it most
- The SDGs aim to create positive economic development and improve the world through encouraging collaboration and innovation
- The UN SDGs alone do not represent an investable framework. However, they inspire a range of investment themes that incorporate some key sustainable megatrends

SUSTAINABLE DEVELOPMENT GOALS



Distilling the UN SDGs into investable themes

The sustainable pillars allow for the translation of a framework of global social and environmental change into an investable universe

United Nations Sustainable Development Goals



Our sustainable investment pillars



Ongoing analysis

It is crucial to conduct sustainability analysis of the underlying investments, as the profile of businesses naturally changes over time

Initial analysis of holdings

Across the Sustainable Portfolios, we only invest in *active* third party fund managers.

The third party managers, whilst being long term investors, often add new companies to the portfolios.

As these new holdings get added, we conduct the following analysis on the names:

- **SMax overall score assessment**
- **Controversy analysis**

We always engage with the fund manager if we have concerns over the ESG profile of an underlying stock.

Quarterly sustainable assessment

The sustainability profile of the underlying holdings may change over the course of a year.

On a quarterly basis we run a number of internally built reports to highlight any changes in the ESG scores of the companies, or if they have been involved in any controversies over the period.

We will engage with the fund manager if we have any concerns following the production of the reports.

Mapping the positive impact

Each month we assess the underlying funds' alignment to the sustainable investment pillars:

- **Healthcare and societal wellbeing**
- **Education and training**
- **Resources and the circular economy**
- **Climate and environmental action**

This enables us to publish the alignment of a portfolio to the pillars and allows for greater understanding of the themes within a sustainable portfolio.

A dedicated team undertakes ongoing analysis to ensure sustainability credentials and aligned execution

Portfolio alignment to the sustainable investment pillars





- In order for clients to better understand their portfolios' exposure to these themes, thematic mapping is conducted monthly



Sample portfolio mapping



Key

	Healthcare and societal wellbeing	53%
	Financial inclusion and education	2%
	Circular economy and resources	7%
	Climate and Enviromental action	38%

Constructing a sustainable portfolio

ASSET CLASS IMPLEMENTATION

Bonds

- We utilise specialist bond fund managers to invest in sustainable leaders; companies that are leading in their sector with regard to ESG practices
- We hold dedicated green and social bond funds to get exposure to impact bond holdings which fund dedicated sustainable projects

Equities

- We utilise a range of specialist equity funds, some focused on investing in a specific geography, others investing in sectors such as environmental themes.
- We are also able to invest directly in companies that have been selected for their strong sustainable characteristics. We use our internal sustainability rating methodology to assess this.

Investing for impact

- We have selected five dedicated impact investments, across bond and equity asset classes
- Each of these impact funds quantify the impact generated:
 - Water recycled
 - Renewable energy generated
 - Social houses funded

EXAMPLES OF FUNDS USED

Allianz Green Bond fund

- Investing in green bonds globally, funding environmental projects such as renewable energy generation and the green transition

Pictet Global Sustainable Credit

- Investing in bond issuances of companies demonstrating strong sustainability criteria and credentials

Liontrust Sustainable Future UK Growth

- Investing in companies based in the UK across three main themes; resource efficiency, improved health and greater safety and resilience

Alliance Bernstein Sustainable US

- Investing in sustainable US companies across three themes; health, climate and empowerment.

Impax Asian Environmental Markets

- Investing in Asian businesses within energy efficiency, pollution control, waste management, water, food and renewable energy and reporting

WHEB Sustainability

- Investing in companies demonstrate commitment to sustainable growth and reporting impact

Portfolio alignment to the sustainable investment pillars



Sample portfolio mapping



Key

Healthcare and societal wellbeing	53%
Financial inclusion and education	2%
Circular economy and resources	7%
Climate and Environmental action	38%

Alignment analysis considers:

