

Reinforcing the importance of long-term thinking in Investment



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Reinforcing the importance of long-term thinking in Investment

1

Who we are

Family owned. Purpose driven. Long-term investment partner.

2

Thinking about the long-term

Balancing risk. Balancing short, medium and long term needs.

3

Reflecting the long term in your portfolio

Philosophy, process, stewardship



Miranda Richards

Investment Manager, Charities and Institutions



Ben Turner

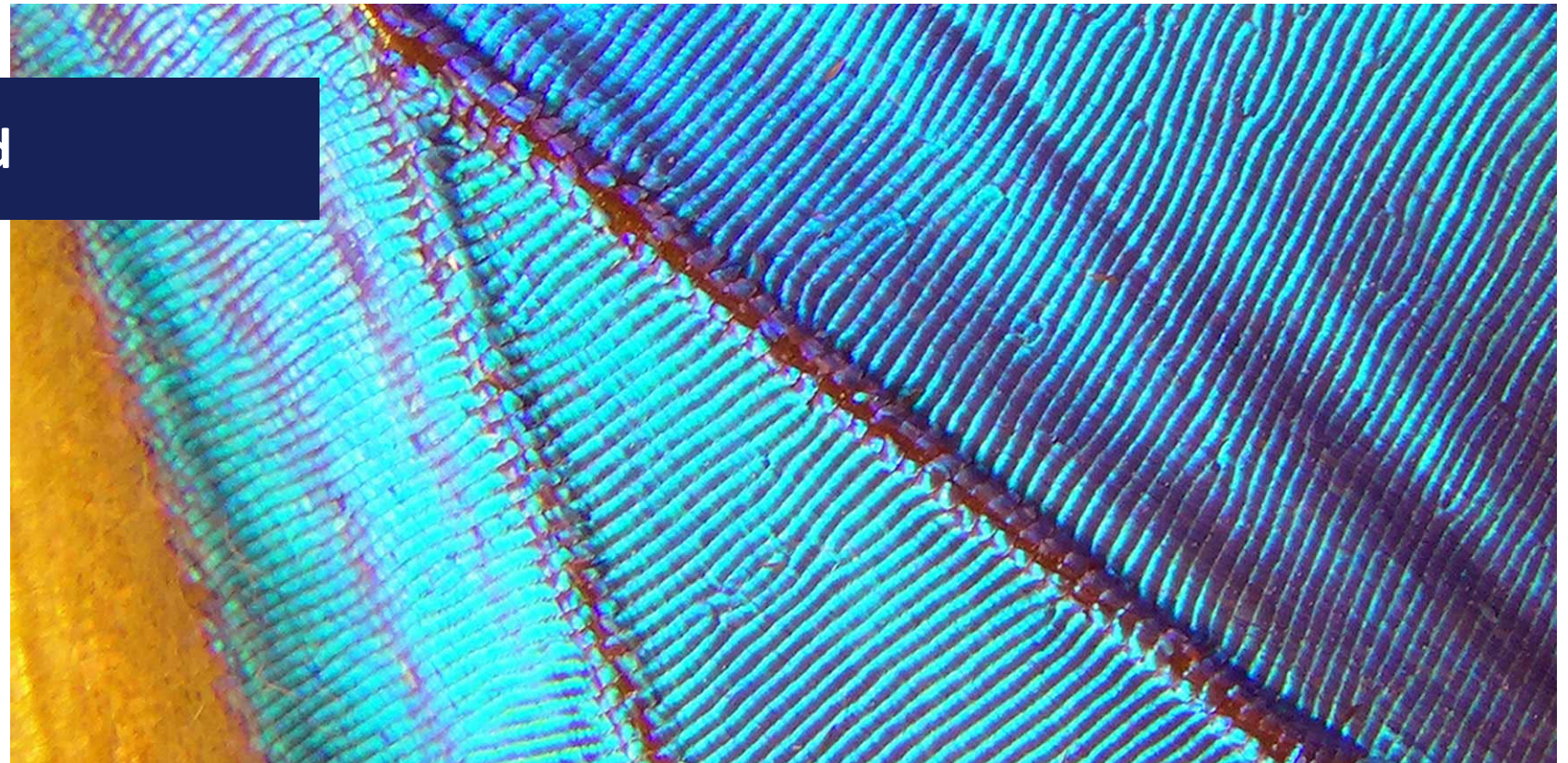
Investment Manager, Charities and Institutions



Contact details
and biographies



A bit of background



UK charity specialism + Global sustainability resources



LGT Group

30+ Locations Worldwide

5600+ Employees

£300 Billion AUM

*as at 31.12.2024

LGT Wealth Management UK

7 offices: London, Edinburgh, Jersey, Bristol, Leeds, Birmingham and Manchester

690+ Employees: of which 73 are working partners

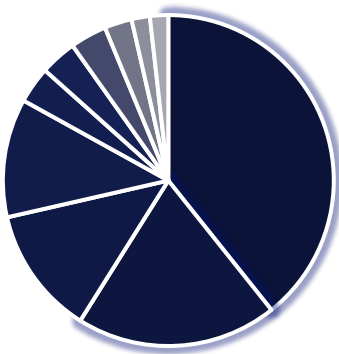
£30 Billion AUM

LGT Charities and Endowments Team



£6 Billion AUM*

UK Charity and Institutions



- General Grant-making
- Hospice, Health and Care
- Education
- Religion
- Environment/Rural welfare
- Professional Membership Body
- Young people
- Military/veteran
- International Development
- Maritime



Top 10
Charity Discretionary
manager



Strategic partner
for CAF ESG Funds



Philanthropic
10% of group profits are donated to
charitable causes



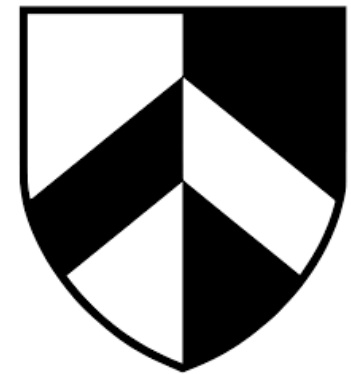
**Venture
Philanthropy**

Source: Civil Society Fund Manager Survey LGT Charities and institutions

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*Source: LGT Charities and Institutions, Mid-Year AUM 2024

How well do you know your charities?



