VALUES WORTH SHARING

Investorama

Trends and developments
in the financial markets

Edition 2/2020

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- Market risk: The risk of losses in positions arising from movements in market prices.
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- Liquidity risks: Adverse effects created by the situation where the fund must sell assets where insufficient market demand exists and lower price levels must be accepted to execute a transaction.
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Findings and perception

There can be – and there often is – a big difference between findings and perception. We know this from our day-to-day experience of medical phenomena, but it also applies to the economy in general and to the financial markets in particular. What is the situation in this respect in the current coronavirus crisis?

Just as some people overestimate their own physical condition while others tend more toward hypochondria, market sentiment can also sometimes be emotionally way out of line with fundamental reality and just as often much worse than would be justified by the economic situation. Discrepancies between the economic findings and the perception in the markets are thus the rule rather than the exception. Because the first one is always blurry or rather delayed and sometimes also distorted by external, non-economic factors. However, in view of risk investments around the globe being severely affected by the highly infectious coronavirus, the question of the (direct and indirect) real economic impact is currently of central importance, since every turning point on the stock markets must sooner or later be reflected by the fundamental economic trend and vice versa.

First thing to note: within three weeks, the major stock indices lost around a third of their value in the fastest correction in stock market history, even faster than in the 1930s. The recent upheavals have therefore created good buying opportunities for investors who are not too focused on short-term performance, provided that the sharp recession triggered by the coronavirus pandemic is limited to the next two to three quarters and does not evolve into a multiyear depression. A chronic divergence between markets and fundamentals is unsustainable, they must eventually move back into line with each other. And although there is hardly any doubt about the former from today's perspective, the latter is fortunately still an unlikely, extreme scenario.

But let us go back a bit. The uptrend in global equities has lasted for an above-average eleven years, hardly or only briefly interrupted by technical corrections. In a marvelous transformation, the previous mood of doom mutated successively to a chase of new highs, and most investors were always quick to overcome any temporary vertigo. Not without reason: for the first time in the post-war period, the world economy

had almost its longest run without a full-blown recession – with at most a harmless slowdown every few years. Looking purely at the long duration of these positive developments, fatigue and signs of ageing had to be expected. But what catastrophic economic syndromes are causing the symptoms recently observed in the markets?

> "The recent upheavals have created good buying opportunities for investors who are not too focused on short-term performance, provided that the coronavirus pandemic does not trigger a multiyear depression."

As a general rule, one should not instinctively fear the worst unless there is a very good reason to. This is by no means intended to embellish the current, alarming situation, but to put it into perspective in a larger context with the help of somewhat simple financial mathematics. First, stock prices reflect expectations of company success or failure over a very long horizon – the lower the interest rates, the further you look into the future. Even if revenue and profits shut down completely for a few months or quarters before recovering – and a recovery can still be assumed with a high degree of probability – the value of shares should not be affected negatively in the long term, unlike what recent price losses suggest. However, with rock-bottom interest rates, errors in expectations and their corrections (upward or downward) have a more severe impact, making wild price fluctuations – as a reflection of increased uncertainty and difficulties in finding the right direction – an entirely predictable result. Secondly, in view of the expected economic downturn around the globe, many fiscal policymakers have announced new stimulus measures on an unprecedented scale, while all central banks – thirdly – have also been firing from all cylinders in recent weeks to support an ailing economy and to stabilize the financial system.

The baseline scenario, which we view as plausible, is therefore a deep recession limited to a few quarters, followed – perhaps even in the last few months of the current year – by a similarly strong but no longer entirely inflation-free recovery. Similarities to the seven-month recession in 1918 as a result of the Spanish flu would not be entirely coincidental...

However, residual risks can never be completely ruled out: these include the worst-case scenario of a global pandemic with several waves of secondary diseases, claiming millions of lives – as well as a series of irreversibly collapsed economic structures. On the other end of the spectrum, long-term interest rates could rise unexpectedly, which paradoxically would become more likely if an overstimulated yet more resilient global economy ultimately holds up better and starts to recover faster than we assume today. Like in medicine there can be no guarantee as to how long this diagnosis for the financial sector will remain valid, even after a thorough check-up. Intensive observation and, where necessary, rapid action remain an imperative preventive strategy as long as there is so much divergence in our economic prognosis.

Market perception: badly bruised, far from healthy – but the economic findings are less negative.

Dr Alex Durrer
Chief Economist

A pan(dem)ic coronacession!

Dr Alex Durrer

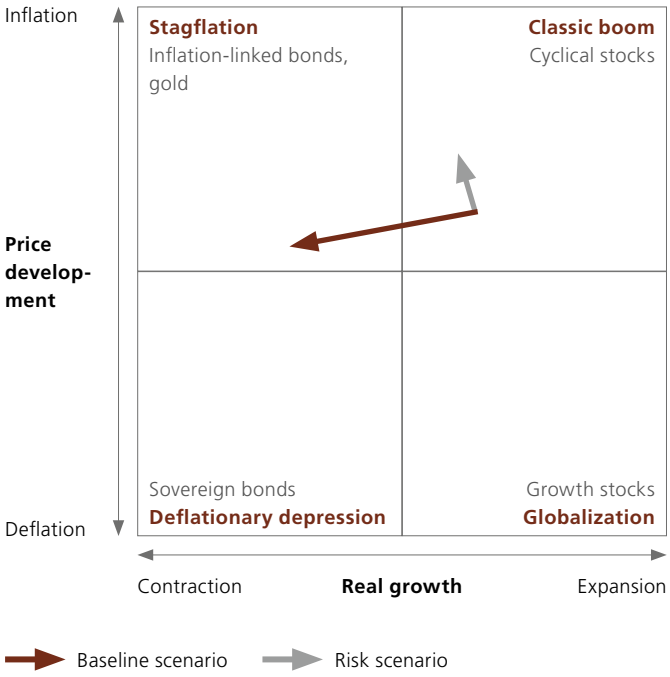
Just as the recovery in industrial production started to gain momentum, it has been knocked back by the outbreak of the coronavirus, which raises new challenges for the global economy. The pandemic is disrupting global supply chains and its fallout will be considerable – does this virus maybe even have what it takes to mutate into the "black swan" of globalization?

It does: the world may not have been eager for a new era, but it was high time to turn the page on a new decade. The major themes of the last decade already seem worn out and almost boring. Trade disputes and protectionism, government crises in several European countries, the Brexit show: people had become accustomed to these issues, and only the market's view of the probability of their occurrence and the scope of their implications varied over time. After the financial markets initially remained remarkably resilient for a long time despite the new uncertainty, real panic has broken out in recent weeks, exacerbated by the oil price decline triggered by OPEC. Looking back to earlier pandemics such as SARS, MERS, Ebola, or H1N1, the current market reaction appears exaggerated. However, the wild price fluctuations are also understandable from a non-medical perspective: with interest rates close to zero, errors in expectations and their corrections (upward and downward) have a much more severe impact as a reflection of uncertainty and difficulties in finding the right direction.

This comes as no wonder, as all cyclical indicators continue to be weak; in fact, the economic outlook for the next three to six months around the globe is bleak. Worldwide, industrial activity remains in the doldrums, and although the service sector, which is more important in modern economies, has done better for a long time due to robust consumption, the widespread lockdowns are now also having an impact here. Without oxygen, economies will suffocate.

In our baseline scenario, we expect a deep recession limited to a few quarters, followed – perhaps even in the last few months of the current year – by a similarly strong recovery. Once this happens, however, inflation – which many had thought was gone forever – could return, due to the trend toward de-globalization and real supply bottlenecks. We currently recommend a neutral tactical positioning with a substantial gold position.