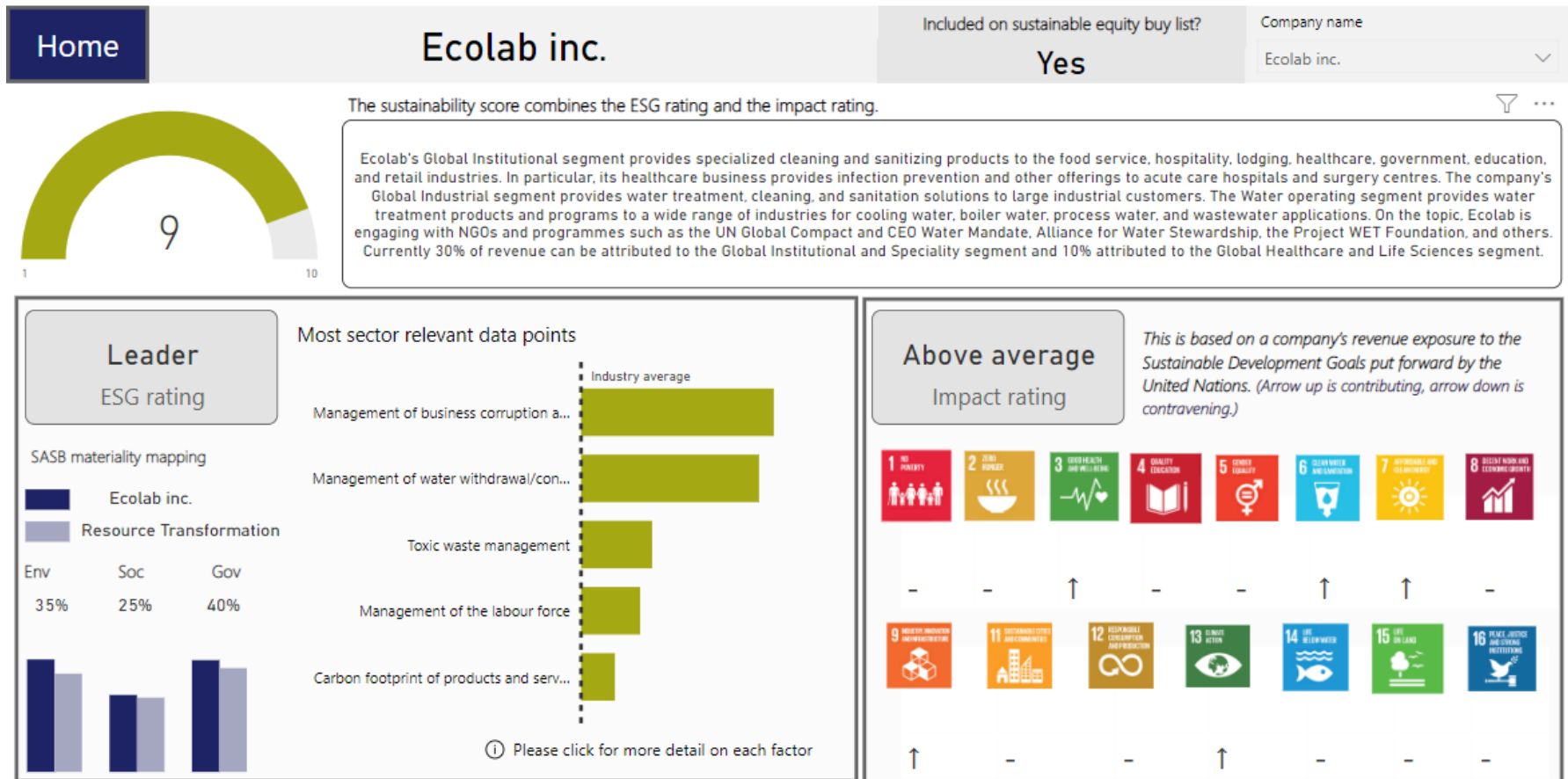
- % of revenue generated by the business attributed to the pillar
- This revenue alignment is calculated through alignment to the UN SDGs

Commentary on pillar alignment

- Whilst the mapping captures impact generated directly by a business' revenue, it does not capture indirect positive impact generated by a business for example through the company's operations or supply chain. This means that the positive contribution to pillars such as financial inclusion and circular economy is higher than this mapping implies
- Some of the pillars provide many more investment opportunities than others. This is due to the number of sub-themes connected to that pillar, valuations within the sectors at any one time and number of listed companies (or bonds) linked to the theme. This is likely to change, for example we expect the investment opportunities mapped to financial inclusion and education and circular economy pillars to grow over time