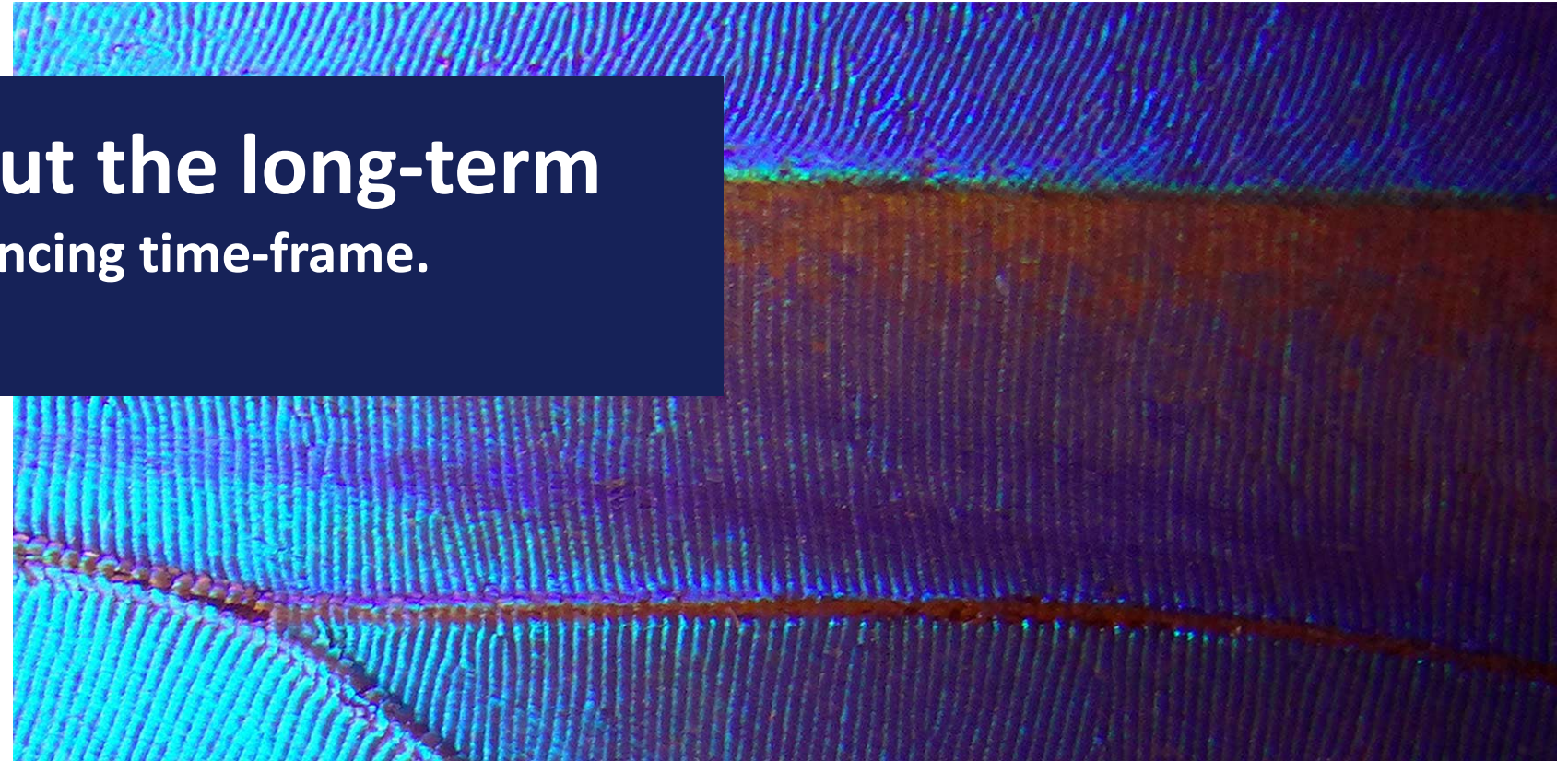
The UK Top Ten

The UK's 10 oldest charities

Name	Foundation	Sector
The King's School, Canterbury	597	Education
Rochester Cathedral Grammar Schools	604	Education
St Peter's School, York	627	Education
Thetford Grammer School	627	Education
St John's Winchester Charity	934	Almshouses
King's School, Ely	970	Education
Warwick Schools	Pre-1066	Education
Bridge House Estates Fund	1097	Grant-maker
The Priory of St John	1113	Health
St Bartholomew's Hospital	1123	Health

Thinking about the long-term

Balancing risk. Balancing time-frame.



Identifying and assessing Risk



Balancing these risks over short, medium and longer-term time horizons

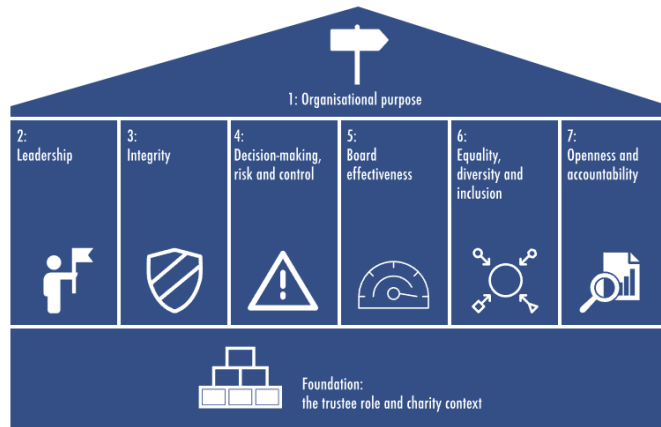


Risk	So What?	Mitigation	Comments
Inflation Investments fails to keep up with inflation	Permanent loss of purchasing power weakens your long-term financial sustainability	Measured exposure to real assets which have pricing power	Higher allocation to equity and alternatives with inflation linked income streams
Volatility Risk of a loss of value/drawdown	Timing risk – you need to take money out of the portfolio, which crystallises the fall in value	Reserves, diversified portfolio	Long term time horizon, ability to ride short term volatility
Reputational risk Personal and commercial investment risks	Stakeholders effected – donors, beneficiaries, staff	Investment policy statement, responsible investment policy.	Revisit regularly. Transparent portfolio

3 key risks to address:

Trustee Term and Investment Time horizons

Thinking beyond your term



Pillar 5:

If a trustee has served for more than **nine years**, their reappointment is:

- subject to a particularly rigorous review and takes into account the need for progressive refreshing of the board
- explained in the trustees' annual report.

