



## Item 1 – Cover Page

# LGT Capital Partners (USA) Inc.

Form ADV Part 2A  
("Brochure")

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March 30, 2017

This Brochure (also known as Form ADV Part 2A) provides information about the qualifications and business practices of LGT Capital Partners (USA) Inc., a Delaware corporation ("**LGT CP USA**"). If you have any questions about the contents of this Brochure, please contact us at (212)336-0650. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority.

Additional information about LGT CP USA is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable CRD number for LGT CP USA is 160437.

LGT CP USA is registered as an investment adviser with the SEC. Our registration as an investment adviser with the SEC or any state securities authority does not imply a certain level of skill or training.

The oral and written communications of an adviser provide you with information with which you determine to hire or retain an adviser.

## **Item 2 – Material Changes**

This item only discusses specific material changes that have been made to this Brochure since the last annual update filed on March 30, 2016 and provides clients with a summary of such changes. Our current ADV Part 2 will be available to you 24 hours a day through the SEC's Investment Adviser Disclosure website. Additionally, pursuant to the SEC rules, we will ensure that within one hundred twenty (120) days of the close of the business' fiscal year each investor receives either: (i) a copy of our form ADV Part 2 that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes that includes an offer to provide a copy of the current Form ADV Part 2. We may further provide other ongoing disclosure information about material changes as necessary.

Since the last annual update in March 2016, the following material changes have been made to this Brochure:

- Fees and Compensation - Updated disclosure regarding certain investors, employees, former employees and clients of LGT CP USA's affiliates who may invest in our Private Funds (defined below) on a no fee or discounted fee basis.
- Fees and Compensation - Enhanced disclosure regarding the types of expenses that the Private Funds may bear in connection with the investment management and investment advisory services provided by LGT CP USA.

In addition, a number of non-material changes have been made throughout the Brochure. Accordingly, we urge all recipients of this Brochure to read it carefully in its entirety.

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## Item 4 – Advisory Business

### *Ownership and Structure*

LGT CP USA is a Delaware corporation registered with the SEC as an investment adviser. Founded in 2002, LGT CP USA is part of LGT Capital Partners (“**LGT CP**”), a global investment management specialist with approximately \$50 billion in assets under management and more than 400 institutional clients, including national and local government pension funds, corporate pension funds, insurance companies, sovereign wealth funds, foundations, endowments and banks. For more information regarding LGT CP USA’s affiliations, please see the section entitled “Other Financial Activities and Affiliations”.

LGT CP USA is a direct wholly-owned subsidiary of LGT Capital Partners Ltd. (“**LGT CP Pfaeffikon**”), an exempt reporting adviser located in Pfaeffikon, Switzerland. LGT CP Pfaeffikon is a wholly-owned subsidiary of LGT Holding International, which in turn is a wholly-owned subsidiary of LGT Holding Denmark ApS. LGT Holding Denmark ApS is wholly owned by LGT Holding (Malaysia) Limited, which in turn is wholly owned by LGT Group Holding Ltd. which is wholly owned by LGT Group Foundation. LGT Group Foundation is 100% controlled by the Prince of Liechtenstein Foundation.

H.S.H. Reigning Prince Hans-Adam II von und zu Liechtenstein is the main beneficiary of the Prince of Liechtenstein Foundation.

On October 31, 2015, LGT CP USA’s affiliated registered investment adviser, LGT Clerestory LLC, merged into LGT CP USA. As a result of the merger, LGT CP USA acquired the advisory business of LGT Clerestory LLC, including all products and services. Following the consolidation of the two registrants, LGT Capital Partners Holding (USA) Inc., a holding company, merged into LGT CP USA.

### *Advisory Services*

LGT CP USA specializes in providing hedge fund, private equity, and real estate investment advisory services to its clients. In providing these investment advisory services, LGT CP USA expects from time to time to:

- Be contractually engaged as an investment sub-adviser by its affiliate, LGT CP Pfaeffikon in connection with certain assets advised by LGT CP Pfaeffikon. Such assets generally include pooled investment vehicles or customized investment vehicles and together with the pooled investment vehicles (“**LGT Investment Vehicles**”).
- Act as an investment adviser or investment manager directly to certain pooled investment vehicles (“**Private Funds**”).