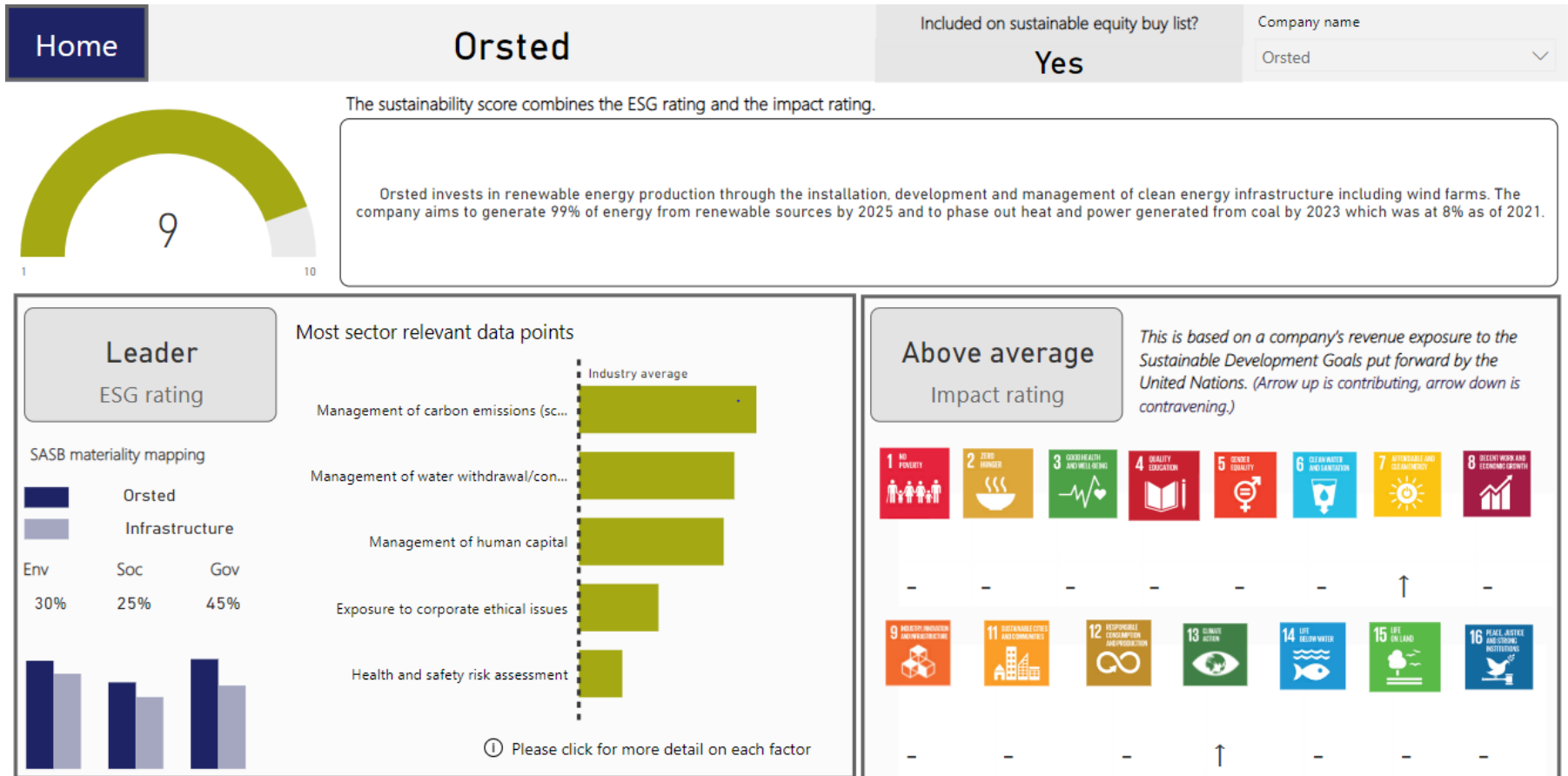
LGT Wealth Management Smax dashboard output:

- Company example: *Held in the Lazard Global Sustainable Equity fund*



LGT Wealth Management Smax dashboard output:

- Company example: *Held in the Ninety One Global Environment fund*

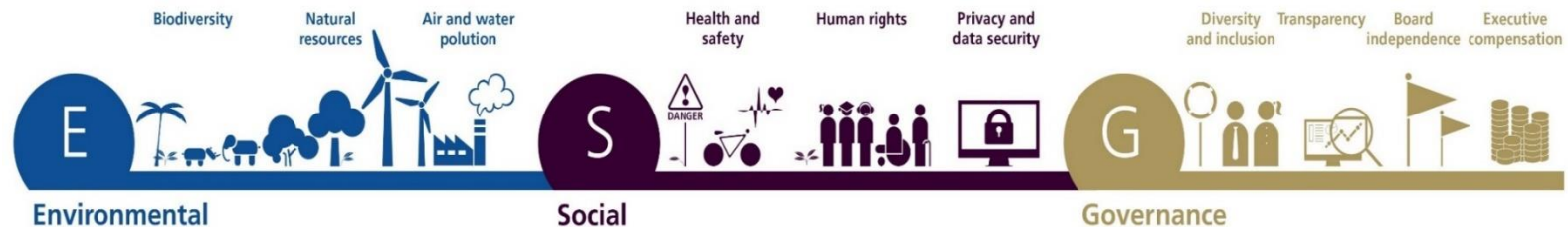


Our sustainable investing framework

We assess assets in sustainable portfolios across the three tenets of our framework



Within integration we assess underlying holdings across environmental, social and governance factors



The pitfalls

- Largely a growth stock opportunity
- Greenwashing

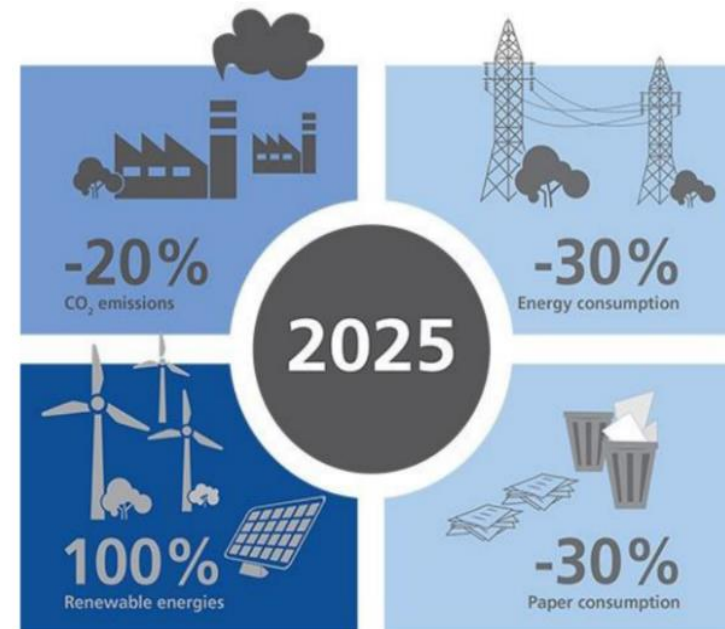


Source: Google Images

LGT Group's sustainable business commitment

Thinking and acting sustainably

- Conducting business sustainably is one of LGT's fundamental corporate principles.
- LGT was early to commit to sustainability and has been **carbon neutral since 2010**, offsetting emissions through a wind project in India.
- We have outlined further ambitious plans which strengthen our business' commitment to sustainability, such as:
 - Our **commitment to net-zero by 2030**, across both our investments and operations – a pioneering commitment in our sector, and twenty years earlier than the goals of the Paris Agreement.
 - At end of 2021, signed the **largest ever direct air capture agreement** by a bank with Climeworks, removing 9,000t of carbon from the atmosphere over the next ten years.
 - The development of the **LGT 2025 Sustainability Goals**, which form baseline targets for all business units to adhere to and, if possible, exceed.