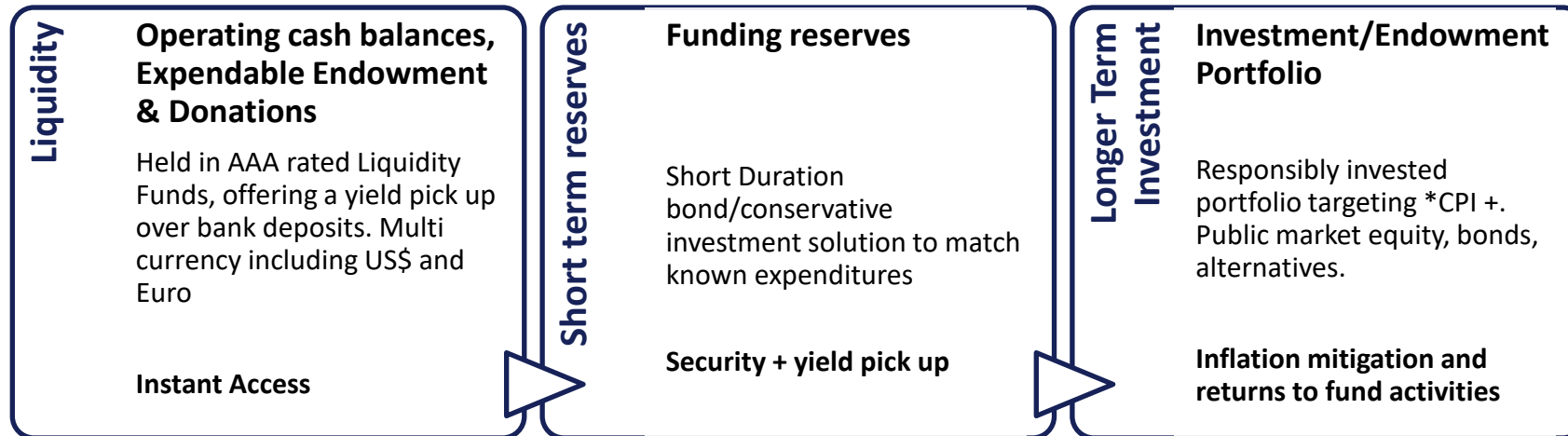
Horizon	Years	
Short	0-3 years	Spending commitments
Medium	3-10	Trustees maximum tenure
Long	10 years	Investment managers
Endowment	Decades/ perpetuity	Endowments
Business cycle	5.5 years	Demand for grants

What can you start in your term?

Thinking strategically about your reserves – the ‘three-pot’ approach

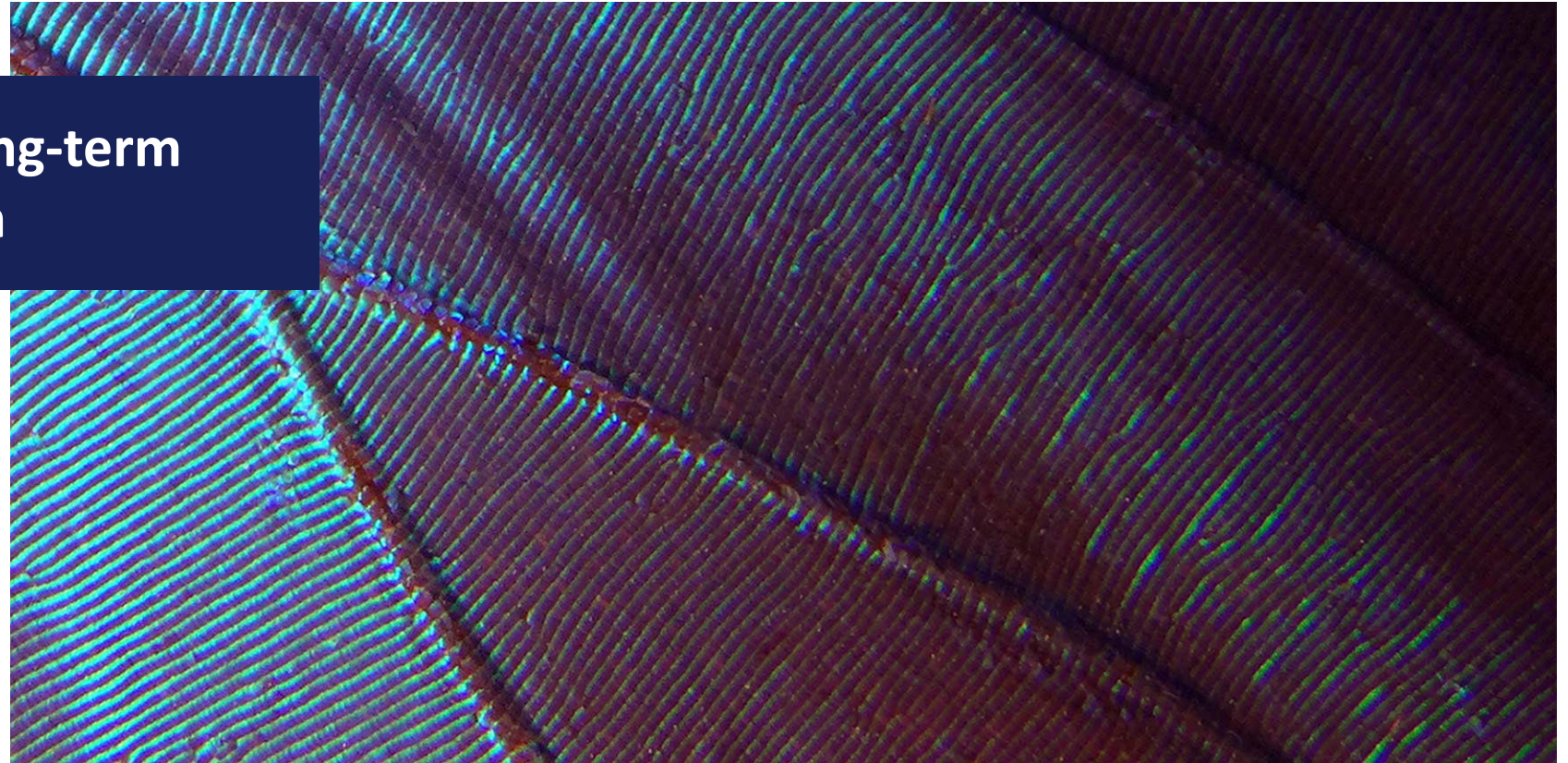
Some considerations

- How much do you really need to operate day-to-day
- How much do you think you will need in 2-3 years time
- Can I put more into my investment portfolio?



