



Forward-looking
for generations

Embracing Passives: The Power of Passive in Active Management



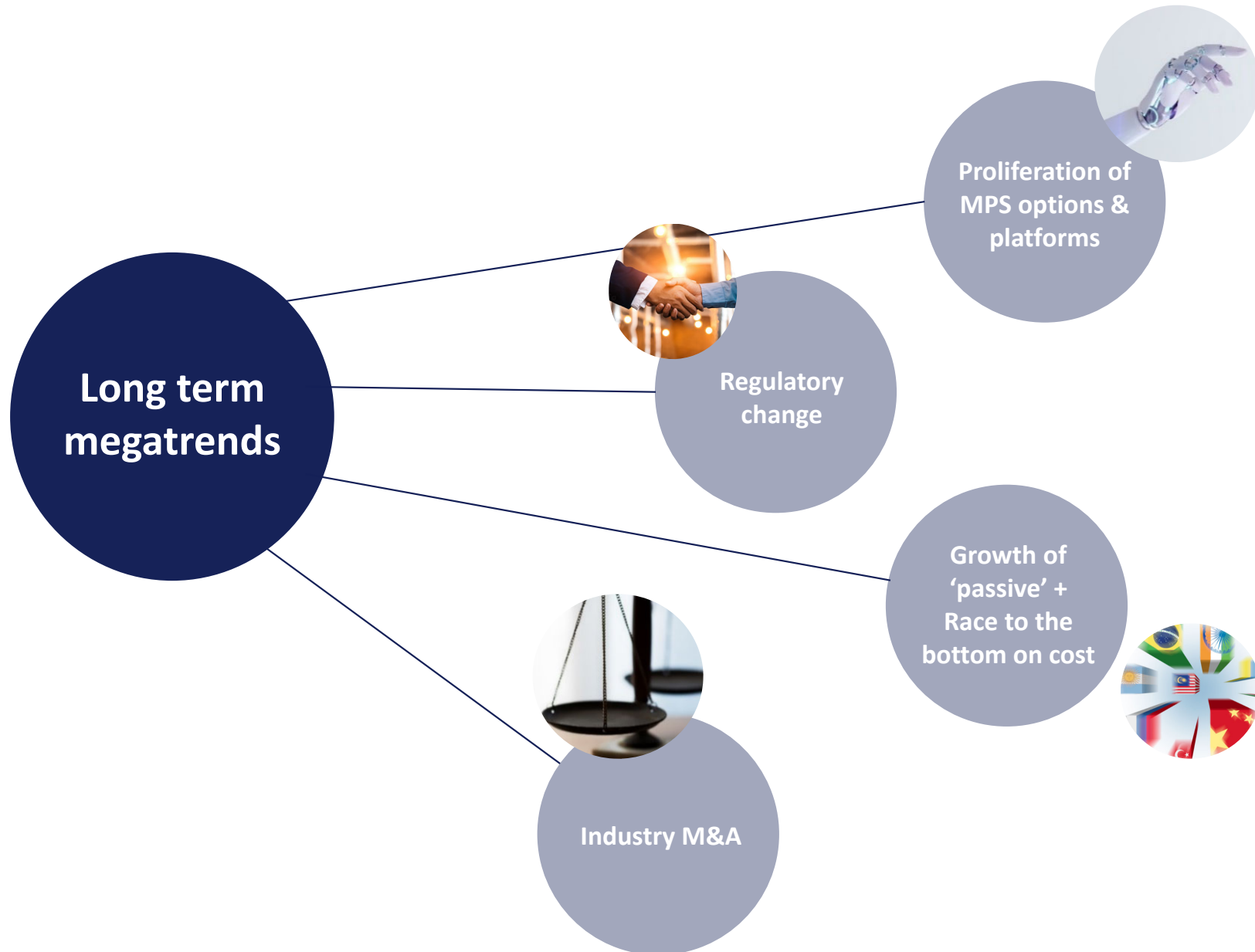
This is a marketing communication

November 2024



Contents

- ➔ The market dynamics impacting the MPS landscape
- ➔ The big debate: Active vs. Passive
- ➔ Active share: How do we manage 'activeness'?
- ➔ Downside protection, manager skill and valuations
- ➔ An ever-increasing focus on cost
- ➔ The common pitfalls of passive investing
- ➔ A balancing act
- ➔ How to build a successful passive investment solution

Market dynamics impacting MPS landscape



Introduction

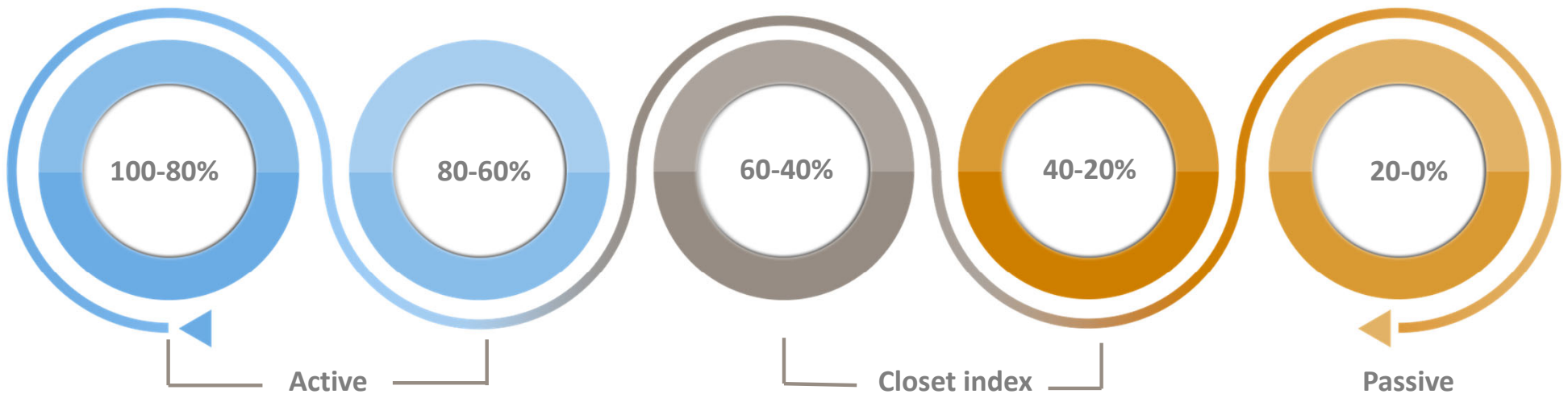
	 Active management	 Passive management
Objectives	Aims to outperform the market	Tracks a specific index
Beliefs	Investors are irrational: emotions create inefficiencies that can be exploited	By the time information can be processed and acted upon, it's already 'in the price
Techniques	Stock picking	Replicates the composition of an index
Decision maker	The fund manager	The index