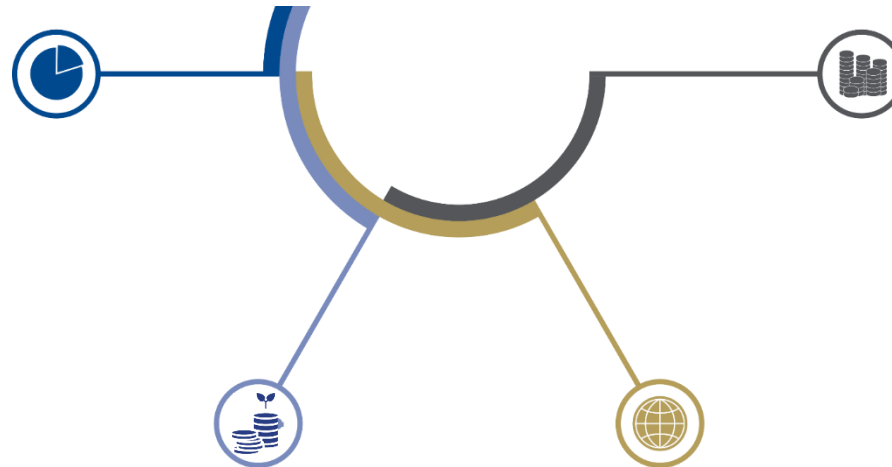
LGT 2025 Sustainability Goals

Our International investment proposition

A fully comprehensive offering for the international adviser marketplace, aimed at building true partnerships

International MPS

- Ideas fed in from the Investment Committee whose members have an average of 28 years market experience
- Unconstrained asset allocation allowing the portfolio managers to be nimble and invest with high conviction
- Access to the portfolio decision-makers and our expertise



International Sustainable MPS

- A focus on investing in companies with strong sustainable credentials
- Dedicated sustainable investment team provide comprehensive research and analyses for each fund
- Excellent additional risk management tool with a long-term investment view

Bespoke portfolio management

- A highly personalised solution
- Whole-of market approach
- Aim to deliver strong and risk-adjusted returns over the long-term, rather than follow benchmarks

Extra services for your international clients

- US-connected clients via LGT Wealth Management US Limited
- Offshore platform through LGT Wealth Management Jersey Limited
- Multiple booking centres through LGT Group

Model Portfolio Service (MPS) overview

Our key emphasis is to deliver superior risk adjusted returns over the medium to longer term.

- **Five global** unconstrained **multi-asset** portfolios
- Investing in funds, ETFs and other collectives
- Available in **GBP, EUR and USD**
- Third party platforms available

	Defensive	Cautious	Balanced	Growth	Adventurous
Objective	To preserve capital. The portfolio is diversified across a range of asset classes.	To achieve a moderate level of capital growth.	To appreciate capital growth in excess of the rate of inflation.	To achieve above average capital growth.	To achieve high levels of capital growth.

