

Absolute Return Strategies

Lloyds TSB International Private Banking (IPB) **Absolute Return Strategies** are actively managed discretionary portfolios of alternative investments, which tend to be less sensitive to movements in bond and equity markets. The objective of Lloyds TSB IPB **Absolute Return Strategies** is to earn positive performance regardless of market direction.

These portfolios are designed for clients who seek to avoid market volatility. They offer a combination of capital preservation and steady long-term growth, with a focus on absolute, rather than relative, returns¹.

Key features

- Positive returns regardless of market performance
- Lower portfolio volatility
- Diversification not otherwise available in traditional investment strategies
- Access to the premier funds of hedge funds selected and evaluated through an extensive due diligence process

Objective

Lloyds TSB IPB **Absolute Return Strategies** seek positive performance regardless of market direction. The aim is to increase the expected return with lower risk than global markets, using alternative investments.

How do Lloyds TSB IPB Absolute Return Strategies work?

The Lloyds TSB IPB **Absolute Return Strategies** portfolios are structured according to your chosen investment profile, taking into account: the level of risk that you are comfortable with, from very low to high; your base currency (CHF, EUR, USD or GBP); and your return objectives over a set time horizon. Depending upon your investment profile, asset allocation may include money market funds and alternative investments.

Performance is achieved primarily through investment in funds of hedge funds, decreasing the specific risk of individual fund managers. The hedging of the investment markets lowers the overall risk exposure of your assets.

Our approach

Depending on the economic cycle at a given time, some investment strategies may outperform others. For that reason, we select funds of hedge funds that invest across multiple asset classes and in multiple investment strategies.

Although this strategy is designed to deliver positive performance, abnormal market conditions can sometimes significantly deviate the return achieved compared to the targeted returns.

The benefits

- Lloyds TSB IPB **Absolute Return Strategies** decrease the overall risk of your global portfolio and seek to generate positive returns regardless of market performance. This is particularly useful in 'falling' or volatile equity markets.
- Diversification not otherwise available in traditional investment strategies. Investors participate in all asset classes without experiencing the volatility traditionally associated with equity markets.
- Access to the premier funds of hedge funds, many of which are closed to small or new investors or individuals.
- An extensive due diligence process, which leads to the identification of the best alternative investments in terms of risk/reward exposure.

Associated risks

- Hedge funds are less liquid than other securities. They offer monthly or quarterly liquidity to which a notice period (frequently more than a month) may be added. Redemption proceeds are usually paid one month after the Net Asset Value date. In order to protect the investors' interests, those terms can change and become less liquid in case of extreme liquidity stress in the financial markets. Therefore, the **Absolute Return Strategies** may not be suitable for clients with short term liquidity needs.
- Although Lloyds TSB IPB performs a high level of due diligence on the management, the investment strategies and the operations of the hedge fund managers, these provide less transparency than mutual funds.

- Most funds of hedge funds are located in jurisdictions where regulation is less strict than in mutual fund jurisdictions.
- Although this strategy is designed to deliver positive performance, abnormal market conditions can sometimes significantly deviate the return achieved compared to the targeted returns.
- The final performance of an investment product chosen in a currency different to that of your home or base currency can increase or decrease as a result of currency fluctuations.

Investment strategy

As part of Lloyds TSB IPB's investment policy, **Absolute Return Strategies** are used in all global accounts.

A due diligence process is designed to enhance the potential of positive performance and to reduce the overall risk of alternative investments by:

- Selecting the most reputed funds of hedge funds and highly specialised and focused managers.
- Following funds of hedge funds investing in sectors that create added value and are able to replicate past performance in the future.
- Focusing on absolute performance and actively managing the account to deliver the target return whilst also minimising the probability of losses.

Selection and monitoring process

Lloyds TSB IPB's team dedicated to alternative investments selects funds of hedge funds by carrying out a four-stage due diligence process, combining both qualitative and quantitative analyses.

An extensive questionnaire is also completed. Based upon the responses, eligible advisors are visited for further verification of investment capabilities. Operational processes are also assessed in line with industry best practices.