Each of the LGT Investment Vehicles and Private Funds may, in pursuing their respective investment objectives, invest in:

- Third-party funds (“**Underlying Funds**”);
- Interests in Underlying Funds acquired in secondary market transactions (“**Secondary Interests**”);

- Direct or indirect investments, including securities issued by operating companies, or other assets that may be sponsored or identified by third-party managers (“**Co-Investments**”); or in case of certain hedge fund LGT Investment Vehicles,
- Internal managed accounts sub-advised by third party managers.

Although the Private Funds initially determine an investor's eligibility for investment in the Private Funds, the individual needs of investors are not the basis of investment decisions by LGT CP USA. Investment advice is provided directly to the Private Funds and not individually to its investors.

LGT Pfaeffikon and the Private Funds are collectively hereinafter referred to as LGT CP USA’s “**Client(s)**”.

LGT CP USA does not participate in any wrap fee programs.

### *Assets under Management*

As of December 31, 2016, LGT CP USA had approximately USD 3,441,281,941 of discretionary assets under management and approximately USD 3,111,755,295 of non-discretionary assets under management.

***Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of any of the Private Funds described herein. Any such offer or solicitation will be made to qualified investors only by means of a confidential private placement memorandum and only in those jurisdictions where permitted by law.***

## **Item 5 – Fees and Compensation**

### *LGT CP Pfaeffikon*

The specific manner in which fees are charged to LGT CP Pfaeffikon is established pursuant to a written agreement between LGT CP USA and its affiliate.

LGT CP USA charges an annual fee for the investment advice it provides to LGT CP Pfaeffikon based upon an estimated time, costs and expenses incurred by LGT CP USA in connection with the provision of such advice, plus an additional annual fee, for advice relating to structuring, managing and administering of LGT Investment Vehicles available to U.S. investors and communicating and maintaining relationships with the U.S. investors in accordance with applicable laws, rules and regulations.

LGT CP USA is entitled to pass on costs invoiced to it by third parties to LGT CP Pfaeffikon, provided such costs can be ascertained, substantiated, and verified.

LGT CP Pfaeffikon and the LGT Investment Vehicles advised by it bear their own expenses in connection with their investment activities, which may include their proportionate share of the expenses of the investment vehicles or accounts in which they invest. These expenses include, but are not limited to, management and performance fees, as well as the legal, accounting, administration and tax expenses incurred by such investment vehicles or accounts.

LGT CP USA does not require or solicit fees from LGT CP Pfaeffikon in advance of services.

### *Private Funds*

Management and performance fees are set forth in each applicable Private Fund's offering memorandum, limited partnership agreement and side letters, if any (together, the "**Private Fund Governing Documents**"). LGT CP USA is entitled to some or all of the following fees from the Private Funds in connection with the investment advisory or management services:

- an annual fund management fee (the "**Management Fee**"), paid quarterly in advance and calculated on commitment capital during the investment period and on invested capital thereafter;
- a performance fee (the "**Performance Fee**") calculated as a share of a portion of actual distributions.

Any refunds on pre-paid fees will be made on a pro rata basis as determined by LGT CP USA in its sole discretion in accordance with the terms of any applicable limited partnership agreement.

Certain investors, employees or former employees of LGT CP USA as well as certain clients of LGT CP USA's affiliates may invest in the Private Funds, managed or advised by the Firm, on a fee-free basis or at fee rates that are lower than those charged to other investors.

LGT CP USA and its supervised persons do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or services fees in connection with the Private Fund investments.

Each Private Fund bears expenses incurred by it. Such expenses generally include, without limitation, the Management Fee for the applicable Private Fund, the fees and expenses paid to a Private Fund's administrator, accounting, tax, auditing, legal and compliance, consulting, insurance, and other professional fees and expenses, custodial, brokerage commissions, fees and expenses relating to the assessment and monitoring of investments and prospective investments – including expenses related to potential transactions that are not ultimately consummated (including but not limited to meals, lodging and travel expenses), the interest expense and fees associated with credit facility, expenses of the advisory committee of a Private Fund, administrative expenses, organizational expenses, etc. For a full description of the fees and expenses borne by each Private Fund, please see the applicable Private Fund's Governing Documents.