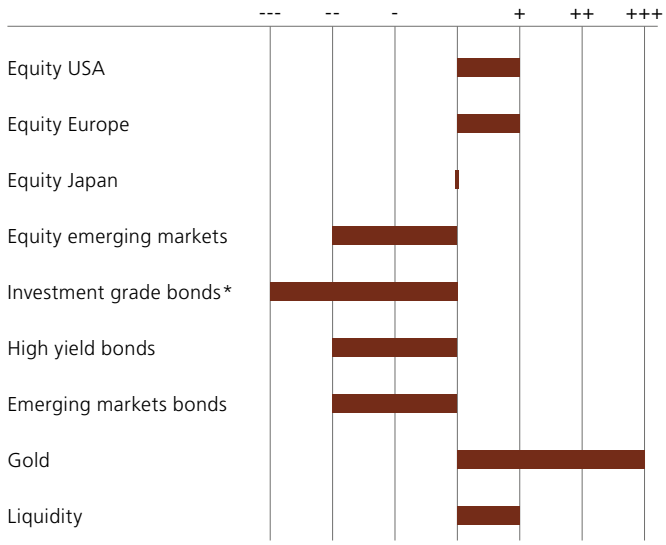
Global macroeconomic landscape*



* The macroeconomic landscape has a time horizon of 3-6 months

Source: LGT

Overview investment policy as per April 13, 2020



* Includes global government, inflation-linked, and corporate bonds

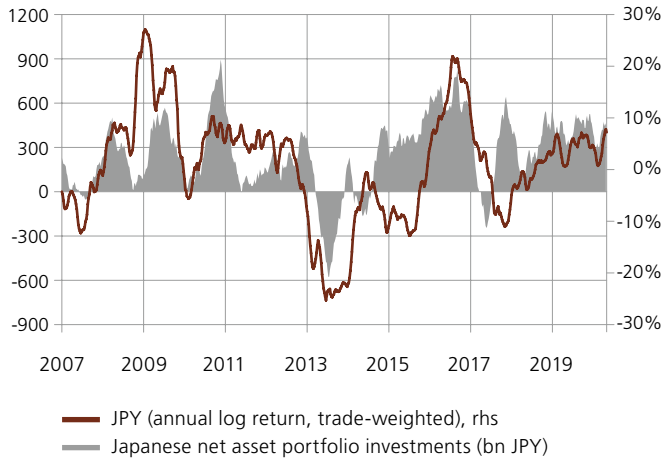
Japanese yen: less is more

Michel Roth

The Japanese yen has long had the reputation of being fundamentally unattractive and thus its primary function from a portfolio perspective was simply that of any safe haven. The pandemic has already clearly vindicated such a role. Especially, as the yen has also been rather favorably valued among safe-haven currencies. But that is not all. On the back of the global fight against the virus, key interest rates have recently fallen so sharply that Japan, at a meagre -0.1%, suddenly finds itself just below the rates of the US and the UK. The numerous, far-reaching fiscal measures that have been discussed are also likely to increase the debt ratio of many countries, bringing it closer to that of Japan.

Because currencies are ultimately a relative play, the gap between the yen and its peers has thus effectively narrowed. At this point, Japan's other fundamentals may possibly be close enough to its competitors for the country's solid current account surplus to start drawing more recognition. Nevertheless, one should not entirely reckon without the reserve currency's longest antagonist, the Bank of Japan, which continues to dislike a strong currency. This is particularly true in times of recession. However, the relative play is also strikingly evident on this front, as Japan has already exhausted its monetary policy resources to an extremer degree compared to most other countries. Additional measures would therefore have to surprise in magnitude to have a substantial impact on the currency. For the yen, this means less distance to the rest of the world and more time to shine. ◆

Repatriation flows and currency return



Source: Refinitiv, LGT

Overview of currencies as per April 13, 2020

Currencies	Exchange rate	Year-to-date	Medium-term trend	Comment
EUR-USD	1.09	-2.9%	→	ECB's newly launched PEPP further expands its already loose monetary policy
GBP-USD	1.25	-5.6%	→	The "flight to quality" mentality of investors has not yet benefited the GBP
USD-JPY	107.74	-0.9%	→	The yen is benefiting from its safe-haven status and favorable valuation
USD-CHF	0.97	0.0%	→	The SNB combats a marked CHF appreciation, as it would be toxic for the export industry
AUD-USD	0.64	-9.3%	↘	The coronavirus pandemic is leading to reduced demand for commodities and thus AUD
USD-CAD	1.40	7.7%	↗	As a high-price producer, the collapse of oil prices is a burden on Canada and its currency
USD-SGD	1.42	5.3%	↗	The MAS is meeting market expectations and has further loosened its monetary policy reins
USD-KRW	1217.80	5.3%	↗	The KRW devaluation is serving as a tailwind for South Korea's ailing economy
USD-CNY	7.05	1.2%	→	The mark at 7 seems to be changing from being a resistance to becoming a support
USD-MXN	23.78	25.9%	↗	Weaker growth prospects and sluggish oil prices are putting a strain on the MXN
USD-RUB	73.66	18.6%	↗	The RUB cannot escape the effects of falling prices in the energy complex
EUR-CHF	1.06	-2.9%	→	The relative strength of the CHF against the EUR is a thorn in the side of the SNB
EUR-SEK	10.88	3.6%	→	The high exposure to the global growth cycle makes the SEK particularly vulnerable
EUR-NOK	11.20	13.6%	↗	The NOK is not immune to the pressure on oil prices

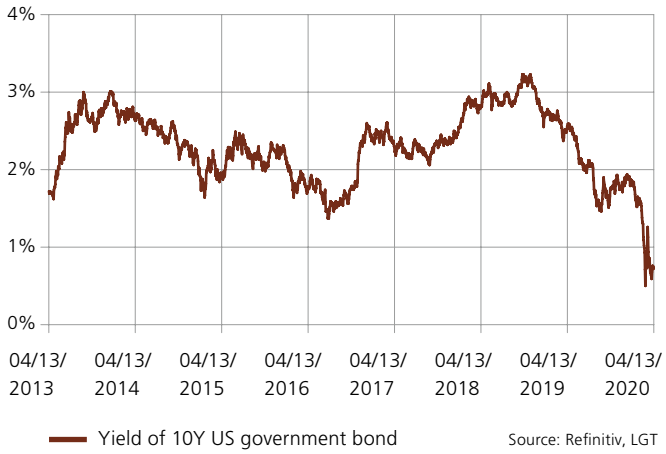
Government bonds: The day the global economy stood still (2020)

Ewald Duer

The coronavirus is causing the global economy to come to a full stop and unleashing three crises at once: loss of demand due to the virus, reduction in supply caused by damage to industrial supply chains and the resurgence of the debt crisis (which had never really gone away). Never before has there been such a rapid shock to the global economy. It is no wonder that central banks around the world are pumping liquidity into the financial markets at an unimaginable scale. Nevertheless, it will not be possible to avoid a sharp rise in unemployment – with serious consequences. In the current state of panic, politicians and central bankers are overriding many rules. For example, governments no longer have to maintain debt limits and have announced extensive rescue packages. The ECB is now allowed to buy unlimited bonds from any country. Public debt is now definitely being financed through the printing press. Fiscal and monetary policy are converging. All this will lead to an extremely sharp increase in public debt.