Active share

How do we measure 'activeness'?

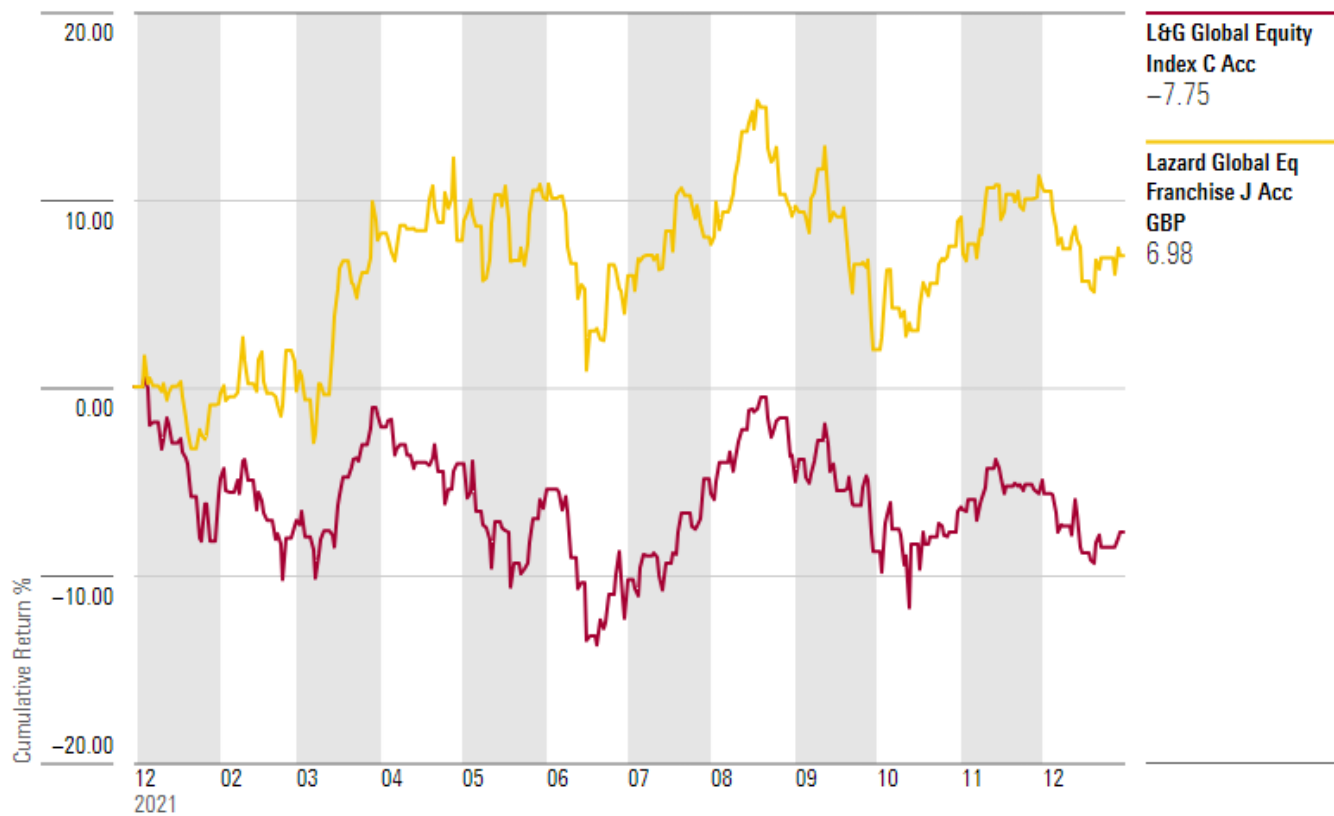
	Fund	Benchmark	Difference
Stock A	25%	15%	10%
Stock B	20%	25%	-5%
Stock C	20%	15%	5%
Stock D	15%	20%	-5%
Stock E	10%	5%	5%
Stock F	10%	20%	-10%

$$\text{Active Share} = \frac{1}{2} \sum_{i=1}^N |w_{\text{fund},i} - w_{\text{index},i}|$$