LGT CP USA and certain individuals, by virtue of their indirect ownership of one or more entities that serve as the managing member of certain General Partner affiliates have, collectively, an ownership interest in the Management Fees and Performance Fees paid by each Private Fund.

The General Partner of the Private Fund is entitled to share in the capital appreciation or profits of the applicable Private Fund. The General Partner may, at its discretion, directly or indirectly, make an investment in the Private Fund and, therefore, participates pro rata in the investments of the Private Fund in accordance with its capital account therein.

LGT CP USA may invest Private Fund assets in Underlying Funds and the managers, advisers and/or general partners of such Underlying Funds may assess management/advisory fees and/or carried interest that are in addition to the compensation payable to LGT CP USA. As an investor in the Underlying Funds,

each Fund typically bears its allocable share of the Underlying Funds' respective organizational, investment and operating expenses, and other costs and expenses. For additional disclosure, please see the Risk section of Item 8 below.

LGT CP USA bears its own operating, general, administrative and overhead costs and expenses.

LGT CP USA receives no compensation based on product sale or recommendations.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

All Private Funds managed or advised by LGT CP USA are subject to Performance Fee, as described above. Such fees are also described in each Private Fund's Governing Documents. LGT CP USA will structure any performance or incentive fee arrangement in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) and, where applicable, relevant provisions of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”).

The existence of LGT CP USA's Performance Fee may create an incentive for LGT CP USA to make more speculative investments than it would otherwise make in the absence of such performance-based payments. Additionally, performance fee arrangements can create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. LGT CP USA has procedures designed and implemented to ensure that all Private Funds are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among Private Funds to the extent it arises.

The Private Funds advised or managed by LGT CP USA may consist of various parallel vehicles which are generally organized on substantially similar terms and invest proportionally, based on their relative available capital commitments, in all investments on effectively the same terms and conditions, subject to applicable legal, tax, contractual, regulatory and other similar constraints. The terms of each parallel fund may however vary and each such parallel fund can contain certain special economic and/or other terms. Certain of these changes are driven by laws, rules, and regulations applicable to certain investors which generally are not applicable to other investors. Any investments made by a parallel fund are divested on the same terms and at the same time as the other parallel fund's divestments, subject to applicable legal, tax, regulatory and other similar considerations.

### **Item 7 – Types of Clients**

LGT CP USA provides investment advisory services to its affiliate, LGT CP Pfaeffikon, in connection with LGT Investment Vehicles advised by LGT CP Pfaeffikon.

LGT CP USA also provides investment management and investment advisory services to the onshore and offshore Private Funds, as described in Item 4 above. The Private Funds are operated as investment pools exempt from registration under the Investment Company Act of 1940, as amended. The investors in the

Private Funds may be institutions or other entities (including corporate, state and foreign pension plans, trusts, estates, charitable organizations, and other business entities).

The minimum initial subscription amount for investing in the Private Funds is set forth in the Private Funds' respective Governing Documents, generally subject to change at the discretion of a Private Fund's general partner.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### *Investment Strategies*

In connection with the investment advisory services provided to LGT CP Pfaeffikon, LGT CP USA focuses primarily on suitable potential investments for the LGT Investment Vehicles advised by LGT CP Pfaeffikon. Accordingly, research and investment recommendations focus primarily on investment fund managers and portfolio managers who operate in a manner most suitable in relation to investment strategies, objectives and restrictions of the LGT Investment Vehicles for which LGT CP Pfaeffikon has requested services.

In relation to the investment management and investment advisory services provided directly to the Private Funds, LGT CP USA tailors its services based on the investment strategies, objectives and restrictions of the Private Funds.

Please see the following sections entitled “Hedge Funds”, “Private Equity”, and “Real Estate” for a detailed description of the manner in which LGT CP USA analyzes each investment opportunity.

### *Methods of Analysis*

#### **Hedge Funds**

The Firm's hedge fund research team uses a number of methods to identify potential investment managers relying heavily upon the Firm's and LGT CP Pfaeffikon's extensive network of industry contacts and proprietary database of information developed over many years.