* Consumer price Index

Harnessing your long-term Investment horizon



The greatest risks the world faces are increasingly environmental and social

Top global risks in terms of likelihood over the next ten years



Where is volatility?

■ Economic
 ■ Environmental
 ■ Geopolitical
 ■ Societal
 ■ Technological

Source: World Economic Forum 2024 Global Risks Reports

The risk that matter fall outside your quarterly investment meeting

Investing with a long-term philosophy

Quality Sustainable Growth

Sample companies

Energy transition

Decarbonisation; circular economy; electrification of transport; emissions regulation; EU Taxonomy; EVs



Healthcare innovation

Ageing demographic; growth in biologics and GLP-1s; personalised medicine; evolving healthcare provision and preventative treatments



Next gen technology

AI, The Internet of Things; automation/advanced robotics; cloud; digital infrastructure; virtual reality; blockchain applications; digital analytical tools



Changing consumer

Digital payments; ecommerce; athleisure; eSports; gaming; experiential consumption, democratisation of wealth



Diminishing global interdependence

De-globalisation, onshoring, domestic self-sufficiency



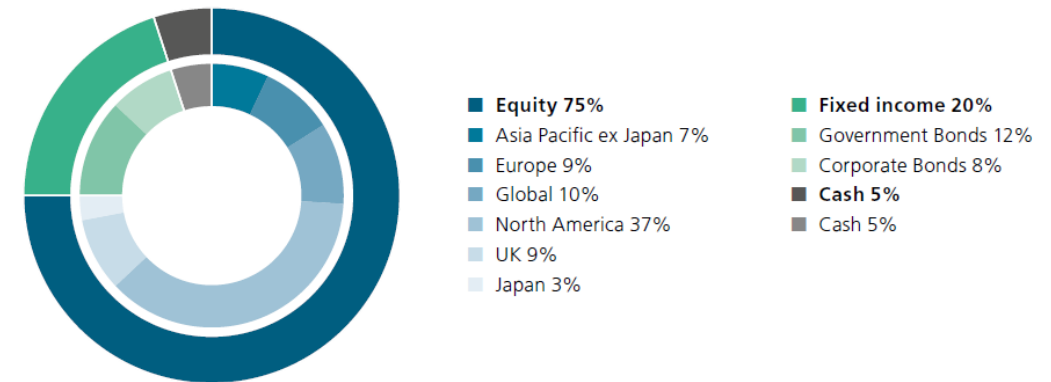
Making the structural trend your friend!

Diversified Portfolios, with a focus on real returns

Consistent philosophy; tailored to the specific requirements of each portfolio

- 1 Endowment investment philosophy – real return focus
- 2 Broad ranges afford flexibility to adapt to changing market conditions
- 3 Blends real growth and income characteristics
- 4 Open-minded to active and passive implementation
- 5 ESG integrated into asset allocation and security selection
- 6 Stewardship and engagement through active and passive securities

Current Asset Allocation



Asset Class Ranges

Asset class	Neutral allocation	Range
Equities	75%	60-90%
Corporate Bonds	10%	5-15%
Government Bonds	10%	5-15%
Cash	5%	0-10%
Private Markets	0%	0-10%

Long Term Investment Return

Historic average inflation adjusted return**

UK	50 year	USA	50 Years
Equities	4.9%	Equities	6.7%
Gilts	3.0%	Government Bonds	3.8%
Cash	0.9%	Cash	0.5%

LGT Forecast Long Term Returns***

Asset Allocation	Allocation (%)	Expected Return (%)
Cash	3.00%	2.59%
Fixed Income	10.00%	4.01%
Equities	75.00%	8.36%
Property/Alts (REITs)	6.00%	6.24%
Private Equity	6.00%	9.63%
Total	100.00%	7.70%