Asset allocation



Fixed interest	58%
Alternatives	5%
Equities	26%
Cash	11%

Asset allocation



Fixed interest	45%
Alternatives	5%
Equities	42%
Cash	8%

Asset allocation



Fixed interest	30%
Alternatives	5%
Equities	59%
Cash	6%

Asset allocation



Fixed interest	19%
Alternatives	4%
Equities	71%
Cash	6%

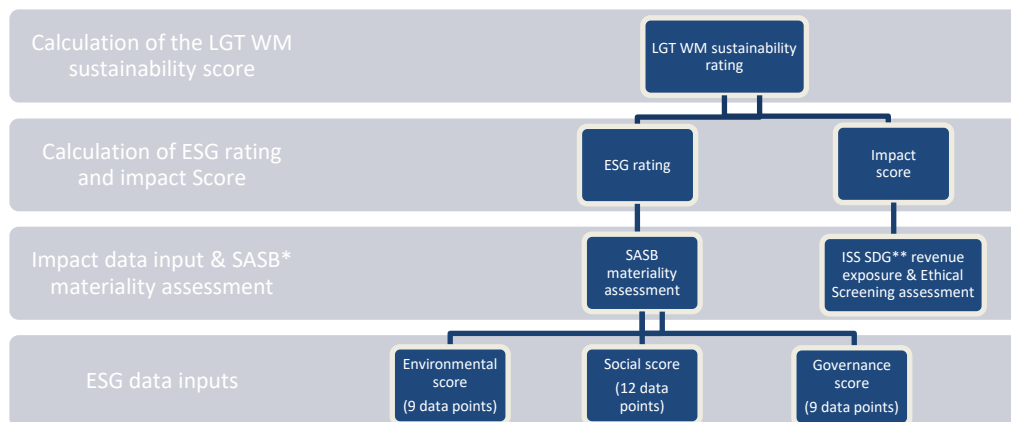
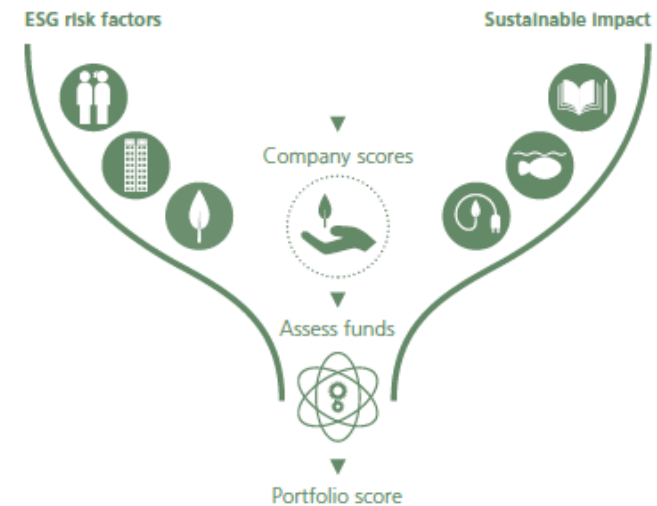
Asset allocation



Fixed interest	9%
Alternatives	4%
Equities	82%
Cash	5%

SMax: our propriety sustainable rating tool

- Our in-house tool, SMax, analyses sustainability from two perspectives
- It considers carefully selected ESG risk factors, whilst also considering impact generated
- Our sustainable investing framework assesses the sustainability of an investment from three key perspectives: intentionality, integration and impact
- We believe in a holistic approach so we incorporate intentionality as an additional layer to assess the commitment behind the allocation of capital



*Sustainability Accounting Standards Board

** Sustainable Development Goals

Leader (9 – 10)	<ul style="list-style-type: none"> ■ Clear sustainable intentionality ■ Business revenue driving positive sustainable impact ■ ESG risk factors carefully considered and successful strategies implemented
Above average (7 – 8)	<ul style="list-style-type: none"> ■ Some sustainable intentionality ■ Majority of business revenues driving positive sustainable impact ■ Most ESG risk factors carefully considered, and some successful strategies implemented
Average (5 – 6)	<ul style="list-style-type: none"> ■ Some of the business revenues are driving positive sustainable impact ■ ESG risk factors considered, and some strategies implemented
Below average (3 – 4)	<ul style="list-style-type: none"> ■ Lack of sustainable intentionality ■ Business revenues are not driving positive sustainable impact ■ ESG risk factors are not consistently managed
Laggard (1 – 2)	<ul style="list-style-type: none"> ■ No perceived sustainable intentionality ■ Business revenues are driving negative sustainable impact

Climate risk: portfolio carbon emissions analysis

- Portfolio climate risk is an increasingly important risk factor to consider at holdings and portfolio level
- One measurement of climate risk is analysing the carbon emissions of businesses, both scope 1 + 2 (operations), and scope 3 (supply chains, investments and goods and services)
- We utilise carbon emissions data for underlying companies in portfolios in two ways:
 - Carbon emissions intensity:** shows the amalgamated carbon emissions per unit of sales of all companies
 - Carbon avoided:** shows the amalgamated carbon emissions per unit of sales of each business saved or contributed versus the status quo (the quantification of the carbon impact of the portfolio)