Downside protection

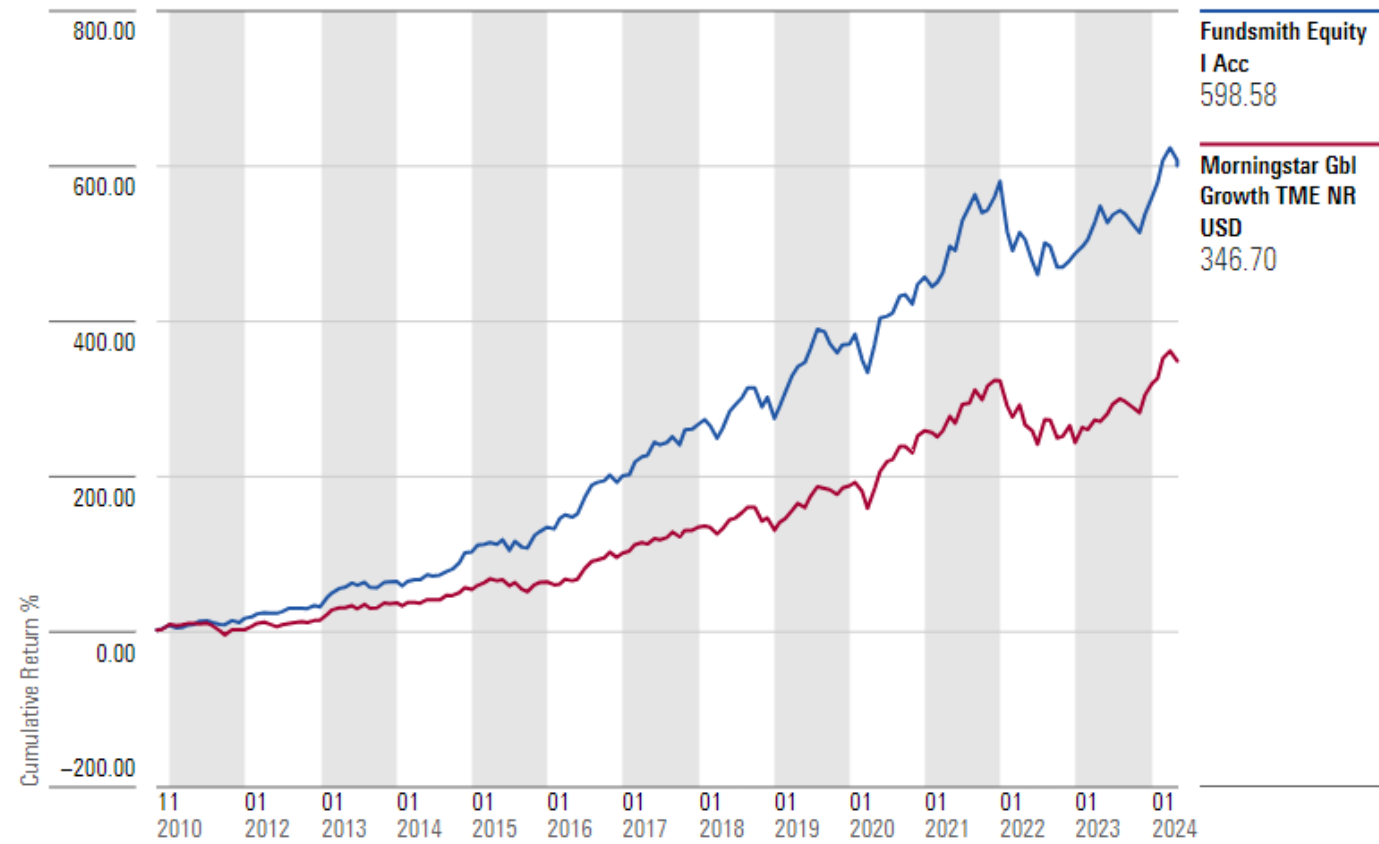
Start Date 1 Year Ago (01/01/2022) ▾ End Date 31/12/2022 ▾ Currency Pound Sterling ▾ Events ⓘ 0 Selected ▾
Scale Linear ▾ View Chart ▾ 4 More Settings ▾



Source: Morningstar

Manager skill

Start Date **Since Inception (01/11/2010)** ▾ End Date **Last Market Close (01/05/2024)** ▾ Currency **Pound Sterling** ▾
 Events ⓘ **0 Selected** ▾ Scale **Linear** ▾ View Chart ▾ **4 More Settings** ▾



Source: Morningstar

Valuations



Equities: purchase the largest stocks in the market



'Bums problem': Fixed income - high indebtedness



Negative spiral

'In 1989 the largest country weighting in the MSCI EAFE Index (covering 21 developed countries) was Japan. With a weighting of c. 60%, investors who wanted to invest passively in overseas stocks by purchasing this index were investing in Japanese stocks at the height of one of the largest market bubbles in history. Over the subsequent 25 years, the Japanese stock market generated a compound return of — 2.7% per annum.' (MSCI)

The Magnificent...1?

	Total Return	Contribution to S&P Total Return
Nvidia	121.39%	32.26%
Microsoft	10.79%	6.94%
Meta	32.03%	5.87%
Amazon	16.12%	5.15%
Alphabet A	23.49%	4.14%
Alphabet C	23.44%	3.49%
Apple	0.12%	0.05%
Tesla	-28.33%	-4.63%