There are also a lot of legal changes in the pipeline. The new German law to mitigate the consequences of Covid-19 massively intervenes with civil, insolvency, and criminal procedural law – debtors can now simply refuse and stop their payments with reference to the virus, the problem is simply passed on. The US is also firing from all cylinders. In addition to the previous glut of money from the US Fed, the US government has passed a USD 2 tn aid package. To break that figure down: with two trillion in 100 euro bills, one could cover all 13 100 kilometers of the German highway network – based on an average of three lanes, including shoulders and crash barriers – and still have enough bills left for Austria and Switzerland. And while there is plenty to discuss when it comes to the magnitude of this aid package, for now the focus is on saving the economy and preventing a total economic standstill. Nevertheless, the economic crisis will threaten the existence of many companies, and not all will survive. In order to be able to act quickly, the focus on medium maturities with good quality and liquidity should be all the more important when it comes to bonds. ◆

Yield of US government bonds



Overview target rates and yields on 10y government bonds as per April 13, 2020

Economy	Target rate	Trend	Comment	10y yield	Trend	Comment
USA	0.125%	→	No rate changes in foreseeable future	0.75%	↘	Downward path taken
Eurozone (DE)	0.00%	→	No rate changes in foreseeable future	-0.35%	→	ECB actions result in negative interest rates
Japan	-0.10%	→	No rate changes in foreseeable future	0.00%	→	No change in the behavior of the BoJ in sight
UK	0.10%	→	No rate changes in foreseeable future	0.27%	→	Sideways course remains intact for the time being
Switzerland	-0.75%	→	No rate changes in foreseeable future	-0.55%	→	Negative interest as status quo
Brazil	3.75%	→	No rate changes in foreseeable future	7.62%	↘	Economic policy is having a positive effect
Malaysia	2.50%	→	No rate changes in foreseeable future	3.38%	↘	Support from monetary and fiscal policy measures

Inflation-linked bonds: If not now, then when?

Dieter Gassner

If not now, then when? These are the lyrics of a German party song that is definitely a catchy tune. However, there is no party mood when it comes to the current coronavirus crisis. All over the world, all the stops are being pulled out to prevent the further spread of this infectious disease and to stem the far-reaching economic consequences. Governments are taking drastic measures, closing schools, calling on companies to stop their activities immediately, imposing travel bans, and asking for social distancing. In order to cushion the dramatic consequences to the real economy and on the global financial markets, central banks and governments reacted quickly and made massive amounts of liquidity available while announcing unimaginable amounts of financial aid. All these measures are reminiscent of the great financial crisis in 2008.

It is still difficult to assess what the long-term consequences for the economy will be. But we can see that inflation risks have increased significantly as a result of the ultra-expansive monetary and fiscal policies deployed worldwide to combat the prevailing crisis. It is also possible that disruptions in supply chains will accelerate the trend toward de-globalization and create additional inflationary pressure. Initial price increases, especially in the supply of pharmaceuticals, are already apparent. In addition, workers who are directly exposed to the virus are starting to demand higher wages. The combination of a risk-off environment and the sharp decline in oil prices has weighed on the returns of inflation-linked bonds since the beginning of the year. Implied inflation expectations have fallen to historical lows and only started to reverse after central banks' interventions. The market-based measure of inflation for the next ten years is around one percent in the US and just half that in Europe. Against the background of relatively low valuation and the looming, toxic inflation mix, inflation-linked bonds offer an interesting relative value proposition over the next cycle compared to nominal bonds. ◆

Emerging markets hard currency bonds: Not all emerging markets are high-risk patients

Johannes Oehri

The pandemic has infected the global economy for some time now. Similar to the general population, there are some economies that are more resistant and are likely to show symptoms only in the short term, while others must be classified as real high-risk patients.

The latter is true for countries that are particularly at risk from both a medical and an economic point of view – either because they have weak healthcare systems or have accumulated substantial foreign debt in recent years. Smaller commodity exporters are particularly hard hit, with soaring healthcare costs and eroding revenues due to the collapse in oil prices. The burden of foreign debt is also increasing due to the strength of the US dollar. Some issuers will no longer be able to service their foreign debts in full or, in view of the impending health crisis, will revise their payment priorities and invest scarce financial resources in domestic healthcare instead of servicing foreign creditors. Ecuador has already announced debt restructuring and smaller commodity exporters like Angola or Zambia could follow suit. Among the major issuers particularly at risk are Argentina, which has been in a balance of payments crisis for some time now and will not be able to stave off another sovereign default for much longer, and Turkey because of its particularly unstable banking sector.

For now, the conditions for emerging markets will likely remain negative. And because the virus is also causing shortness of breath for investors, asset prices are currently reacting particularly sensitively to news flow. But volatility also creates opportunity. Of course, no one can know for certain when the news will become less negative or even when the worst will be behind us. But risk premiums have already risen very sharply, and at the current level of 650 basis points, they suggest that a full 40% of issuing countries will default over a period of five years. However, there are not quite as many high-risk patients among emerging markets after all. But this does not mean that investors should go on a spending spree. Those still standing despite the chaos caused by the virus should consider moderate acquisitions based on these valuations. ◆

Equities US: Countercyclical

Manfred Hofer

In February, conditions still seemed perfect for US equity markets – on the surface at least. The US leading indices, Dow Jones Industrial and the broader-based S&P 500, even reached new all-time highs. Investors assumed that the coronavirus would be restricted to Asia. However, the picture has changed with the global spread of the virus. Within no time at all, investor sentiment was turned on its head completely – from jubilation to panic. The aforementioned indices have dropped around 30% from their peaks.

This uncertainty is driven by the lack of clear information about the economic fallout of the pandemic. Our baseline scenario assumes a sharp, but probably short recession, followed by an economic recovery. The US government's historic aid package is a positive development. Central banks, led by the US Fed, are also providing stability with monetary stimulus measures. Valuation indicators are easing, even though further negative corporate earnings revisions can still be expected.

In February, it seemed that the resilience of the market landscape was only skin deep. Our Behavioral Finance indicators showed that the markets were indeed vulnerable – see the January issue of Investorama. Investors were too complacent and underestimated the risks. They were not prepared for negative news. This created an ideal breeding ground for price corrections.

According to the current Behavioral Finance assessment, the sharp fall in share prices has damaged the medium-term market structure. The stock markets are again in a transitional phase – they are neither bull nor bear markets.

In such a stalemate situation, short-term indicators increasingly steer the markets. The appropriate strategy for this phase is countercyclical investing. Many of our short-term indicators are already close to negative extremes, making it increasingly attractive to swim against the current.

Conclusion: the markets are currently in a highly volatile state as they reach a floor, which should be concluded by another short sell-off phase. A temporary but significant correction (upward) is to be expected – but definitely without any new price highs. The markets first have to balance themselves out, and that takes time. They are currently in a transition phase and not in a bull market. ◆

Equities US

Source: Refinitiv, LGT

Overview of equity markets as per April 13, 2020

Stock market (MSCI indices)	year-to-date	since 04/13/2019	since 04/13/2015*	Trend	Comment
United States (USD)	-14.2%	-3.8%	7.1%	↘	Abrupt downward trend
Eurozone (EUR)	-21.9%	-15.2%	-2.2%	↘	Abrupt downward trend
Japan (JPY)	-17.0%	-9.6%	-0.8%	↘	Abrupt downward trend
United Kingdom (GBP)	-22.2%	-19.1%	-0.2%	↘	Abrupt downward trend
Germany (EUR)	-20.6%	-13.7%	-3.8%	↘	Abrupt downward trend
Switzerland (CHF)	-10.0%	1.8%	3.1%	↘	Abrupt downward trend
Asia/Pacific ex Japan (USD)	-17.2%	-13.7%	0.4%	↘	Abrupt downward trend
Emerging markets (USD)	-20.4%	-16.8%	-0.9%	↘	Abrupt downward trend