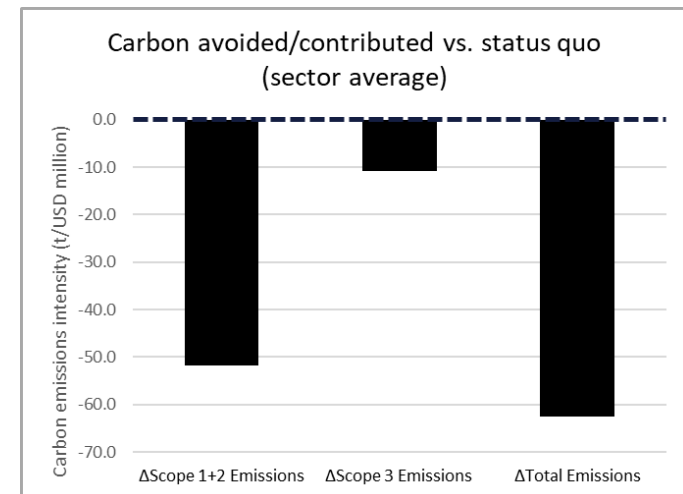
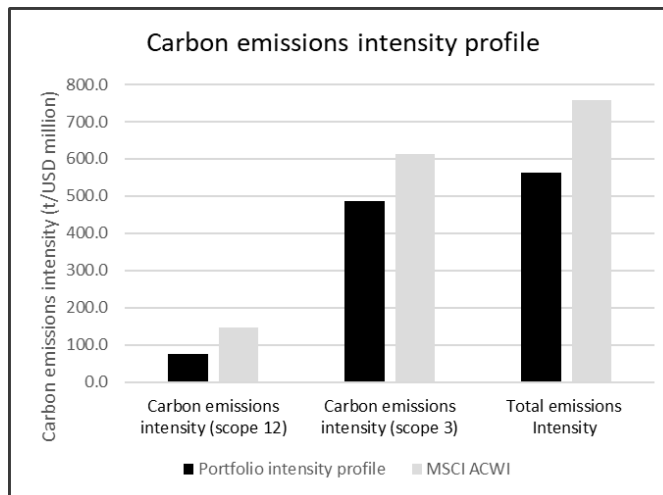
Scope 1 & 2

Direct emissions



Scope 3

Indirect emissions



Source: LGT Wealth Management SMax ESG tool, CDP carbon data

LGT WM International Sustainable MPS

- A Sustainable Model Portfolio Service **invested in a diversified range of funds**, run dynamically on an ongoing basis
- **Five** core multi-asset risk profiles
- In **GBP, EUR** and **USD**
- Focus on the **UN Sustainable Development Goals** through our four sustainable investment pillars



To learn more about the **sustainable investment process**, click here to watch Phoebe Stone, Partner and Head of Sustainable Investing, explain how the UN SDGs are grouped into four investible categories.



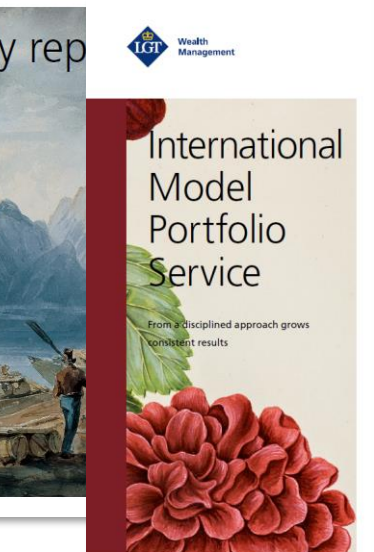
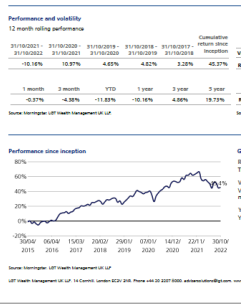
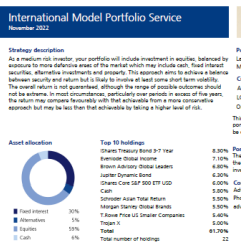
A proud participant of:
Climate Action 100+
 Global Investors Driving Business Transition



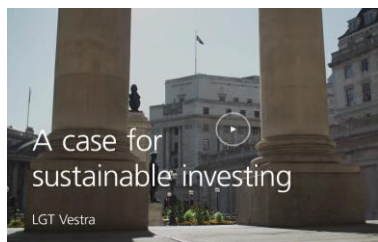
Keeping you informed



Customised Investment Proposals



Our sustainable videos: keeping you informed



A case for sustainable investing

Phoebe Stone, Partner and Head of Sustainable Investing, outlines the sustainability challenges we face as a global community and how investing can play an important part in promoting a more sustainable future..

[Click here to watch](#)



Q4 '22 Five minute round up

Phoebe Stone, Partner and Head of Sustainable Investing, discusses the third quarter of 2022 in a five minute round up video.

