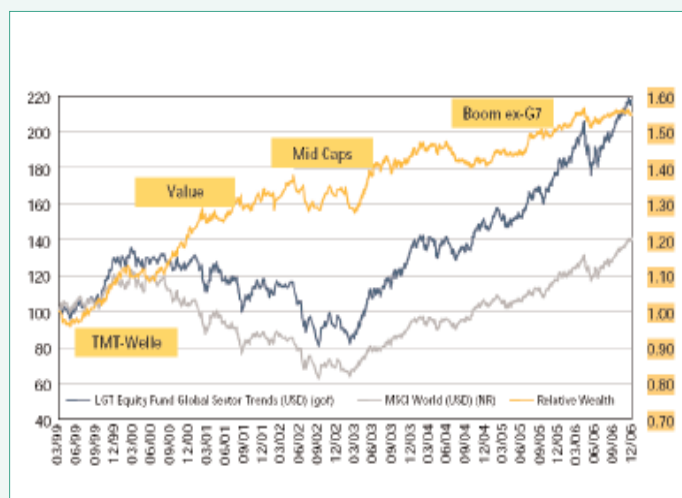


FINANCIAL FIX: LGT EQUITY FUND GLOBAL SECTOR TRENDS



The fund's development since inception - with respect to its benchmark, the yellow line shows the value added by the fund
Source: LGT Capital Management

Focus: Using a well rounded, disciplined approach that relies on observed market price information and systematic data analysis, trends in countries, sectors, industries and equities are identified. Economic sustainability of these trends is assessed and contributes to the investment process. Behavioural finance is applied to analyse various causes for the occurrence of these trends and considers issues such as - systematic cognition problems (patterns are transferred without empirical evidence), the incorrect or slow classification of new information (clinging onto old evidence or slow adjustment to new evidence), social contagion (subjective knowledge gaps, time pressure and the pressure to succeed generate uncertainty which is overcome by observing and imitating others). This collective process leads to stock picking and guides portfolio management. The fund seeks to beat its benchmark – the MSCI World –index – and to simultaneously maintain a tracking error of between 5-8% a year.

Strengths: The fund manager's ability to consult with and draw on the expertise of leaders in the field of behavioural finance such as 2002 Nobel Prize bearers for Economic Sciences, Prof. Dr. Daniel Kahneman, Prof. Dr. Vernon L. Smith; as also Prof. Dr. Werner De Bondt and Alfons Cortés

Weaknesses: sudden, sharp market movements pose a challenge as do periods of low volatility

Opportunities: Unlike other theories, behavioural finance is relevant and can actually be applied to market phenomena that actually occur

Threats: since almost half the portfolio is allocated to US based stocks – sensitivity to US economic growth forecast related issues could have a bearing on performance

Risk

☐ = low ☐ = low/moderate ☐ = moderate ☐ = moderate to high ☐ = high

Effectiveness in managing a portfolio that takes a behavioural finance approach: ☐☐☐☐☐

Effectiveness in using behavioural finance in identifying and analysing, following market trends across:

Country: ☐☐☐☐☐

Sector: ☐☐☐☐☐

Stock level: ☐☐☐☐☐

Ability to position the portfolio to exploit those trends: ☐☐☐☐☐

Ability to successfully implement:

Medium term momentum strategies: ☐☐☐☐☐

Long term contrarian strategies: ☐☐☐☐☐

Short term contrarian strategies: ☐☐☐☐☐

Ability to identify and exploit the existence of "mental frames": ☐☐☐☐☐

Ability to identify and "anomalies" to extract performance: ☐☐☐☐☐

Ability to distinguish between catastrophes and shocks: ☐☐☐☐☐

Ability to manage such a portfolio actively: ☐☐☐☐☐

Relevance of currency risk: ☐☐☐☐☐

Relevance of political and macro economic risk: ☐☐☐☐☐

Key man risk: ☐☐☐☐☐

Performance Parameters

☐ = insufficient ☐ = adequate ☐ = satisfactory ☐ = good ☐ = outstanding

No. of stocks currently held in portfolio: 65, equally weighted

Discipline in managing portfolio: ☐☐☐☐☐

Portfolio rebalancing ability: ☐☐☐☐☐

Diversification achieved:

Market capitalisation: ☐☐☐☐☐

Country level: ☐☐☐☐☐

Sector level: ☐☐☐☐☐

Stock level: ☐☐☐☐☐

Ability to perform in:

Rising: ☐☐☐☐☐

Sideway trending/low volatility markets: ☐☐☐☐☐

Falling markets: ☐☐☐☐☐

Ability to deliver uncorrelated returns to:

Stocks: ☐☐☐☐☐






Bonds: ☐☐☐☐☐


Over 3-5 years: portfolio's ability to outperform the benchmark

MSCI World Index: ☐☐☐☐☐

FINANCIAL FIX: LGT EQUITY FUND GLOBAL SECTOR TRENDS - II

Outlook

 upside potential
  upside to range bound
  range bound
  range bound to down
  downside potential

Scope for applying behavioural finance research to portfolio management: 

Barriers to entry: moderate

Define: from a behavioural finance perspective - high

requires expertise in analysing, interpreting and implementing trends in constructing a portfolio

Funds ability to deliver targeted returns over 3-5 years: high

Max. capacity that can be managed: not constrained

Investment Insights

Target audience: broad based

Level of complexity: low

Fund offers: the integration of the "human factor" in investment management

To optimise returns, recommended avg. holding period: 5 years

Available to investors: globally

Base currency: USD

Other currencies the fund is available in: EUR, CHF

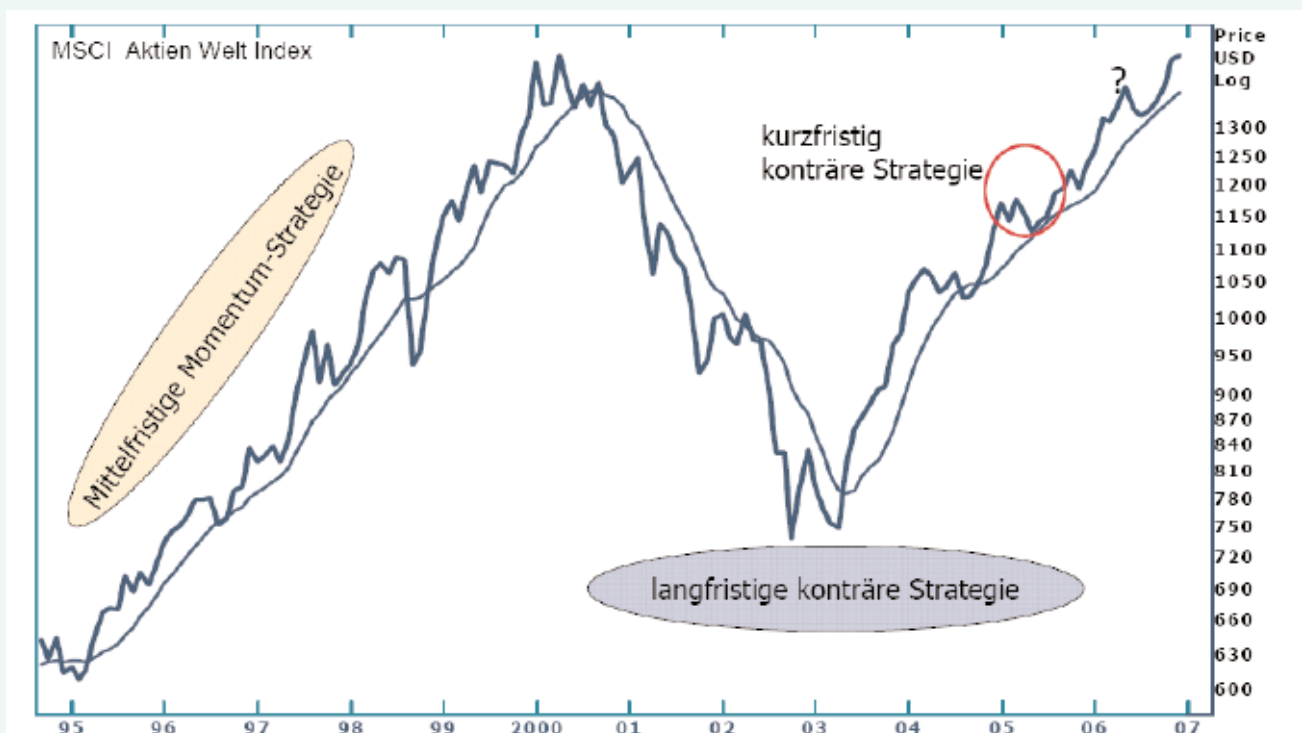
Liquidity: daily

Transparency: high

Fee structure: 2% management fee

Rating: since March '04 – Standard & Poor's "AA"

Risk/reward compensation: moderate



Market dynamic: a simplified view of asset allocation (left bubble- medium term momentum strategy) (bottom bubble - long term contrarian strategy) (encircled in red -short term contrarian strategies) Source:LGT Capital Management January,2007