The Firm's process for identifying, evaluating and approving particular investment managers and Underlying Funds managed by them has several key phases:

*Screening and initial ranking:* Once an interesting candidate has been identified, key documentation about the investment manager and its funds are requested and reviewed, which include information about the history of the firm, marketing presentations, financial statements, latest monthly reports, standard due diligence questionnaires etc. Following any communication with the manager, the lead analyst writes a communication log summarizing the content of the interview, concluding on any additional information received and deciding on a ranking of the targeted Underlying Fund.

*Qualitative due diligence:* If an Underlying Fund has been ranked “short list”, the lead analyst continues with further due diligence in order to prepare a Research Summary document, which acts as a formal recommendation from the lead analyst to the Global Hedge Fund Research Committee (“GHF



**Committee”)** for manager or fund approval. Additional interviews are conducted with the manager and further documentation is requested and analyzed to confirm the initial ranking. Reference checks are made by the lead analyst on the potential candidates, including the manager and key personnel, which includes engaging an external firm that specializes in hedge fund manager background checks.

*Quantitative due diligence:* A quantitative analysis is conducted based on performance and position data independently sourced and provided by the manager. The analysts use proprietary and third-party tools to conduct this analysis.

*Operational due diligence:* The investment team, during their weekly meetings, determines whether an investment opportunity merits additional due diligence and instructs the lead analyst to engage the operational due diligence team in the process. The due diligence team evaluates the investment manager from an operational perspective. The team is responsible for assessing the robustness of the manager’s operational infrastructure, which includes an assessment of the people and organization, key processes and internal controls, corporate governance, compliance, risk management, and a review of service providers. Legal counsel may be consulted in the process.

This due diligence process includes the following:

- An onsite visit with the manager
- A review of the audited financial statements of the Underlying Fund
- A review of the prospectus of the Underlying Fund
- A review of the governing documents of the Underlying Fund
- A review of compliance policies and procedures
- A review of service providers
- A review of regulatory filings

*Investment recommendation:* The Research Summary encapsulates the key points of the qualitative and quantitative analysis performed by the lead analyst on all relevant topics of the potential investment and includes an executive summary which outlines the analyst’s conclusions. Pros and cons, as well as the mitigating factors, are outlined in detail. The results from the operational due diligence review are also included in the Research Summary. Before a manager and/or an Underlying Fund can be proposed for approval, a minimum of one visit by the lead analyst and typically the head of strategy and/or voting member of the GHF Committee is mandatory.

The GHF Committee is comprised primarily of the members of LGT CP Pfaeffikon. One member of the LGT CP USA hedge fund team participates as a voting member when a US manager/Underlying Fund is being presented for approval. Any investment approval requires a unanimous vote of the GHF Committee.

## **Private Equity**

The investment research and analysis performed by LGT CP USA is based on the following principles:

- Seek to gain meaningful allocations to high quality Underlying Funds by employing a bottom-up analysis of specific opportunities and top-down evaluation of market dynamics
- Aim to identify Underlying Funds early on, ahead of fundraising, supported by extensive local and regional market coverage
- Seek to achieve an appropriate level of diversification to reduce the manager, region or segment specific risks
- Focus on high-quality managers that the Firm regards as having a competitive advantage

LGT CP USA typically analyzes each investment opportunity through a step by step process outlined below:

*Sourcing:* LGT CP USA benefits from a deal flow that has been developed through many years of active participation in the private equity market. Investment opportunities are sourced through existing relationships with managers and through an early mover strategy aimed at identifying high-potential emerging managers. LGT CP USA's secondary activities are an additional source of new relationships.