[Click here to watch](#)



Q1 '23 Market outlook

In this webinar, Sanjay Rijhsinghani, CIO, and Phoebe Stone, Head of Intermediary Services, discuss the key themes they expect to see in 2023. They analyse the impact on the portfolios and what this will mean for the first quarter of the year.

[Click here to watch](#)



LGT Masterclass: Tapping into megatrends

Will Simpson, Trainee Sustainable Portfolio Manager, joins Senior Portfolio Manager, Henry Wilson to discuss megatrends and investment opportunities in sustainable investing.

[Click here to watch](#)



Your dedicated investment team

Sanjay Rijhsinghani

Chief Investment Officer



Sanjay is a founding Partner and Chief Investment Officer (CIO) at LGT Wealth Management. Sanjay chairs the monthly Investment Committee and specialises in managing global investment mandates with multi-manager solutions. In addition to his role within the centralised investment proposition, Sanjay retains a small number of private client relationships, which ensures he stays connected to the investment process.



Phoebe Stone

Head of Intermediary Investment Services and Sustainable Investing



Phoebe launched and leads LGT Wealth Management's Sustainable Investing proposition. She became partner and Head of Sustainable Investing in 2020 following growth of the Sustainable Model Portfolio Service two years earlier. Phoebe is also heavily involved in diversity & inclusion initiatives having launched LGT WM's inclusion initiative and a pan-industry diversity. Phoebe is also actively involved in charitable work including being Board Trustee of the Lord Mayor's Appeal and Ambassador of two breast cancer charities. Phoebe holds a BA in Economics & Chinese from Nottingham University and CFA's Certificate in ESG Investing.



Olivia Wingrove

Portfolio Manager, International MPS



Olivia joined LGT in 2022 as a Portfolio Manager responsible for the International MPS and SMPS. Prior to this Olivia spent five years as an Investment Manager within the Managed Portfolio Services Investment team at Quilter Cheviot. She is a CFA Charterholder and also holds the IMC and CFA Certificate in ESG Investing. Olivia holds a First Class Honours degree in Politics, Philosophy and Economics (PPE) from the University of Exeter.

Important information

This document is for information and illustrative purposes only and is for use of the recipient. It is not to be reproduced, copied or made available to others. This document is considered to be a general market or informational commentary and does not constitute any type of investment or other professional advice, it is not a personal recommendation and does not take into account the particular investment objectives, financial situations or needs (including tax) of individual clients. This document is not intended and should not be construed as an offer, solicitation or recommendation to buy or sell any specific investments or participate in any investment (or other) strategy. Investors should be aware that past performance is not an indication of future performance and the value of investments and any income derived from them may fluctuate. You may also not receive back the amount you originally invested.

When we provide investment advice it is on the basis of a restricted approach, that is to say whilst we review and advise on retail investment products from the whole of the investment market, we can also advise you on direct investments, we will not consider your wider financial planning and pension requirements, unless you wish us to do so, when we will refer you to one of our wealth planners.

The information and opinions expressed herein are the views of LGT Wealth Management UK LLP and are based on current public information we believe to be reliable, but we do not represent their accuracy or completeness and as such should not be relied upon. Any information herein is given in good faith, but is subject to change without notice. No liability is accepted whatsoever by LGT Wealth Management UK LLP, employees and associated companies for any direct or consequential losses arising from this document. This document is not intended for further distribution.

LGT Wealth Management UK LLP is a limited liability partnership registered in England & Wales. Registered Office: 14 Cornhill, London EC3V 3NR. Registration number OC 329392.

LGT Wealth Management UK LLP is authorised and regulated by the Financial Conduct Authority and is a member of the London Stock Exchange

LGT Wealth Management Jersey Limited is incorporated in Jersey and is regulated by the Jersey Financial Services Commission in the conduct of Investment Business and Funds Service Business. Registration number: 102243; <https://www.jerseyfsc.org/industry/regulated-entities>, Registered office: 30-32 New Street, St Helier, Jersey, JE2 3TE.

LGT Wealth Management US Limited is Authorised and Regulated by the Financial Conduct Authority in the United Kingdom and is a Registered Investment Adviser with the Securities and Exchange Commission in the United States.