* annualized

Source: Refinitiv, LGT

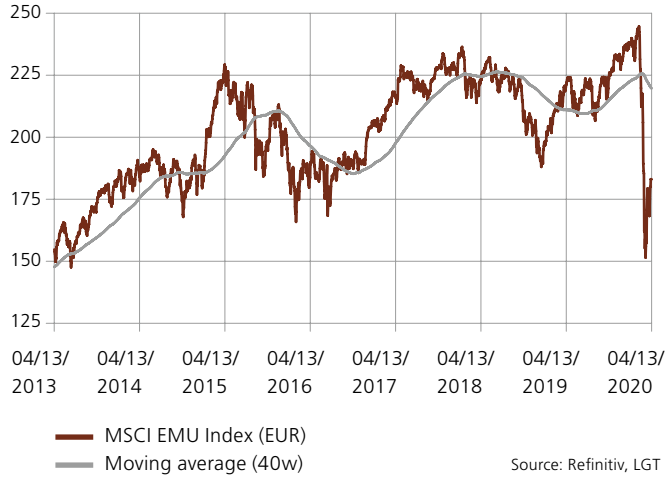
Equities Europe: Crisis mode

Ralf Piersig

How quickly the outlook for the global economy can turn. The economic acceleration observed until January of this year came to an abrupt end with the spread of the coronavirus. Most European countries are currently in official lockdown, with estimates of a 25% to 35% economic contraction in the second quarter. Despite broad public stimulus packages, it remains difficult to predict how quickly activities will stabilize again in the second half of the year.

The stock markets have reacted with an unprecedented correction since mid-February, with volatility peaks above those of the 2008 financial crisis. This means that part of the impending economic slowdown has probably been priced in. However, we do not expect things to calm down just yet. Exceptional government spending, rising unemployment figures, and lower corporate earnings are likely to lead to a significant increase in overall debt, which in turn will cloud the medium-term economic outlook. How this Gordian knot will be undone remains to be seen. We therefore remain cautious for the time being. Companies with a low level of debt and a strong market position are to be preferred. ◆

Equities Europe



Source: Refinitiv, LGT

Equities Japan: In the shadow of the pandemic

Mikio Kumada

The stock market turbulence triggered by the coronavirus pandemic since the last week of February hit Japan very hard too. However, the country has so far been largely spared by the pandemic itself, as the Japanese authorities and the private sector took certain precautionary measures relatively early on. With around 2200 registered COVID-19 patients and 57 deaths at the end of March, the island nation has had the flattest coronavirus propagation trend among major economies. This is one of the reasons why Japan has been able to forgo extreme restrictions on public life for the time being, while its economic policy countermeasures have been rather moderate compared to those in the West.

Nevertheless, the pandemic is causing significant economic damage in Japan as well. The Olympics planned for July have been postponed until next year, while many Japanese consumers opted more often to stay at home in February and March. Further stimulus measures are therefore almost certain in the near future. The broad Topix index lost nearly 18.5% in the first quarter in the face of the now universally acknowledged global recession – its largest quarterly loss since the financial crisis of 2008. The fact that indices in the US and Europe posted even larger losses offered little comfort in view of this magnitude. ◆

Equities Japan

Source: Refinitiv, LGT

Emerging markets equities: The bears are loose

Ikram Boulfernane

The outbreak of the coronavirus and its disastrous human and economic consequences hit emerging markets hard. Emerging market equities have enjoyed lots of sunshine over the past decade, chasing one high after the other despite interim corrections, but winter now appears to have arrived and the stock market days are getting considerably colder. Rather than prolonging its hibernation a little longer, the bear is now wide awake – including on the stock markets of emerging countries. In the first quarter, the MSCI Emerging Market (EM) Index was down 24%.

The coronavirus pandemic and the accompanying sharp drop in economic activity, which is now in recession territory, is severely clouding the global economic outlook. For emerging markets, the situation is aggravated by the fact that many of them have a less sophisticated healthcare systems and are politically more unstable than their Western counterparts, which is preventing an adequate response to the crisis. The loss of demand in their export markets coupled with lower commodity prices and a stronger US dollar are creating additional cold headwinds. Falling corporate earnings remain under heavy pressure. It would not be surprising if this also manifested itself in the performance of the MSCI EM Index in the coming months.

Decision-makers are trying to counteract the economic chill with unprecedented fiscal and monetary policy measures. Investors with a very long-term investment horizon and who are prepared to accept the stock market winter must now take a more selective approach than ever. Fundamentally strong stocks from defensive sectors are preferable. Companies that offer hygiene products such as toilet paper or online services/video games tend also to belong to the current winners. Cyclical stocks, meanwhile, should be avoided for the time being, as the economic situation is likely to worsen before it improves. For now, the bears are loose before the EM bulls are able to benefit from the alpine summer on the financial markets again. ◆

Private equity: Approach of prudent investing

Trushna Anand Jhaveri

We find ourselves in an unprecedented environment. In a context of high uncertainty and volatility, we are not immune to a negative impact on the private equity portfolio valuation in the short term. Historically though, such valuation impacts have been less pronounced in private equity than public market corrections. Separately, the pace of investment and exit activity is likely to slow down.

LGT CP's private equity team has been actively investing for more than 20 years, and while adapting to market conditions, our investment philosophy has remained stable since. Our approach of prudent investing with exceptional fund managers and in high-quality assets has benefitted our clients and investors through multiple cycles. While we realize that we are in the middle of a «black swan» event, we are taking comfort in the fact that the private equity portfolio is well-balanced across geographies, strategies, and investment styles.

In the current environment, active ownership of portfolio companies by our blue-chip managers translates into more tools to navigate market uncertainties. We have been speaking with more than 100 managers as well as with CEO's of portfolio companies regarding measures being put in place to safeguard their companies. This includes working capital management, shoring up short-term liquidity, covenant management, and support in strategic decision-making at the portfolio company level. At the aggregate portfolio level, we have substantial dry powder to capture attractive investment opportunities that may arise from the ongoing market dislocation.

Overall, we believe that in periods of market turbulence it is important to remain calm and take a longer-term perspective. We are very cautious, paying close attention to market developments, and keeping an ongoing dialogue with our managers. We continue to commit capital at a steady pace, with a focus on investing with high-conviction, experienced managers capable of navigating market environments and capturing attractive new opportunities. ◆

Real estate:
Traces of the pandemic on the real estate market

Boris Pavlu

The coronavirus crisis is also affecting the real estate market. But once again a differentiation is necessary, because "the real estate market" itself does not exist. Besides location, the type of use is probably the clearest distinguishing feature. And this is where the extraordinary measures taken as a result of the pandemic are known to be hitting the hotel and catering industry particularly hard. Other commercial uses such as retail space are also experiencing considerable or total losses during the lockdown, but for many stores there is at least a justified hope of catching up after the crisis. That said, one of the long-term consequences of the widespread quarantine is likely to be an accelerated shift toward e-commerce, thus also decimating future demand for physical sales space. Whether office space experiences a similar phenomenon is unclear. In the age of information technology, the office workplace has been wrongly written off on numerous occasions. Whether the now compulsory home office will be able to implement the stubborn vision of decentralized companies in the longer term remains to be seen.