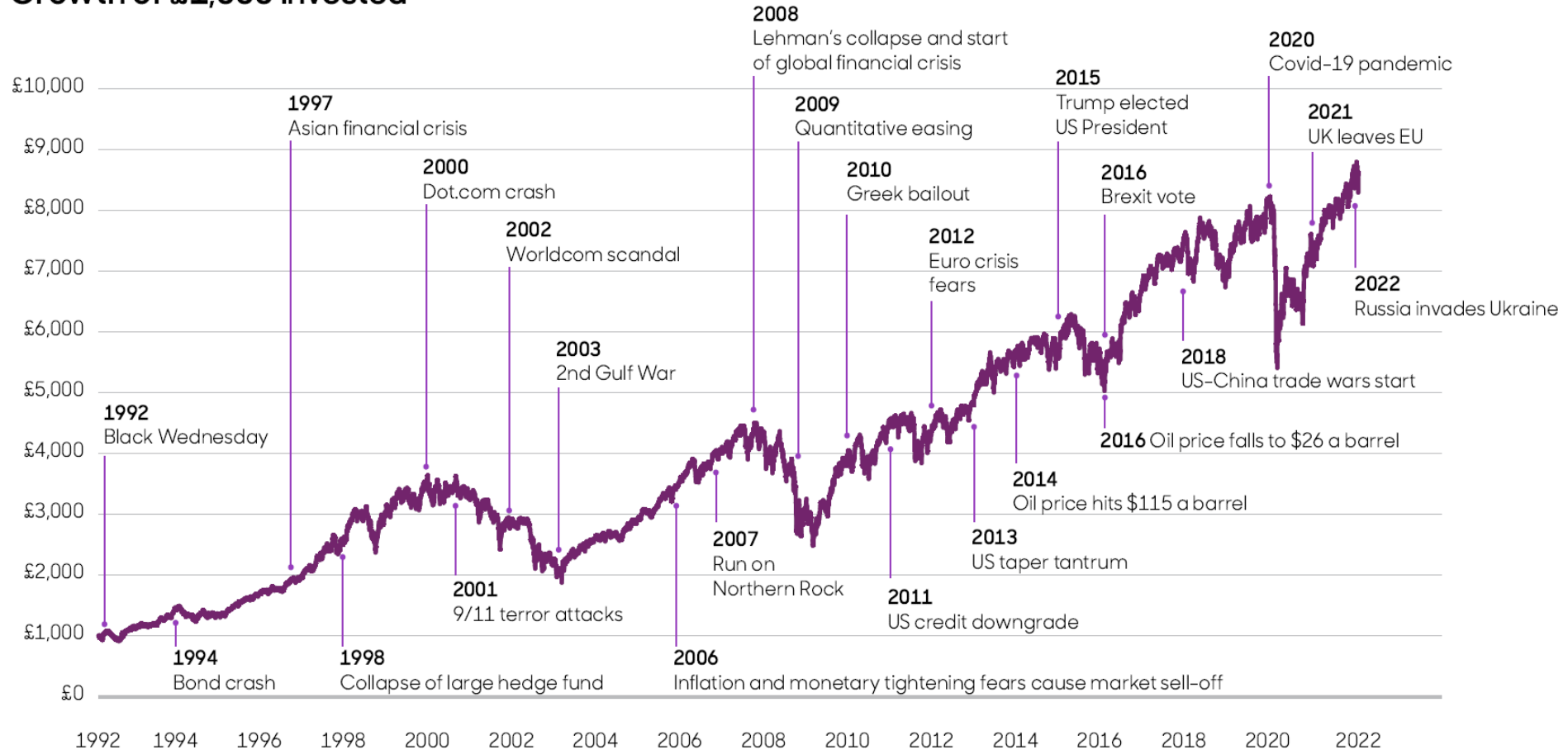
Sources: **Barclays Equity Gilt Study 2022. *** LGT Capital Market Assumptions 2024