*Screening:* The screening process is conducted by the investment teams which generally meet on a weekly basis and are comprised of investment professionals of various levels of seniority. The teams evaluate and compare various investment opportunities by focusing primarily on:

- Investment strategy and market opportunity
- Experience of the team and organization
- Investment track record
- proposed terms and conditions

In the case of Secondary Interests and Co-Investments, the following factors may also be considered, as appropriate:

- Quality of the underlying assets and remaining upside in the portfolio, beyond the performance that is already reflected in the current valuation of the portfolio
- Level of unfunded commitments
- Valuation policy of the key Underlying Funds
- Degree of diversification of the underlying portfolio, in terms of number of Underlying Funds and companies, geography, vintage year and industry concentration
- Transaction dynamics, such as understanding the objectives of the seller, financial situation of the seller, importance of elements such as the efficiency of the process, time pressure and other elements that can influence the price. Finally, the investment team assesses whether the Firm has proprietary insight and/or access to the opportunity

*Preliminary due diligence:* Once a potential investment manager or co-investment has been identified, a transaction team, which typically consists of investment team members of various levels of seniority, is appointed to continue the review and due diligence of the investment. The review generally includes:

- Holding an initial meeting with the Underlying Fund manager
- Gathering and analysing additional information on the investment strategy, process and track record, as well as on the team, organization, market environment and competition, as well as the investment thesis, transaction and projected returns in case of co-investments
- Conducting preliminary discussions on key terms and conditions

*Commercial due diligence:* Where the determination is made that an investment opportunity merits additional due diligence, the transaction team performs a thorough commercial due diligence assessment of the investment opportunity which typically involves:

- Obtaining a detailed response by the Underlying Fund manager to a comprehensive due diligence questionnaires
- Analysis of Underlying Fund or co-investment strategy, growth prospects, management and potential conflicts
- Performing exhaustive track record analysis using the Firm's proprietary models, which incorporate bottom-up analysis on the individual company level
- A review of Co-Investment's capital structure, covenants and liquidity

Further, in case of an Underlying Fund:

- Carrying out comparison analysis and benchmarking with peer group managers
- Conducting on-site due diligence meetings at the manager's offices
- Conducting ESG due diligence
- Completing numerous reference checks with some or all of the following parties: portfolio company executives, prior employees, existing investors, competitors, legal counsels, banks or other intermediaries

For each Secondary and Co-Investment opportunity, the investment team will, in addition to the on-site due-diligence visit and performing a number of reference checks, generally conduct the following, as appropriate:

- Pricing the portfolio by (i) conducting a thorough Underlying Fund analysis by looking at its cash flows drivers such as future management fees, carried interest to be retained by the manager and future investments and (ii) performing bottom-up portfolio companies analyses by reviewing historical revenues and earnings, capital structure and percentage of ownership analysis, valuation (multiples, comps analysis) and estimate of future value creation (earnings growth, free cash flow and deleveraging, exit multiple analysis and exit timing) ; and

- An assessment of the overall attractiveness of the investment opportunity, based on the assumed pricing of the transaction, the outcome of the references on the key managers and key assets within the portfolio and the overall transaction dynamics

**Legal due diligence:** Legal due diligence is performed by the legal team from LGT CP Pfaeffikon in coordination with LGT CP USA's investment team and the external outside counsel. The reviews include but are not limited to, reviewing management fees and expenses, carried interest allocation, distribution and clawback mechanisms, key person provisions, material adverse event clauses, termination and suspension clauses, investment restrictions, reporting requirements and governance.

**Investment recommendation:** When complete, the results of the due diligence are presented to the appropriate investment committee of LGT CP Pfaeffikon in the form of an investment proposal. The proposal may be either approved or rejected. Approval may also be granted subject to further legal or tax review.

### **Real Estate**

LGT CP USA offers global real estate investment advisory and management solutions to Private Funds and to LGT CP Pfaeffikon in connection with certain assets advised by LGT CP Pfaeffikon.

These solutions seek to achieve competitive risk-adjusted returns by targeting the following investments:

- Primary fund investments (investments in Underlying Funds acquired directly from the Underlying Funds)
- Co-Investments (direct or indirect real estate or real estate-related investments sourced by private equity-style vehicles)
- Secondary fund investments (investments in Underlying Funds acquired in the secondary market transactions)

The Firm's investment process is based on the following principles:

- Access high-quality sponsors and managers
- Follow a diligent investment process that selects each real estate private equity investment opportunity
- Identify market and sector inefficiencies
- Seek to achieve an appropriate level of diversification
- Negotiate attractive terms and conditions
- Monitor investments and the portfolio to mitigate risk

LGT CP USA follows a structured investment process in building real estate investment portfolios, leveraging the knowledge, experience and capabilities of each of its team members. The Firm performs a top-down evaluation of market dynamics; followed by a detailed, bottom-up analysis of specific opportunities.