Property owners are therefore confronted with both short-term consequences and possible long-term implications. Loss of rent due to reduced turnover from rental contracts (retail/hospitality) or bankruptcies of individual SMEs (all commercial space, including offices) are the direct costs. However, it is also necessary to consider the potential long-term change in future demand for floorspace. This is the only way to ensure that the property held remains in line with market conditions. To a lesser extent, this also applies to residential properties, although here less immediate negative consequences are to be expected – with the exception of the high-price segment and business apartments, which are likely to experience weaker demand in the course of the recession. Nevertheless, one should also consider whether the residential property meets the new requirements in terms of security, hygiene standards, and connectivity, and is thus well equipped for the future. ◆

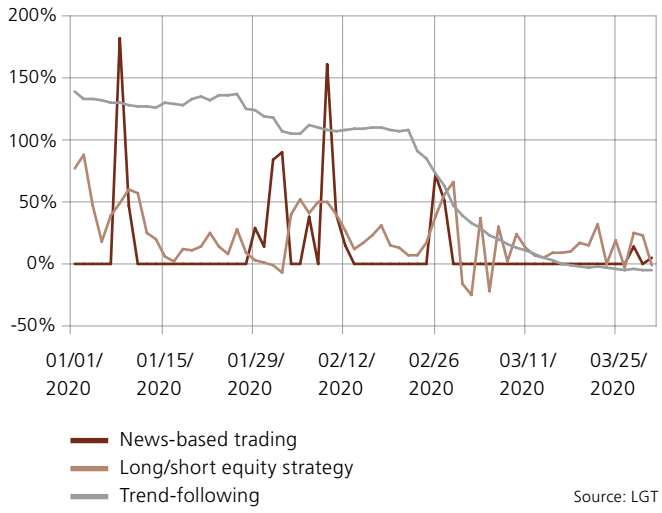
Hedge funds:
Exposure management: multiple "gears" are an advantage

Stefano Lecchini

Active exposure management is one of the main features of liquid alternative investment strategies. In this first, very volatile quarter, such a feature was more in demand than ever. We looked at three different strategies and followed the development of their equity exposure: trend-following (systematic – price based), news-based trading (systematic – news based) and a long/short equity strategy (discretionary – fundamental).

The profiles are all dynamic, but with different paces: while trend-following only adjusts exposures when a correction is visible in prices, a news-based strategy tries to detect a gradual deterioration in market sentiment in advance; the discretionary long/short equity manager, meanwhile, is very agile and can switch the portfolio from long to short and vice versa in a short period of time. So which strategy offers the best protection? In reality, one can only judge the effectiveness of individual strategies once the correction is over. It is important to consider not only how this unfolds at the beginning, but also what the recovery looks like (e.g. V-, U-, or L-shaped, etc.). In order to prepare a portfolio for market corrections, diversification in terms of different adjustment paces is beneficial. Together, they form a complementary profile that has a better chance of supporting the overall portfolio – regardless of the "shape" of the recovery. ◆

Equities net exposure



Source: LGT

LGT's core competencies in asset management

LGT's investment center is a specialist for multi asset solutions as well as alternative investments. Our core competencies include:

Asset Allocation

Carefully planned asset allocation is the foundation for successful asset management and performance. LGT's long-standing experience and disciplined investment approach enable us to offer our clients traditional and alternative investments as an integrated, comprehensive package and to go to our clients as an authority in this regard. Our transparent investment process covers portfolio construction and implementation in line with our clients' needs as well as continual monitoring of specific risks. The aim of our asset allocation investment solutions is to optimize the long-term risk-return profile. It is important to ensure that our investment solutions participate in market upturns, while offering stability and capital preservation in difficult market periods. The cornerstones of our Asset Allocation expertise are:

- A comprehensive global universe of listed and non-listed investments
- Broad diversification in and between asset classes, segments, styles, specialists and currencies
- A systematic, disciplined process based on a balanced blend of qualitative and quantitative elements

The long-term strategic asset allocation requires a look at the future. But because predicting future developments is possible only to a very limited extent, we use scenario analysis. The knowledge of past developments in economics, politics and the financial markets gives us a basis for our scenarios. Academics and practitioners add their own expert knowledge in certain thematic areas. We then use this array of information to develop various future scenarios. These are either baseline scenarios (high probability of occurring) or alternative scenarios (low probability of occurring). We set the optimum portfolio weighting for each scenario. We then work out investment solutions that we think can bring robust returns for our clients across several scenarios.

Through our tactical asset allocation we take advantage of medium-term inefficiencies and fluctuations. In a quarterly process we reconsider our active positioning also taking into account our findings from economic and market information along with behavioral finance.

Sustainability

Our long-term direction and ESG investment principles are a core element of our corporate culture. We are convinced that we can only invest successfully for our clients by following a long-term approach that contains a strong awareness of environmental, social and governance (ESG) principles. This also applies to investment solutions that we offer our investors as well as to our overall business activities. On the following pages, we will demonstrate how LGT Capital Partners integrates these principles into its business activities.

ESG in our investment and monitoring process

Compliance with ESG criteria is a fixed component of our investment process. It is structured so that it meets the United Nations-supported Principles for Responsible Investment (UN PRI). Our investment teams are responsible for due diligence for potential investments. Every investment opportunity we pursue is examined based on these criteria. These assessments are important information for portfolio managers and the Investment Committee when it comes to making an investment decision. We monitor a broad spectrum of risks, against the background of ESG criteria as well. We work closely with our external managers and offer them advice on how ESG criteria can be integrated even more extensively. For some clients, we check the portfolios according to specific ESG guidelines.

We have developed processes to integrate ESG principles in line with the requirements of the various investment categories and structures. In the context of our private equity, hedge fund and multi-manager long-only portfolios, for example, we focus on the assessment of ESG practice of our external and internal managers, and work with them to raise standards in this area. In our equity and bond portfolios, we rely on

individual stock selection. This way, we can benefit from the fact that substantially more information is available for an ESG assessment. We have therefore developed an internal tool, the ESG cockpit, which enables us to analyze and evaluate the ESG risks and opportunities of every position in these portfolios.

Compliance with international agreements on controversial weapons

Apart from carrying out our own ESG analyses, we are cooperating with Global Engagement Services (GES) and applying their guidelines to avoid investing in companies involved in the manufacture of controversial weapons such as land mines, cluster bombs and ammunition as well as ABC weapons. This way, we can develop portfolios that meet the requirements of international agreements on controversial weapons.

Our definition of ESG

When analyzing managers and companies, we check the following environmental, social and governance factors:

- Environment: greenhouse gas emissions, energy efficiency, water consumption, waste disposal, use of resources and other factors
- Social: refers to subjects such as controversial weapons, human rights issues, labor standards, employee fluctuation, health and safety, training and professional development as well as other factors
- Governance: quality of the board of directors, clear separation between the role of the CEO and president of the board of directors, accounting practices, reporting/transparency, management incentives, shareholders' rights, bribery and corruption as well as other factors

In choosing countries of potential issuers of government bonds, we concentrate on the degree of freedom, democracy, political and civil rights that prevail in the respective country as well as on the level of corruption and the rule of law. This is enhanced by further analyses that illustrate how a country deals with natural resources and the status of social development.

Integration of alternative investments

To achieve robust portfolios, there needs to be as much integration as possible of many uncorrelated return sources. It has been shown that alternative investment classes can make a valuable contribution in particular. LGT Capital Partners has been investing in private market investments and liquid alternative investment classes for 20 years. We have a global network and therefore access to experienced managers in this area, as well as direct investment competence. Investments in private markets can improve the risk-reward ratio of an investment portfolio. They offer investors the opportunity to achieve higher returns while at the same time diversifying their portfolio. With an investment horizon of more than ten years, private equity requires a long-term commitment and readiness to accept reduced liquidity and unexpected capital flows. The returns are also highly dependent on the investor's ability to gain access to the managers with the best performance, as returns from funds in the upper and lower quartile vary enormously from one another. Liquid alternative investments such as alternative risk premia, hedge funds or insurance-based investments play a large part in broader diversification of a portfolio. The integration of these strategies into a portfolio requires in-depth analysis that takes account of investors' aims and requirements. This calls for the relevant analysis tools, as well as for long-term experience.