Long Term Investment Returns - stay the course

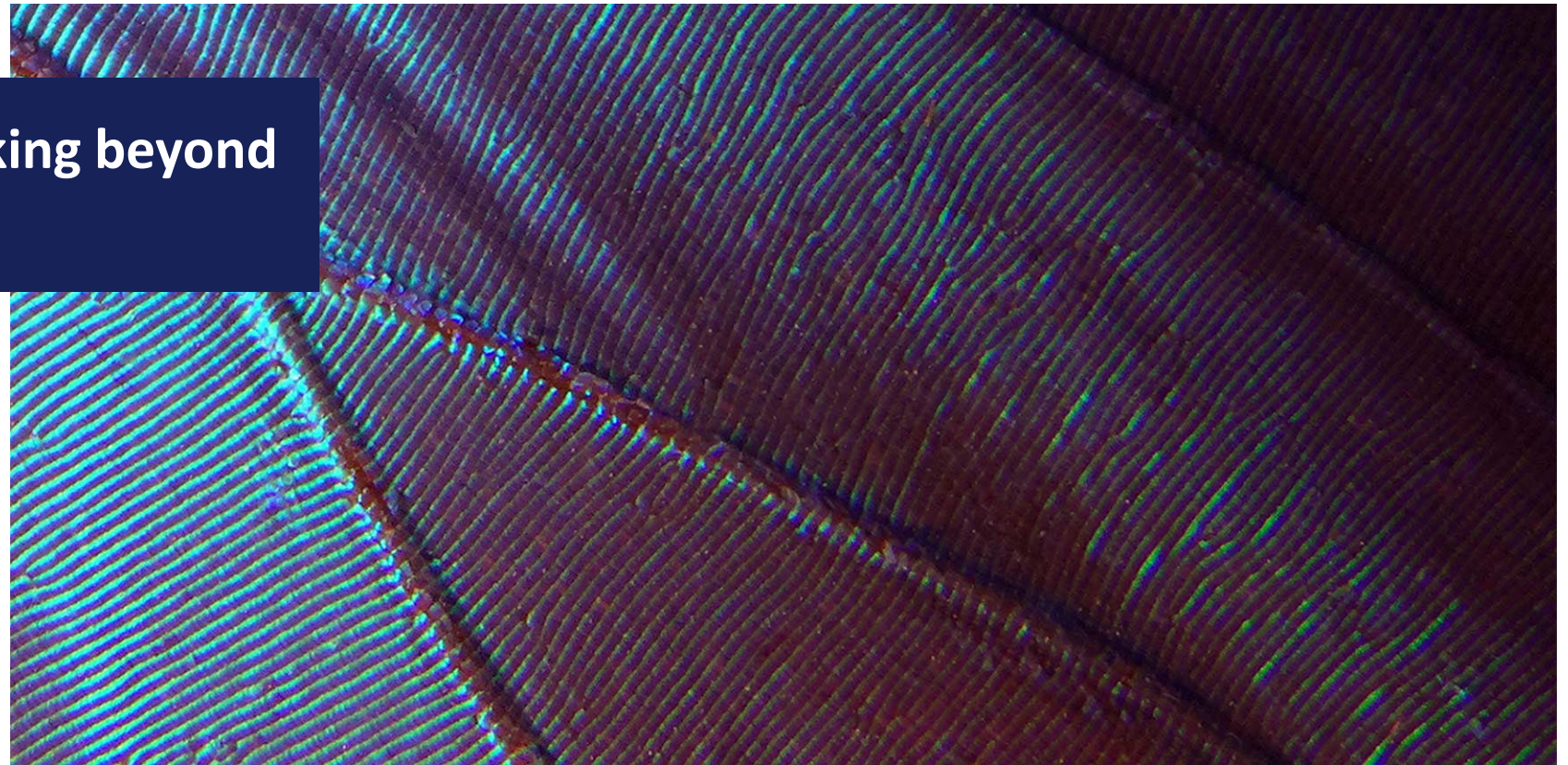
Forward-looking
for generations

Growth of £1,000 invested



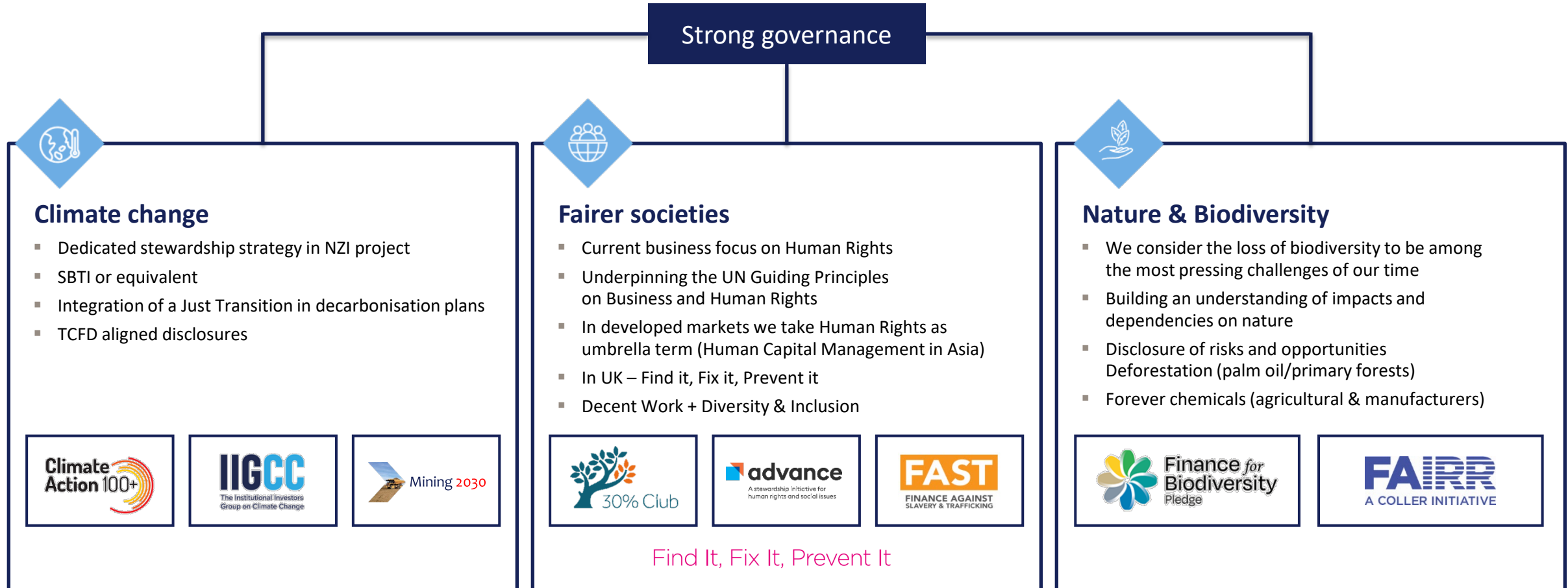
Source: FTSE 100 index, total return, with dividends reinvested, but no further payments made, from 1 March 1992 to 28 February 2022. Past performance is not a guide to future performance. In addition, returns don't include the impact of charges or inflations, which could further reduce what you get back.

Stewardship – Looking beyond “our” term



Discharging our stewardship responsibilities

Global approach underpinning our net zero ambition and Sustainability strategy 2030



Stewardship of your wealth

Entrusting us with your wealth is a privilege we never take for granted

As a discretionary investment manager, we see ourselves as long-term stewards of your money.

A key element of our process to continually enhance value is to vote and engage, on both financial and non-financial factors.

Voting

- We vote on behalf of all our direct equities each year.
- We review our managers voting policies and engage with them on their voting decisions ahead of AGMs.

Engagement

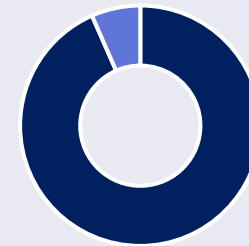
- We engage with all our managers via regular fund meetings, an annual ESG DDQ and ad-hoc questionnaires.
- We engage with direct holdings via meetings and letters to chairpersons.

Public policy advocacy

- As responsible managers, we have a role in broadening sustainable financial policy and ensuring it is apt for our sector.
- We engage with the FCA, PIMFA and others where material.

Shareholder proposals in 2024

Voting activity 2024	Total
Number of meetings	201
Percentage of meetings with at least 1 vote against	30%
Total number of resolutions	3,051
Percentage of votes against management	7%
Percentage of votes against ISS recommendation	0.3%
Total number of shareholder proposals eligible to vote on	136
Percentage of shareholder proposals we supported	62%



How we voted in 2024

- Votes with management
- Votes against management

Case Study

Innovating and collaborating for biodiversity engagement



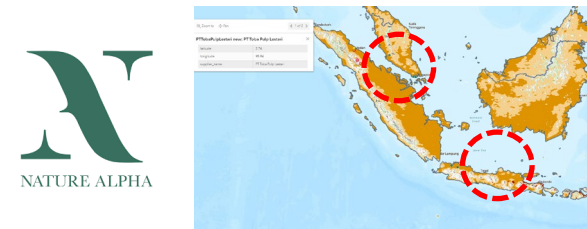
Identify

- P&G sources a large amount of palm oil and wood pulp and that its sourcing of these forest products is **driving deforestation** and the degradation of primary forests.



Innovate

- LGT engaged **Nature Alpha** a leading biodiversity data provider to carry out **geospatial analysis** on P&G's operations and those areas of biodiversity crisis.



Collaborate

- **LGT joined Nature Action 100** to amplify our voice. Geospatial mapping can inform our engagements with food-producers, mining companies and natural capital supply chain analysis.