A significant component of LGT CP USA's data aggregation and investment analysis is carried out through LGT CP USA's own due diligence efforts, and in certain instances through due diligence provided by LGT CP Pfaeffikon with respect to investment opportunities in Europe or other geographic regions where LGT CP USA has limited participation with respect to investment opportunities. Through the relationship with its affiliated company, LGT CP USA gains access to and benefits from, a much broader range of investment opportunities, analytical resources, and investment personnel that would otherwise be less available while retaining full investment discretion in regards to its Clients. Each investment opportunity is analyzed in a step-by-step process as outlined below:

**Sourcing:** LGT CP USA has access to a large global deal flow through its own and LGT CP Pfaeffikon's relationships with numerous limited partners, general partners and sponsors. Investment opportunities are sourced primarily through existing relationships. In addition, opportunities may be sourced either directly through proactive research or through intermediaries. The Firm also maintains regular contact with other market participants that may provide investment opportunities (e.g. banks, insurance companies and institutional investors). LGT CP USA utilizes its deal flow generation database which shows funds currently in the market, as well as tracks secondary and co-investment opportunities.

**Screening:** LGT CP USA's screening process enables it to evaluate and compare various investment opportunities by focusing on:

- Investment strategy
- Geographic scope
- Size
- Experience of management team and organization
- Investment track record
- Proposed terms and conditions

In addition, with respect to Co-investments and Secondary Interests the Firm typically, but not exclusively, focuses on opportunities with:

- Managers and sponsors that LGT CP USA or its affiliate has an existing relationship
- Minimized or no management fees and carried interest (in case of Co-investments)
- Potential for a shorter term and mitigated j-curve (in case of Secondary Interests)
- Attractive risk-return profiles and downside protection

**Further investment review:** After an investment opportunity has passed the screening process, members of the investment team continue the review and due diligence of the investment opportunity. The investment team generally will, as appropriate:

- Hold an initial meeting or call with the managers or sponsors of the Underlying Funds or Co-investment

- Gather additional information on the investment strategy, track record and prospective returns as well as on team, organization, market environment and competition
- Analyze the deal dynamics and investment thesis, historical and projected financials (as appropriate) and capital structure
- Conduct preliminary discussions on key terms and conditions

Commercial due diligence: If the further investment review indicates that an investment opportunity warrants due diligence, the investment team, which typically consists of investment team members of various levels of seniority, begins its in-depth due diligence process. LGT CP USA's commercial due diligence review process typically involves, as appropriate:

- Obtaining a detailed response by the external manager to a comprehensive due diligence questionnaire
- Performing an exhaustive track record analysis based on the Firm's proprietary track record analysis model
- Carrying out comparison analysis and benchmarking with peer group managers
- Assessing the investment rationale and key risks
- Evaluating purchase price analysis, cash flow profile and return expectations
- Conducting on-site due diligence at the external manager's offices
- Completing numerous reference checks with portfolio company executives, prior employees, existing investors, competitors, legal counsels, banks and other intermediaries

When performing commercial due diligence, LGT CP USA evaluates each potential investment by looking in detail, when possible, at the manager/sponsor and the investment's strategy and structure.

Legal due diligence: The investment team is responsible for leading the negotiation on terms and conditions with managers while working closely with both internal and external counsels. Typical terms and conditions to be reviewed and negotiated include, but are not limited to, management fees and expenses, affiliate transaction restrictions, carried interest allocation, distribution and clawback mechanisms, key person provisions, removal provisions, termination and suspension clauses, investment restrictions and reporting requirements.

Investment decision: When both commercial and legal due diligence are completed and the results are favorable, the investment opportunity is presented to LGT CP USA's real estate investment committee ("RE Committee"), in the form of an investment proposal. The investment proposal is discussed by the investment team and the RE Committee and must be approved with the unanimous consent of all members of the RE Committee.