Overview LGT Funds

LGT Funds	ISIN	Launch date	Price as per 03/31/2020		Performance 2020	Performance -3 years p.a.	Performance -5 years p.a.
Multi asset class							
LGT Alpha Indexing Fund (CHF) B	LI0101102999	30.04.2009	CHF	1450.80	-11.97%	-1.76%	-0.27%
LGT GIM Balanced (CHF) B	LI0108469029	31.01.2010	CHF	10891.22	-11.76%	-2.41%	-1.68%
LGT GIM Balanced (EUR) B	LI0108469169	31.01.2010	EUR	12283.68	-11.27%	-2.09%	-1.35%
LGT GIM Balanced (USD) B	LI0108468880	31.01.2010	USD	12585.69	-10.91%	0.15%	0.21%
LGT GIM Growth (CHF) B	LI0108469268	31.01.2010	CHF	11411.73	-15.48%	-3.08%	-1.90%
LGT GIM Growth (EUR) B	LI0108469318	31.01.2010	EUR	13088.14	-14.97%	-2.74%	-1.61%
LGT GIM Growth (USD) B	LI0108469250	31.01.2010	USD	13183.40	-14.60%	-0.54%	-0.11%
LGT Sustainable Strategy 3 Years (CHF) B	LI0350494782	10.11.1999	CHF	979.51	-5.55%	-0.77%	-0.18%
LGT Sustainable Strategy 3 Years (EUR) B	LI0008232162	10.11.1999	EUR	1690.57	-5.02%	-0.31%	0.28%
LGT Sustainable Strategy 3 Years (USD) B	LI0350494840	30.04.2010	USD	1056.26	-4.76%	1.81%	1.83%
LGT Sustainable Strategy 4 Years (CHF) B	LI0350494907	10.11.1999	CHF	945.20	-10.28%	-1.75%	-0.58%
LGT Sustainable Strategy 4 Years (EUR) B	LI0008232220	10.11.1999	EUR	1612.63	-9.69%	-1.26%	-0.01%
LGT Sustainable Strategy 4 Years (USD) B	LI0350494998	30.04.2010	USD	1016.22	-9.55%	0.74%	1.38%
LGT Sustainable Strategy 5 Years (CHF) B	LI0350495169	01.10.2004	CHF	927.57	-13.00%	-2.36%	-0.80%
LGT Sustainable Strategy 5 Years (EUR) B	LI0019352926	01.10.2004	EUR	1617.75	-12.39%	-1.87%	-0.27%
LGT Sustainable Strategy 5 Years (USD) B	LI0350495227	30.04.2010	USD	995.09	-12.33%	0.05%	1.05%
Money market							
LGT Money Market Fund (CHF) B	LI0015327682	19.01.1998	CHF	1076.25	-0.51%	-0.96%	-0.84%
LGT Money Market Fund (EUR) B	LI0015327740	19.01.1998	EUR	693.78	-0.36%	-0.46%	-0.34%
LGT Money Market Fund (USD) B	LI0015327757	19.01.1998	USD	1540.82	0.24%	1.55%	1.16%
Bonds							
LGT Bond Fund EMMA LC (CHF) B	LI0133634688	30.09.2011	CHF	989.48	-15.49%	-5.29%	-1.79%
LGT Bond Fund EMMA LC (EUR) B	LI0133634662	30.09.2011	EUR	1136.46	-13.44%	-5.01%	-2.12%
LGT Bond Fund EMMA LC (USD) B	LI0133634670	30.09.2011	USD	928.41	-15.39%	-4.19%	-1.70%
LGT Sustainable Bond Fund EM Defensive (CHF) B	LI0183910038	30.06.2012	CHF	909.20	-6.98%	-2.16%	-1.09%
LGT Sustainable Bond Fund EM Defensive (EUR) B	LI0183910012	09.07.2012	EUR	941.38	-6.89%	-1.67%	-0.53%
LGT Sustainable Bond Fund EM Defensive (USD) B	LI0183909998	15.12.2011	USD	1051.04	-6.20%	0.97%	1.51%
LGT Sustainable Bond Fund Global Inflation Linked (CHF) B	LI0148578045	17.04.2012	CHF	906.82	-0.87%	-1.72%	-1.61%
LGT Sustainable Bond Fund Global Inflation Linked (EUR) B	LI0017755534	10.05.2004	EUR	1131.76	-0.77%	-1.17%	-1.00%
LGT Sustainable Bond Fund Global Inflation Linked (USD) B	LI0148578037	30.09.2010	USD	1046.60	-0.02%	1.35%	0.95%
LGT Select Bond Emerging Markets (USD) B	LI0026536628	31.12.2000	USD	3204.93	-16.39%	-2.01%	0.08%
LGT Select Bond High Yield (USD) B	LI0026564604	31.08.2000	USD	2371.42	-13.16%	0.14%	1.82%
LGT Select Convertibles (CHF) B	LI0132437745	31.08.2011	CHF	1172.21	-11.82%	-3.23%	-2.47%
LGT Select Convertibles (EUR) B	LI0132437737	31.08.2011	EUR	1213.79	-11.72%	-2.88%	-2.07%
LGT Select Convertibles (USD) B	LI0102278962	31.07.2006	USD	1547.75	-11.03%	-0.16%	0.07%
LGT Sustainable Fixed Income Global Opportunities (EUR) B	LI0008232030	10.11.1999	EUR	1630.89	-3.36%	-1.64%	-0.80%
LGT Sustainable Bond Fund Global (EUR) B	LI0106892909	30.11.2009	EUR	1571.48	-1.70%	0.61%	0.86%
LGT Sustainable Bond Fund Global Hedged (CHF) B	LI0148577955	22.10.1996	CHF	1055.92	1.38%	0.02%	-0.50%
LGT Sustainable Bond Fund Global Hedged (EUR) B	LI0148577948	22.10.1996	EUR	1100.15	1.53%	0.49%	0.03%
LGT Sustainable Bond Fund Global Hedged (USD) B	LI0015327872	22.10.1996	USD	2997.50	2.35%	3.29%	2.19%
LGT Quality Funds – Sustainable Short Duration Corp. Bond Fund Hedged (CHF) B	LI0183909808	30.06.2012	CHF	941.88	-5.00%	-2.32%	-1.83%
LGT Quality Funds – Sustainable Short Duration Corp. Bond Fund Hedged (EUR) B	LI0183909782	30.06.2012	EUR	981.63	-4.90%	-1.78%	-1.21%
LGT Quality Funds – Sustainable Short Duration Corp. Bond Fund Hedged (USD) B	LI0183909790	30.06.2012	USD	1081.66	-4.24%	0.74%	0.68%