Available investment profiles

	Total Return Plus	Absolute Investment Strategies		
		Low Volatility	Moderate Volatility	High Volatility
Risk tolerance	Very low to low	Low	Moderate	moderate - high
Time horizon	2 years	3 years	3 years	3 years
Volatility	under 3% p.a.	under 4% p.a.	4% - 7% p.a.	7% - 13% p.a.
Asset allocation	20% money market funds 80% alternative investments	100% alternative investments	100% alternative investments	100% alternative investments

Start of management: Monthly, on the last business day of the month + 10 day notice period.

Partial withdrawals on end of management: Depends of the liquidity terms of the underlying Fund of Hedge Funds composing the portfolio. However, most of the selected funds of hedge funds will have a quarterly or monthly redemption frequency. Hedge funds and funds of hedge funds have a notice period that ranges from one week to usually no more than three months and they pay the redemption proceeds usually one month after the Net Asset Value date.

In addition, we evaluate individual fund of hedge funds managers by doing an in depth research on their investment strategies and portfolio returns.

Each Absolute Return Strategy invests in funds with the appropriate volatility to meet its own risk/return objectives.

Currency

Available in CHF, EUR, GBP and USD.

Available in other reference currencies on a bespoke basis.

Note: the final performance of an investment product chosen in a currency different to that of your home or base currency can increase or decrease as a result of currency fluctuations.

Minimum investment

CHF 400,000, EUR and USD 250,000 or GBP 200,000.

Bank tariff

Annual All Inclusive Fee:

Total Return Plus:

1.5% up to CHF 1,200,000, EUR or USD 750,000 and GBP 500,000;
1.25% for greater amounts.

Absolute Investment Strategies:

1.75% up to CHF 1,200,000, EUR or USD 750,000 and GBP 500,000;
1.50% for greater amounts.

The All Inclusive Fee will cover all charges related to our management of your portfolio, including administration fees, safe custody charges, transactional costs, brokerage fees and commissions. The All Inclusive Fee is not charged on LTSB in-house funds (LIL, LIP, LGMA, LTOL). Any foreign taxes and stamp duties will be charged separately where applicable.

What next?

For more information, please call your Relationship Manager who will be happy to advise you further on our [Absolute Return Strategies](#) offer.

Contacts

You can also contact us at the following address:

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¹ *Absolute return is the return that an asset achieves over a period of time. Relative return is the return that an asset achieves over a period of time compared to a benchmark.*

The Investment Strategies described herein are available through a mandate by which the Bank is given full comprehensive power to manage all investments at its entire discretion and in substitution of the Client, within the framework of the "Portfolio Management Guidelines" issued by the Swiss Bankers Association. The part of investments made through internal collective portfolios will be liquidated on termination of the mandate. Non traditional investments, such as hedge funds, private equity and real estate, are authorised by the Guidelines provided they are carefully selected, monitored, and structured according to the Fund-of-Funds Principle, or an equivalent structure (multi-manager principle, internal collective portfolios, etc.). These structures are illiquid in comparison to other securities and offer monthly or quarterly liquidity to which a notice time of several months may be added. Therefore these investment strategies may not be suitable for clients with unforeseeable liquidity needs. Please refer to the brochure "Specific risks in securities trading" for further guidance. The data contained herein are based upon sources believed to be reliable, however, their accuracy and completeness cannot be guaranteed. The products and services mentioned in this document may not be available or suitable for all investors; if you have any doubts, you should seek advice from your investment and/or tax advisor, who is familiar with all the relevant facts, before taking any action. It should be remembered that the value of investments, and the income from them, may fall as well as rise and investors may not receive back the amount invested. Past performance is not necessarily a guide to the future. Lloyds TSB Bank plc is authorised and regulated by the Financial Services Authority. This document is issued by Lloyds TSB Bank plc, Geneva Branch which is not submitted to the Financial Services and Markets Act 2000 of the United Kingdom and therefore is not subject to the rules and regulations of the Financial Services Compensation Scheme made under that Act for the protection of depositors. Legislation or regulations in your home jurisdiction may prohibit you from entering into transactions with us. We reserve the right to make final determination on whether you are eligible for any products or services. For clients of Lloyds TSB Bank plc, DIFC Branch only: This marketing material is intended for Professional private banking Clients only as defined by Dubai Financial Services Authority regulations. Lloyds TSB Bank plc, DIFC Branch is regulated by the Dubai Financial Services Authority.