- LGT PB (€ 350 bn)
- Church Commissioners for England (£10.bn)
- Nordea (€265 bn)
- MN investors (€162 bn)
- Columbia Threadneedle (€608 bn)
- PFA Pension (€116 bn)
- Ethos Foundation (CHF 355 bn)
- ODDO BHF (€125 bn)



CAF ESG Fund Range

High level introduction



Built for charities: Ease of access, highly rated, with strong governance and oversight

Cautious Fund	Income and Growth Fund	Growth Fund
The Investment Manager uses a responsible investment selection process which consists of selecting assets that have a strong focus on Environmental, Social and Governance (ESG) considerations along with the potential to achieve financial return.		
CPI +1.5% Target Return	CPI +3% Target Return	CPI +4% Target Return
Benchmarked against: ARC Sterling Balanced ACI	Benchmarked against: ARC Sterling Steady Growth ACI	Benchmarked against: ARC Sterling Steady Growth ACI
Asset ranges: Bonds 20-50% Equities 10-40% Alternatives 10-40%	Asset ranges: Bonds 10-40% Equities 40-70% Alternatives 0-20%	Asset ranges: Bonds 5-25% Equities 55-85% Alternatives 0-20%



Conclusions

1

Reserve for your short-term needs

Risk based analysis of short-term needs leaves a residual long-term pot

2

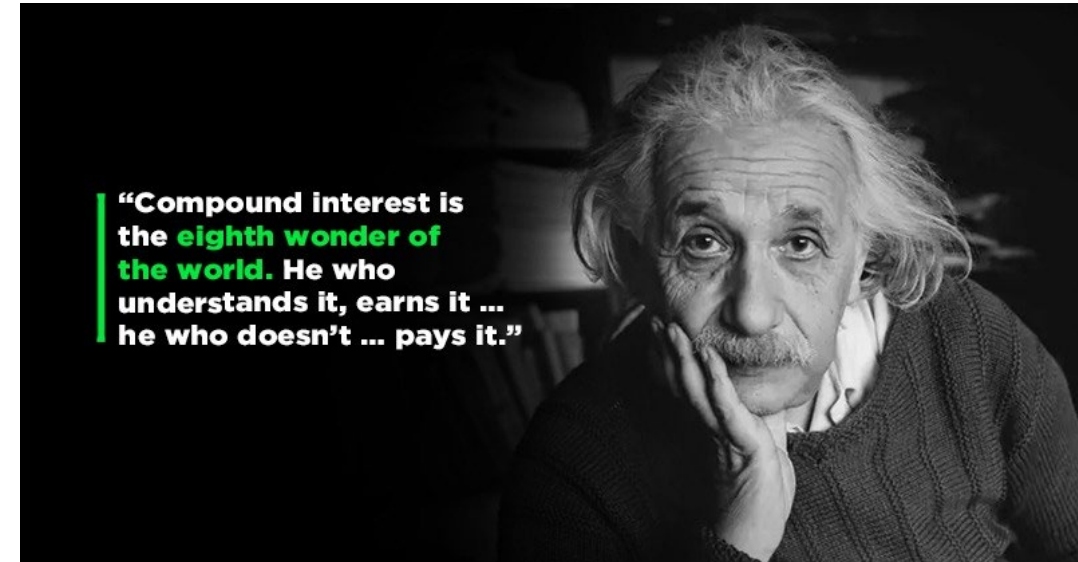
Balancing the long-term risks

Your unique appetite and capacity for risk will lead your thinking

3

Harnessing the long-term

Recognise the opportunities and the behavioral biases in making investments



Think beyond your term – reframe to your organisations time horizon

Contact Details



Miranda Richards
Senior Investment Manager
Tel. : 020 3943 8646
E-Mail : miranda.richards@lgt.com

Miranda is a Senior Investment Manager and joined the business in 2020. She has over 30 years' experience of financial markets, as an economist, strategist, journalist, fund manager and client adviser.

In 2022, she was named Woman of the Year – ESG by Professional Adviser and was recently nominated as one of Citywealth's Top 25 ESG & Sustainability Experts 2024.

Outside her professional responsibilities she is an active charity trustee and committee member, including the investment committee of St Andrews Uni and Community of St Andrew



Ben Turner
Senior Investment Manager
Tel. : 020 3943 8597
E-Mail : Ben.Turner@lgt.com

Ben joined the business in 2020 after 15 years holding key client, charity and sustainable investment roles at Barclays Private Bank and UBS. He now sits at the intersection of purpose led capital, philanthropy and impact investing.

Ben is a Law and Economics graduate of the University of Leicester and is a Chartered Fellow of the Institute for Securities and Investment.

Away from his day-job, Ben is a trustee for a nature-based charity. He is also a mentor, working with young homeless people to help them re-enter the workforce.



“Our foremost priority, particularly in times of global political and economic uncertainty, is to be a reliable partner to our clients, providing exceptional advice and investment expertise....for current and future generations.”

H.S.H. Prince Max von und zu Liechtenstein, Chairman LGT

How we can help.

Core responsible investment screens

Making a Responsible Investment Policy work for you

Introduction
Charities, endowments and foundations routinely engage LGT Wealth Management due to our global investment approach, incorporation of Environmental, Social and Governance (ESG) factors into our investment process, leadership in responsible investing and strong investment track record.

As investment managers we seek to achieve superior returns for clients through applying our Quality, Sustainable Growth approach. The approach is designed to focus on the long-term beneficiaries of structural growth trends and means that we typically invest in future-focused, clean businesses.

We also understand that many trustees will want to implement a specific Responsible Investment Policy for their portfolio in order to protect and enhance the reputation of their organisation and avoid investing in conflict with a charity's purpose.

We recognise that the individual requirements of charities differ. We can apply tailored screens to a charity's portfolio, supported through a responsible investing working group, should this be required. However, we also recognise that some trustees will want to apply a 'best and simplest' policy. We have extensive experience working with charities in the field and have developed a set of screens which offer a flexible alternative for a core range of responsible investment screens to help charities progress their policy and screening requirements.

In this document we outline our Core Responsible Investment Screens. This is an exclusionary policy designed to replicate the typical exclusions that a charity may wish to apply to their investments. It can be applied to all segregated i.e. directly invested portfolios managed by LGT Wealth Management.

Further labelling options are available, should your organisation wish to focus further on specific issues which reflect your purpose, strategy or values.