LGT Funds	ISIN	Launch date	Price as per 03/31/2020		Performance 2020	Performance -3 years p.a.	Performance -5 years p.a.
Equities							
LGT Select Equity Asia/Pacific ex Japan (USD) B	LI0026536305	30.10.1999	USD	2322.06	-20.56%	-2.87%	-0.97%
LGT Select Equity Emerging Markets (USD) B	LI0026536354	31.12.2000	USD	3265.60	-27.04%	-4.88%	-2.10%
LGT Select Equity Enhanced Minimum Variance (USD) B	LI0337486141	25.11.2016	USD	1072.99	-17.75%	0.15%	n.a.
LGT Select REITS (USD) B	LI0148225985	01.03.2004	USD	1304.47	-23.73%	-1.32%	-1.85%
LGT Sustainable Equity Fund Europe (EUR) B	LI0015327906	30.09.2000	EUR	1057.10	-22.42%	-3.34%	-2.30%
LGT Sustainable Equity Fund Global (CHF) B	LI0148540441	17.12.2012	CHF	1873.07	-18.96%	0.11%	5.57%
LGT Sustainable Equity Fund Global (EUR) B	LI0106892966	31.12.2009	EUR	2519.65	-16.99%	0.41%	5.21%
LGT Sustainable Equity Fund Global (USD) B	LI0148540466	17.12.2012	USD	1777.38	-18.86%	1.27%	5.66%
LGT Sustainable Quality Equity Fund Hedged (CHF) B	LI0183907844	30.06.2012	CHF	1582.48	-15.15%	3.14%	3.53%
LGT Sustainable Quality Equity Fund Hedged (EUR) B	LI0183907836	09.07.2012	EUR	1568.28	-15.12%	3.58%	4.08%
LGT Sustainable Quality Equity Fund Hedged (USD) B	LI0183907802	30.06.2012	USD	1922.01	-14.42%	6.46%	6.11%
Insurance-linked investments							
LGT (Lux) I – Cat Bond Fund (CHF) B	LU0816333040	30.11.2010	CHF	107.05	0.50%	-1.23%	-0.38%
LGT (Lux) I – Cat Bond Fund (EUR) B	LU0816332828	30.11.2010	EUR	111.36	0.59%	-0.87%	0.02%
LGT (Lux) I – Cat Bond Fund (USD) B	LU0816332745	30.11.2010	USD	124.49	1.18%	1.75%	2.05%
Alternative investments							
LGT Crown Listed Private Equity (EUR) B	IE00B7T8CN06	25.02.2013	EUR	168.63	-30.07%	-1.87%	2.04%
LGT Crown Listed Private Equity (USD) D	IE00BJVWTR76	28.07.2014	USD	111.52	-31.64%	-1.03%	2.48%
LGT Crown Managed Futures UCITS SF Class B (USD)	IE00B66PKW27	09.07.2010	USD	922.28	-8.39%	-5.07%	-6.05%
LGT Crown Managed Futures UCITS SF Class C (EUR)	IE00B66MZ845	25.06.2010	EUR	827.98	-9.32%	-7.53%	-7.81%
LGT Crown Managed Futures UCITS SF Class H (CHF)	IE00B3PT4X32	30.09.2010	CHF	734.69	-9.39%	-7.99%	-8.33%
LGT Alpha Generix UCITS Sub-Fund Class O (USD)	IE00B7VFVC16	01.10.2012	USD	1011.15	1.78%	1.09%	-1.72%
LGT Alpha Generix UCITS Sub-Fund Class P (EUR)	IE00B82ZPK32	01.10.2012	EUR	913.72	1.16%	-1.52%	-3.66%
LGT Alpha Generix UCITS Sub-Fund Class Q (CHF)	IE00B46N8H32	01.10.2012	CHF	874.59	1.08%	-2.02%	-4.24%
LGT Dynamic Protection UCITS Sub-Fund Class F (USD)	IE00BD365334	20.04.2017	USD	1214.08	24.73%	7.00%	n.a.
LGT Dynamic Protection UCITS Sub-Fund Class G (EUR)	IE00BD365441	30.04.2017	EUR	1135.88	24.29%	4.26%	n.a.
LGT Dynamic Protection UCITS Sub-Fund Class H (CHF)	IE00BD365557	30.04.2017	CHF	1117.45	23.96%	3.69%	n.a.

Unknown artist, detail from "Pietra Dura Tabletop," 17th century

Citius, Altius, Fortius – a plea for the Olympics

The original Olympic Games took place between 776 B.C. and 393 A.D. After a break of 1503 years, the first modern Games were held in 1896 at their original venue of Athens in Greece. Now, it would be almost impossible to imagine a world without this global sporting event.

On September 7, 2013, Tokyo announced that it was to host the 2020 Summer Olympic Games. As a result of the coronavirus pandemic, which has become a global human tragedy and health crisis, the Games have now quite rightly been postponed until 2021. But why do nations go to such great lengths to stage this sporting event?

Economic success – a myth?

The costs for the host city have increased significantly since the first modern Olympic Games in 1896. The 1948 London Games cost around USD 30 mn at today's prices, while Beijing 2008 – the most expensive Summer Olympics to date – cost around USD 40 bn. Not everyone is well-disposed to the outrageous increase in the cost of hosting the Olympic Games. More and more economists believe that both the short- and long-term benefits of hosting this sporting event are at best exaggerated and at worst entirely non-existent.

They allege that host countries are left with enormous debts and high maintenance costs for obsolete sporting facilities. This is especially true if very little of the required infrastructure was in place beforehand and there is no demand for it after the Olympics. Even the bidding process entails huge costs. In the history of the modern Olympic Games, Los Angeles in 1984 is the only host city to have made a profit from the sporting event, mainly because the required infrastructure was already in place. The host country bears a fiscal risk in the form of delays in construction work, an overstretched budget intended for the sporting event, and public debt that takes decades to be repaid.

Furthermore, depending on the perspective, the opportunity costs can also be astronomical. The expenditure associated with the Olympic Games could be channeled into alternative social endeavors such as servicing public debt. In the eyes of their critics, the Olympic Games represent a high financial risk that places too great a burden on taxpayers.

Every disadvantage has its advantage

While it can be easy for people to paint a very bleak picture and claim that organizing Olympic Games has no redeeming qualities, they fail to consider all the aspects of their argument.

An Olympic host city is guaranteed to attract international attention. All the world's media are there, boosting awareness and enhancing the city's global profile. The prestige emanating from the "Olympic aura" is a form of social honor shared by many people worldwide.

The increased volume of visitors and tourists attracted by the sporting event supports local businesses and boosts their sales. Other tangible economic benefits include the cost contribution paid to the host country by the International Olympic Committee. The argument that the

increased public spending for the sporting event boosts private and public investment also seems to be a legitimate one. A successful staging of the Olympic Games creates confidence in the host nation. It sends a signal that the host country is open which can promote trade. Investment creates new jobs, thus reducing the unemployment rate, and stimulating economic growth at a regional level. This is especially beneficial for certain sectors such as construction, but tourism and retail are also among the winners in this respect.

In dubio pro reo

Do we still need the Olympic Games? This kind of reasoning can potentially open up an ethical can of worms. Do we need art events? On the face of it, the honest answer would be "no", since such performances are not directly linked to the survival of the human race. And yet such festivities embellish social life.

The Olympic Games are more than just an economic stimulus program. They are a tradition that is anchored in our cultural collective memory. They are one of the few opportunities to unite people from all over the world and promote values such as respect, tolerance, fair play, the balance between body and mind, and the pursuit of excellence. The world's best athletes can compete against each other in a peaceful, fair competition in front of a global audience. During the Olympic Games, nations that are otherwise involved in military, economic, or social conflicts appear on the same stage.

These aspects are a plea in favor of the Olympic Games. Even though staging them can mean a financial loss for the host country, they promote international brotherhood – and one cannot put a price on that.

Investment and sports – more in common than meets in eye

There are a number of parallels between sport and investment. One is that success only becomes apparent over time. Records are only broken and new best times achieved through continuous and ambitious training. This requires patience. The same applies to long-term wealth creation. The achievement of financial goals calls for a long-term investment horizon. At LGT, we take a very long-term view. In sport and investment alike, success requires time and discipline.

A further parallel between the worlds of sport and investment is the individual component that characterizes both worlds. There is no one-size-fits-all solution when it comes to either sports training or investment – both are highly individual affairs. It is about focusing on one's own situation and personal goals in order to achieve optimal results. Just like with an individualized training plan, we at LGT work with our clients to develop an asset strategy that is tailored to their needs and meets their financial goals and personal requirements. We focus on long-term thinking and actions and on our investment expertise. Top-class sport is characterized by values that are also important for LGT, namely discipline, competence, and innovative thinking.