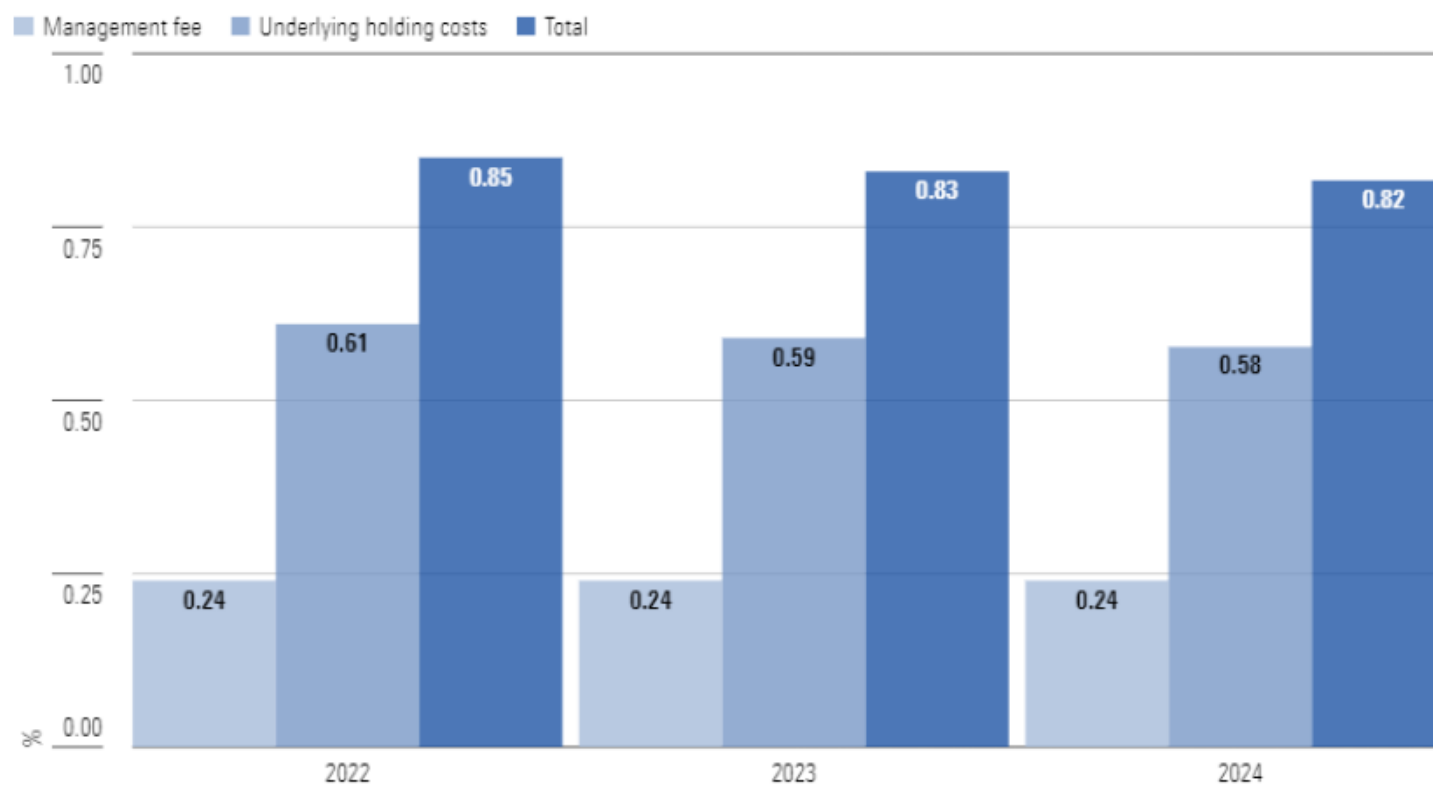


Challenging environment for active management

Source: S&P Dow Jones Indices. Data to 31 May, 2024

The cost of 'active'

Exhibit 12 Median Costs of 'Active' Style Managed Portfolios — 2022-24



Source: Morningstar Direct. Data as of June 30, 2024.

Vs. The cost of 'passive'

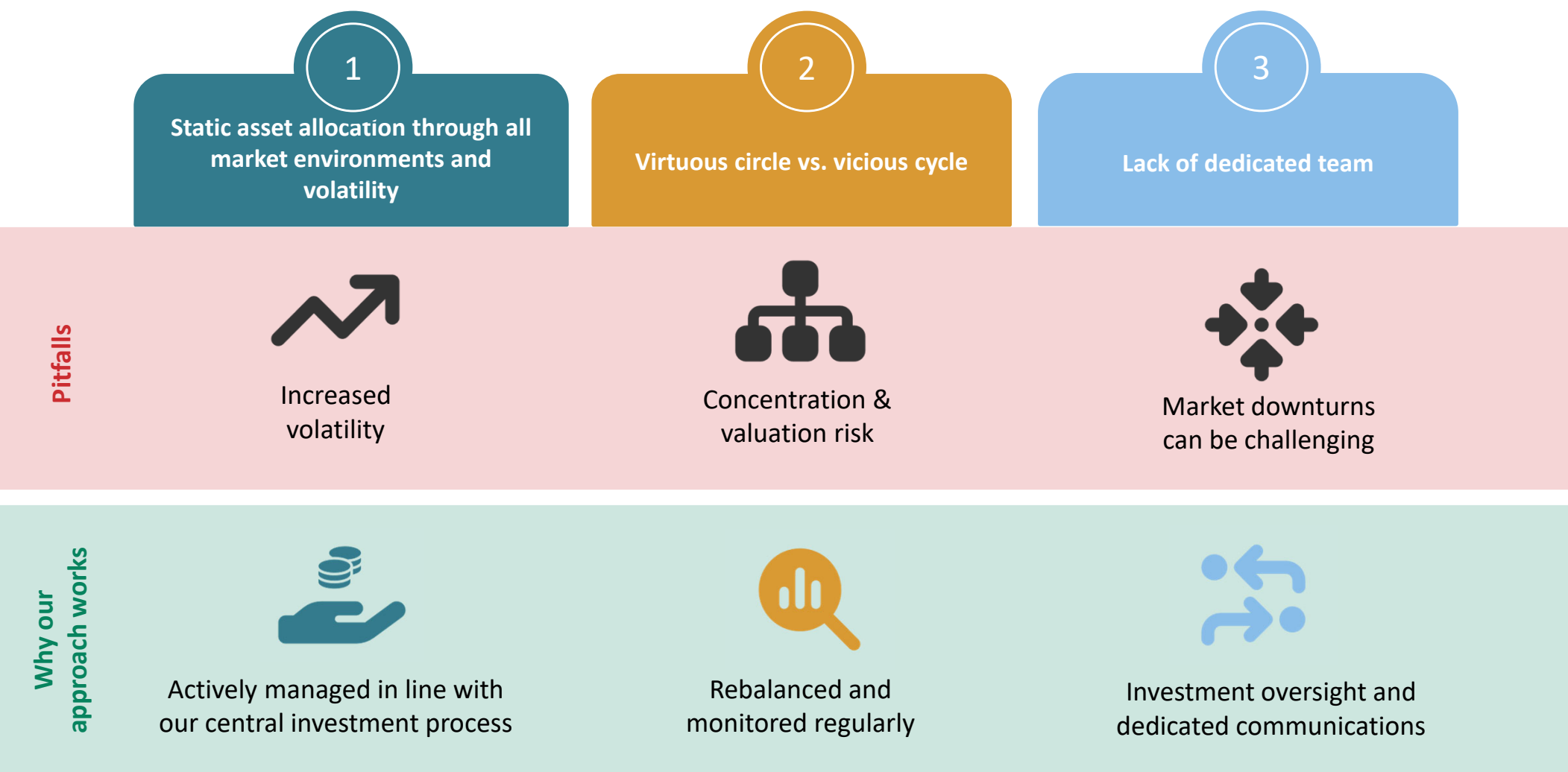
Exhibit 13 Median Costs of 'Passive' Style Managed Portfolio — 2022-24