“We understand that trustees and investment committees face an array of choices when deciding where to draw the line on investment screens. The Core Responsible Investment Screens are designed to act as a starting point for charities who want to invest in a responsible way.”
Julie Hutchison, Technical Director - Charities

LGT Wealth Management, 14 Cornhill, London EC3N 3JN, Phone +44 (0)20 3037 8300, info@lgt.com, www.lgt.com 10

How to run an investment manager review process

September 2023
Julie Hutchison, Technical Director - Charities, LGT Wealth Management
As trustees who are primarily concerned with the interests of the charity, it is important to ensure that the investment manager is acting in the best interests of the charity. LGT Wealth Management makes every effort to ensure that we are transparent about our investment process. Investment decisions are made with the best of intentions, but we recognise that there may be instances where we are unable to meet the needs of our clients. It is important to ensure that we are transparent about our investment process, and how to run a review, including our views on the role of your board.

“Experience since 2020 has shown that all of the above steps can be completed online, whether by Zoom or MS Teams. The ability to 'share screen' in an online meeting offers one option for how material can be viewed. Trustees may wish to ask for PowerPoint presentations to be sent beforehand, in order to provide time to work from two devices, enabling material to be viewed on one screen and audiotaped for the meeting being recorded on a second device. The practical actions have been made involving share and setting areas available for a share or share what you anticipate may be meeting charity investment managers who have facilitated. An effective timeline might look something like this:

Month 1 - prepare your questionnaire to tender 3771. This should be held during the day or days in month 1 when you anticipate holding meetings with the potential candidates to investment managers.

Month 2 - issue your ITT to your target list of firms, allowing at least 2 weeks for completion and submission of responses. You may wish to offer a call for a range of investment firms with different styles and investment approaches to be included. For some charities, their target may be broader beyond the others, it's under term. This document should also state the timetable you are working to, in particular drawing attention to the final date or dates on which questionnaires are scheduled for. You may also wish to create a specific window at the start of this process where questions for clarification can be submitted.

Month 3 - give yourselves at least 2 weeks to consider responses, and compile your shortlist of investment managers you would like to meet. Give the shortlisted firms at least 3 weeks' notice that they have been shortlisted for the final stage.

Month 4 - questionnaires with shortlisted firms take place, and the investment manager review and selection process moves to completion.

“This can be done fully online. Experience since 2020 has shown that all of the above steps can be completed online, whether by Zoom or MS Teams. The ability to 'share screen' in an online meeting offers one option for how material can be viewed. Trustees may wish to ask for PowerPoint presentations to be sent beforehand, in order to provide time to work from two devices, enabling material to be viewed on one screen and audiotaped for the meeting being recorded on a second device. The practical actions have been made involving share and setting areas available for a share or share what you anticipate may be meeting charity investment managers who have facilitated. An effective timeline might look something like this:

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Month 4 - questionnaires with shortlisted firms take place, and the investment manager review and selection process moves to completion.

“To minimise follow up questions from investment managers seeking more clarity, it is useful to send additional information to accompany your invitation to tender.”
Julie Hutchison, Technical Director - Charities

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New charity investment guidance welcomed in England and Wales

September 2023
Julie Hutchison, Technical Director - Charities, LGT Wealth Management

The long-awaited new trustee investment guidance, known as CC14, has now been published by the Charity Commission for England and Wales. This article provides an overview of its key elements, for those interested in the new detailed background to the new CC14, the Charity Commission has also published an accompanying legal Underpinning document.

The new CC14 reflects the Better-Class court case on charitable inclusion screening of investments.

In this case, the court approved the adoption of an investment policy by trustees of a charity to which it had invested business investments aligned with the goals of the Paris Climate Agreement of 2016. It also then went on to set out a summary of the law in England and Wales, which is the backbone to the new CC14. To open the opening section of the new guidance, "In the context of a trustee, your principal duty is to further your charity's purposes. The guidance goes on to discuss the approach which may be taken within the range of options that a responsible trustee could make about investments. The second to fifth of these include among the options:

- avoiding investments that directly conflict with a charity's purpose. Various articles are given, broadly, to do so, based on the nature of a charity's purpose;
- avoiding investments that could reduce support for a charity, where the right equal in terms to a charity's beneficiaries;
- raising efforts, particularly among its supporters or beneficiaries. The specific aspects in terms of avoiding investments to all faith, which a charity may do where trustees can show that it would be in the charity's best interests to avoid investing in or in relation to fundraising. This is sometimes referred to as an "indirect" conflict with a charity's purpose.

Other points change from the old CC14 include the revised section on screening and reporting on investments, which has

Among the five specific, or single approach to focused more than another, the balancing exercise is for trustees to weigh-up in each case, reflecting what matters most in the context of a particular charity. It's also important to note that the list of the approaches is specifically said to be "non-exhaustive". Other approaches may also be valid.

“The word 'indirect' has disappeared from CC14. One of the biggest changes from the old CC14 is that you won't find the word "indirect" in the new CC14. The welcome balance between the new and the old is reflected in the new CC14. The welcome balance between the new and the old is reflected in the new CC14. The welcome balance between the new and the old is reflected in the new CC14.

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LGT.charities@lgt.com

Active management of risk

Understanding and mitigating risks

Liquidity risk

- Managed through adequate allocations to liquidity funds which offer competitive returns with high certainty of value through LVNAV structure
- AAA-mf rated funds with T+0 settlement
- Liquidity waterfall of funds and portfolios monitored by dedicated investment risk team

Volatility risk

- Pre- and post-trade analysis to understand expected volatility and factor risks
- Stress tests and scenario analysis ensure we construct portfolios for strong outcomes under 'core' and 'alternative' scenarios

Inflation risk

- Managed through a robust asset allocation framework which focuses on real assets
- Private market allocations seek to add diversification and alternate growth options

Income risk

- ALM approach to coupon and maturity matching
- Dividend profile spread across high dividend and dividend growth companies
- 2020 presents a useful stress test for income

Reputation risk

- Robust stewardship approach to how we manage our business and client portfolios
- Published voting and engagement record
- Sustainability / carbon reporting available
- Screening tools available

As allocators of capital, we must choose which risks to embrace and which risks to avoid

Legal information

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Registered office: Sir Walter Raleigh House, 48-50 Esplanade, St Helier, Jersey JE2 3QB.

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Registered Office: at IFC1, The Esplanade, St Helier, Jersey, JE1 4BP.

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Registered Office: 14 Cornhill, London, EC3V 3NR.

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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.