The high level of uncertainty in the current market environment is placing huge demands on investors. Just like the world's best athletes, investors also encounter setbacks from time to time. As in sport, however, investors can demonstrate perseverance, persistence, and focus, tackling short-term changes with long-term actions in order to realize the Olympic motto "Citius, Altius, Fortius" when it comes to wealth accumulation. ◆

"Different pieces of the puzzle lead to success"

"The most important thing is not winning but taking part" – this saying is often associated with the Olympic Games, even though it is not an official slogan. One person who definitely has taken part in the world's most important sporting event is Markus Ryffel. In the following interview, the former long-distance runner talks about what it takes to be successful in top-class sports, and how the experience he gained during his athletics career helped him when founding his company.

Investorama: How did you become a long-distance runner?
Markus Ryffel: As the son of a butcher, I delivered sausages by bicycle from an early age. That is where I got my basic stamina from. The first competitions followed, where I benefited greatly from my base-level stamina. The distances eventually got longer and longer and my pace faster and faster. I was always drawn to track, since training there was cheap. I also really enjoyed group training sessions at the track because the whole group always stayed together.

What does it take to become a world-class athlete?
Different pieces of the puzzle lead to success. You need a well-functioning environment that supports you, coupled with perseverance, stamina, consistency, and tenacity in order to work toward a goal. And of course, investment in your own health. This includes nutrition, recovery, weight training, and ensuring a social balance.

You founded a company. What experiences and skills from your time as an elite athlete helped you to achieve this endeavor?
Elite athletes and entrepreneurs alike have to deliver an excellent performance day in, day out. In addition, there are always ups and downs both in sport and at work, and these have to be overcome. Stamina, patience, and a well-functioning environment are essential if you are to achieve your goals.

How did you deal with sporting failures?
Even the stones placed in one's path can be made into something beautiful. Johann Wolfgang von Goethe's famous quote explains it perfectly. It is not a tragedy if something does not go to plan. The important thing is to draw appropriate conclusions and avoid repeating any potential "mistakes." This is true in sport as well as in business.

What lessons from your sporting career do you now apply in business?
The power of patience has shaped my sporting and professional activities. Shaped by the basic attitude that you never give up. And I always used to say to myself: never forget those you met when you were climbing your career ladder or becoming a sports star – and remember those who did something good for you. Sooner or later you will be climbing back down the ladder and you will encounter the same people again. ◆

The former long-distance runner **Markus Ryffel** won an Olympic silver medal in the 5000m at Los Angeles 1984 and is the Swiss record holder over 3000m and 5000m. He also came fifth in the 5000m at the 1980 Olympic Games in Moscow. With his company Markus Ryffel's GmbH, he organizes running events such as the women's race Schweizer Frauenlauf in Berne or the race Greifenseelauf in Uster as well as workshops, sports vacations, and marathon tours.

The new National Stadium in Tokyo.
The venue located in the west of the city was designed as the main stadium for the Summer Olympics and the Summer Paralympic Games. It was constructed on the grounds of the old national stadium, which was built in 1958. (Photo: Wikimedia Commons)

It is not just about the medals

Olympic Games offer top-class performances. Statistics suggest, however, that they usually leave the host city nursing a financial hangover. Japan has already experienced this several times.

The Olympic Games are not just a major sporting event, they are also a major economic event, and Tokyo 2020 or 2021 is no different. As early as 2015, the Japanese central bank announced that the Games would boost the economy by 0.2 to 0.3 percentage points annually due to investments in new hotels, venues, and infrastructure projects, years before the competition gets underway.

The same year saw the first major crisis related to the Olympic Games. Prime Minister Shinzo Abe scrapped the stadium project designed by renowned British architect Zaha Hadid, which with its futuristic lines and elegant sliding roof had been the centerpiece of Tokyo's bid. The scheduled costs had escalated to JPY 300 bn (around EUR 2.2 bn), double the original budget for the stadium construction.

Olympic Games are always more expensive than planned. Researchers at Oxford University have calculated that the average effective cost overrun is 252%, meaning that the Games are on average two and a half times more expensive than originally calculated.

Japan has had the opportunity to gain experience of this on several previous occasions: "Before the 1964 Olympics in Tokyo, Japan had promised superlative Games," wrote the Süddeutsche Zeitung (SZ) two years ago. Although the Games, which at the time were the most expensive in history by far, were perfectly organized and saw high-quality sporting performances, "the superlative thing about them was corruption and exploding costs." "This scenario repeated itself with the 1998 Winter Games in Nagano," wrote SZ correspondent Christoph Neidhart, and he predicted that "2020 will hardly be any different."

Back in 2018, the Japanese Court of Audit estimated that the Olympic Games were twice as expensive as planned – and that did not include the additional costs caused by the coronavirus crisis. ◆

Japan's Olympic successes

For Japan's judoka, the Games are a home fixture in the truest sense of the word. They sit proudly at the top of the nations ranking with 84 Olympic medals (39 golds), streets ahead of France (49 in total, 14 golds) and South Korea (43 in total, 11 golds).

Japan's most successful Olympian to date is a gymnast. Sawao Katō (born in 1946) took part in three Olympic Games between 1968 and 1976, winning a total of 12 medals including 8 golds. This also makes him one of the most successful Olympic gymnasts of all time. Sawao Katō is one of four gymnasts, alongside Italian Alberto Braglia (1908 and 1912), Soviet Viktor Chukarin (1952 and 1956), and Katō's compatriot Kōhei Uchimura (2012 and 2016) who managed to repeat their Olympic victories.

1940

Aerial view of Komazawa Olympic Park with the sports facilities used in the 1964 Summer Olympics. When the sports facilities were being built, the organizers of the 1964 Games used the plans for 1940 as a reference. (© National Land Image Information (Color Aerial Photographs), Ministry of Land, Infrastructure, Transport and Tourism of Japan, 1989)

Tokyo was first due to host the Olympic Games back in 1940. However, the Japanese capital was forced to forfeit them by the International Olympic Committee following the outbreak of the Second Sino-Japanese War. Tokyo was then awarded the Games again in 1964. The city also submitted unsuccessful bids for the 1960 and 2016 Games before finally being chosen to host the 2020 event which will take place in 2021.

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Cosimo di Giovanni Castrucci, Giuliano di Piero Pandolfini, detail from "Tabletop with the coat of arms of Prince Karl I von Liechtenstein," around 1620/23

A look inside the Princely Collections: In addition to the approximately 1700 paintings and sculptures as well as many porcelain pieces, tapestries and furniture, works in pietra dura are among the notable showpieces in the Princely Collections. Many of these masterpieces of craftsmanship were created especially for the Princely House, such as a tabletop made by Cosimo di Giovanni Castrucci and Giuliano di Piero Pandolfini, into which the coat of arms and monogram of their patron, Prince Karl I von Liechtenstein, are incorporated. The pietra dura tabletop featuring branches, flowers, insects and birds – commissioned by Prince Johannes Adam Andreas I – shows how the refinement of art of pietra dura led to an ever more naturalistic and three-dimensional reproduction of motifs taken from nature.

For more than 400 years, the Princes of Liechtenstein have been passionate art collectors. The Princely Collections include key works of European art stretching over five centuries and are now among the world's major private art collections. The notion of promoting fine arts for the general good enjoyed its greatest popularity during the Baroque period. The House of Liechtenstein has pursued this ideal consistently down the generations. We make deliberate use of the works of art in the Princely Collections to accompany what we do. For us, they embody those values that form the basis for a successful partnership with our clients: a long-term focus, skill and reliability.

Cover image: Unknown artist, detail from "Pietra Dura Tabletop," beginning of 17th century
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