Source: Morningstar Direct. Data as of June 30, 2024.

The power of active decision making

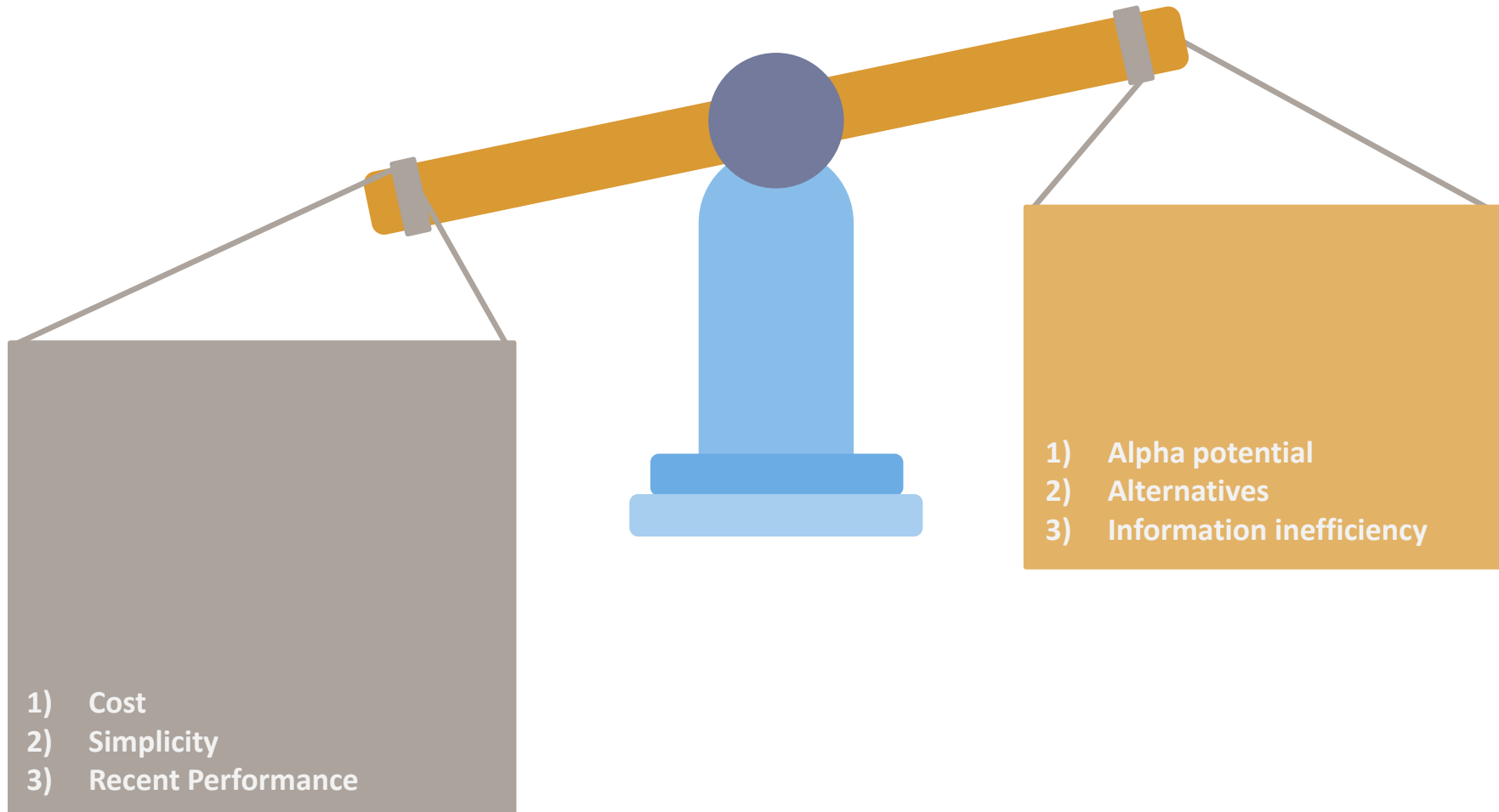
Our International Passive MPS overcomes the common pitfalls of passive investing through embracing an active approach within the portfolio construction



The case for an 'active approach'

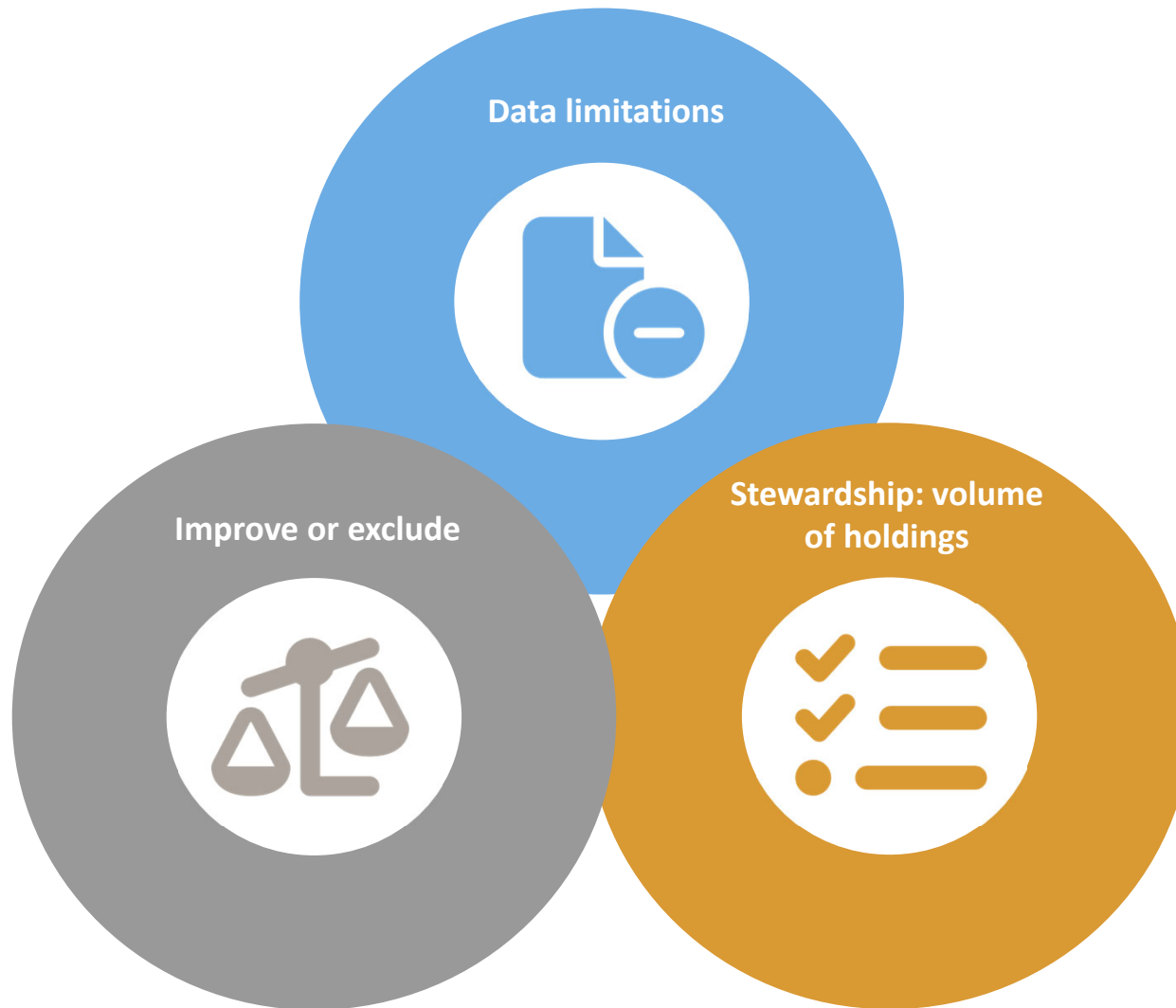
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Last 10 Years	Ann. vol
Best	Global Property 20.7	US Equity 6.9	US Equity 33.4	Asia 29.5	Gold 4.7	US Equity 26.6	Asia 21.2	Commodities 28.2	Commodities 30.8	US Equity 19.9	US Equity 14.9	Cash 0.5
	US Equity 20.3	LGT WM Balanced 6.1	Commodities 33.4	EM 24.6	Global Bonds 3.4	UK Equity 21.4	Gold 20.1	US Equity 28.0	Gold 12.0	Europe Ex UK 15.8	Europe Ex UK 8.5	Global Bonds 6.3
	Gilts 13.0	Europe Ex UK 6.0	EM 31.8	UK Equity 18.4	US Equity 1.4	Europe Ex UK 20.5	UK Equity 17.8	Global Property 23.8	Infrastructure 7.0	High Yield 15.8	UK Equity 7.8	High Yield 7.0
	Infrastructure 12.8	Global Property 5.9	Gold 29.8	Europe Ex UK 17.2	Cash 0.6	Global Property 18.2	US Equity 17.1	Europe Ex UK 17.6	Cash 1.3	Gold 7.3	Gold 7.7	LGT WM Balanced 7.1
	Asia 11.3	High Yield 5.4	Infrastructure 28.3	US Equity 11.5	Gilts 0.2	Infrastructure 15.4	EM 13.9	UK Equity 12.8	Global Bonds -2.4	LGT WM Balanced 6.3	Global Property 7.0	Gilts 8.3
	Global Bonds 7.6	UK Equity 5.2	Global Bonds 26.6	LGT WM Balanced 10.5	Infrastructure -0.6	Gold 14.0	LGT WM Balanced 8.9	LGT WM Balanced 9.1	Europe Ex UK -7.5	UK Equity 4.9	Asia 6.8	UK Equity 11.4
	UK Equity 7.5	Global Bonds 1.8	Asia 25.8	High Yield 7.8	Global Property -1.3	Asia 13.6	Europe Ex UK 8.9	Infrastructure 6.1	US Equity -9.1	Cash 4.7	Infrastructure 5.8	Infrastructure 12.3
	LGT WM Balanced 7.4	Cash 0.5	Global Property 25.2	Global Property 6.1	High Yield -1.6	High Yield 13.4	Gilts 8.2	High Yield 3.8	Asia -9.6	Global Property 4.2	LGT WM Balanced 5.4	US Equity 12.7
	Gold 5.8	Gilts 0.1	Europe Ex UK 19.7	Gold 1.9	UK Equity -3.4	LGT WM Balanced 13.2	High Yield 4.6	Cash 0.0	LGT WM Balanced -10.2	Gilts 3.7	High Yield 5.1	Europe Ex UK 13.0
	High Yield 5.6	Infrastructure -2.8	UK Equity 16.6	Gilts 1.7	LGT WM Balanced -5.3	EM 13.1	Global Bonds 0.7	Global Bonds -2.1	EM -10.5	EM 2.8	EM 4.8	Commodities 13.5
	EM 3.2	Asia -3.9	LGT WM Balanced 11.0	Infrastructure 1.6	Commodities -5.8	Gilts 6.4	Cash 0.3	EM -2.8	High Yield -11.0	Global Bonds 2.5	Global Bonds 3.6	Gold 13.6
	Cash 0.5	Gold -6.5	High Yield 10.5	Cash 0.3	Asia -9.1	Global Bonds 4.0	Infrastructure -3.7	Gold -3.0	Global Property -13.8	Asia 0.0	Commodities 1.5	Asia 14.7
	Europe Ex UK 0.0	EM -10.5	Gilts 9.5	Global Bonds -2.3	Europe Ex UK -9.1	Commodities 3.6	Commodities -6.1	Asia -3.8	UK Equity -16.6	Infrastructure -2.0	Cash 0.9	Global Property 16.0
Worst	Commodities -11.9	Commodities -20.3	Cash 0.4	Commodities -7.1	EM -9.7	Cash 0.7	Global Property -10.0	Gilts -5.2	Gilts -23.6	Commodities -13.1	Gilts 0.9	EM 17.3

A balancing act

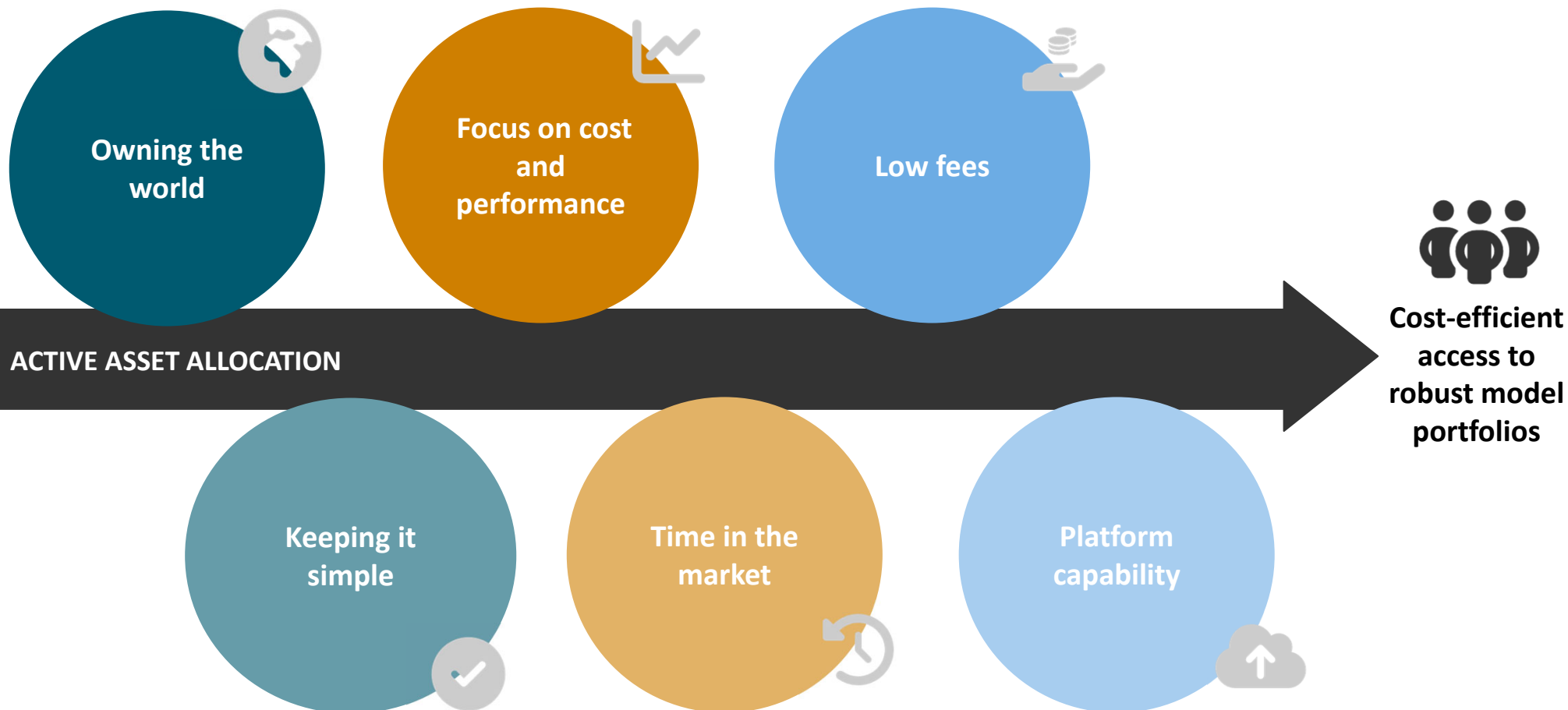


Sustainable investing and passive investing

The need to be highly selective



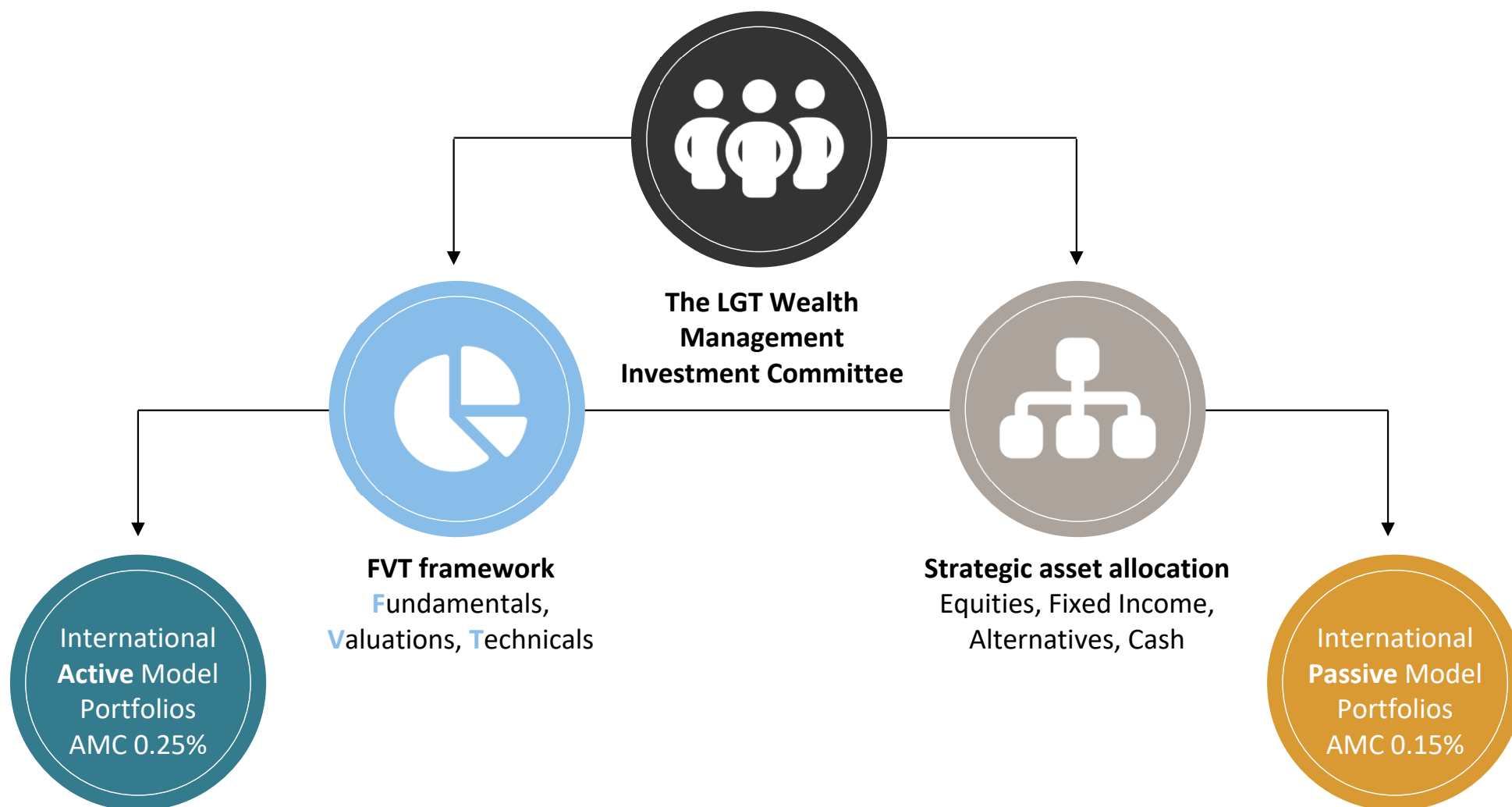
Building a successful passive investment solution





LGT WM International Investment proposition

Two MPS solutions, one market-leading investment process



Access our brochure

International MPS and Passive MPS



LGI Wealth Management

International Model Portfolio Service

Where your vision meets our expertise

of portfolio tion

for your clients

ive model portfolio

Forward-looking for generations

yield of 3.5%

Medium risk Higher risk

7

15

billy

Contact us



LGT Wealth Management UK LLP
14 Cornhill
London
EC3V 3NR



Adviser Solutions
advisersolutions@lgt.com



Adviser Solutions
+44 (0)203 307 8000

Important information

LGT Wealth Management UK LLP is authorised and regulated by the Financial Conduct Authority Registered in England and Wales: OC329392. Registered office: 14 Cornhill, London, EC3V 3NR.

LGT Wealth Management Limited is authorised and regulated by the Financial Conduct Authority. Registered in Scotland number SC317950 at Capital Square, 58 Morrison Street, Edinburgh, EH3 8BP.

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. Registered office: 30-32 New Street, St Helier, Jersey, JE2 3TE.

LGT Wealth Management International Limited is registered in Jersey (38918) at 30-32 New Street, St Helier, Jersey, JE2 3TE., and is regulated by the Jersey Financial Services Commission under the Financial Services (Jersey) Law 1998 (as amended) for the conduct of investment business and fund services business.

LGT Wealth Management US Limited is authorised and regulated by the Financial Conduct Authority and is a Registered Investment Adviser with the US Securities & Exchange Commission (“SEC”). Registered in England and Wales: 06455240. Registered Office: 14 Cornhill, London, EC3V 3NR.

This publication is marketing material. It is for information purposes only. Certain services described herein are not available to retail clients as defined by the FCA or the JFSC, as applicable; please speak to your investment adviser for further clarification in this regard. All services are subject to status and where local regulations permit. The wording contained in this document is not to be construed as an offer, advice, invitation or solicitation to enter into any financial obligation, activity or promotion of any kind. You are recommended to seek advice concerning suitability from your investment adviser. Any information herein is given in good faith, but is subject to change without notice and may not be accurate and complete for your purposes. This document is not intended for distribution to, or use by, any individual or entities in any jurisdiction where such distribution would be contrary to the laws of that jurisdiction or subject any LGT Wealth Management entity to any registration requirements. 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.

Investors should be aware that past performance is not an indication of future performance, the value of investments and the income derived from them may fluctuate and you may not receive back the amount you originally invested.