## *Risks*

Generally, Clients should keep in mind that all types of investments involve risk of loss. **It is important to understand that investing in general involves risk of loss that Clients and Private Fund investors should consider well and be prepared to bear.** The discussion of risk factors below does not purport to be a complete explanation of the risks involved in investing in any investments analyzed and advised by LGT CP USA or otherwise, but merely in an attempt to highlight those risks that may be involved with such activities.

*Investment activities.* There can be no assurance that LGT CP USA's investments or investment recommendations will be profitable. Although it is the intention of LGT CP USA to identify various investments to mitigate potential losses and ensure diversification, there can be no assurance that these investments will ultimately be successful. The return of the investment, therefore, should be considered speculative, as there can be no assurance that LGT CP USA's assessment or recommendations regarding investments will prove accurate.

*Investment opportunities.* The success of LGT CP USA depends on the availability and identification of suitable investment opportunities. Identifying, completing and realizing gain on attractive investments is highly competitive and involves significant uncertainty. The availability of investment opportunities will be subject to market conditions and other factors outside the control of LGT CP USA. There is no guarantee that LGT CP USA will be able to identify sufficient attractive investment opportunities to meet the Client's investment objectives or strategies.

*Underlying investments.* In many cases, LGT CP USA does not control the investments of its underlying investments. The general partner of the underlying investment may employ investment strategies that differ from its past practices and are not fully disclosed to LGT CP USA and that involve risks that are not anticipated by LGT CP USA. Some underlying investments' general partners may have a limited operating history and some may have limited experience in executing one or more investment strategies to be employed by the investment. Furthermore, there is no guarantee that the information and the reports given to LGT CP USA with respect to underlying investments will not be inaccurate or incomplete. Where possible, LGT CP USA will seek seats on advisory committees of the underlying investments.

*Secondary investments.* LGT CP USA sponsored Private Funds will seek interests in Underlying Funds and real estate assets on the secondary market from existing investors, whether or not the Private Funds have made an investment in such funds or assets. Due in part to the time-sensitive nature of the secondary investment process, the scope of due diligence in connection with a secondary purchase is typically more narrow than in the case of a primary purchase, and may be truncated. Accordingly, the Private Funds will not have the benefit of the extensive due diligence typically performed in connection with primary investments. Investment analyses and decisions may be undertaken on an expedited basis in order for the Private Funds to take advantage of available investment opportunities.

Where the Private Funds acquire an interest in a secondary transaction, the Private Funds may acquire contingent liabilities associated with the secondary investment. Specifically, where the seller has received distributions from the secondary investment and, subsequently, the fund underlying the secondary



investment recalls any portion of such distributions, the Private Funds (as the purchaser of the interest to which such distributions are attributable) may be obligated to pay an amount equivalent to such distributions in respect of the secondary investment. While the Private Fund may, in some instances, be entitled to make a claim against the seller of the interest for any monies so paid to the Underlying Fund, there can be no assurances that the Private Funds would prevail in such a claim.

In some instances, the Private Fund may acquire Secondary Interests as part of a group or portfolio and the Private Funds may not be able to carve out from such purchases less attractive investments that LGT CP USA considers (for commercial, tax, legal or other reasons) less attractive.

The overall performance of secondary investments will depend largely on the acquisition price paid for such investments, which may be negotiated based on incomplete or imperfect information. Where LGT CP USA acquires on behalf of the Private Funds a secondary investment, LGT CP USA will generally not have the ability to modify or amend the constituent documents of the fund underlying the secondary investment or otherwise negotiate the legal or economic terms of the secondary investment being acquired.

*General risks of Co-Investments.* LGT CP USA may invest, or recommend to invest, directly or indirectly in an asset or other entities in which the Underlying Funds have or are concurrently making a different principal investment at the time of the Private Funds' investment. In such situations, the Private Funds and such entities may have conflicting interests. Such interests may conflict over the terms, exit strategies and related matters, including the exercise of remedies, of their respective investments.

*Timing of gains and losses.* LGT CP USA may invest in securities that must be held for a significant period before the success or failure of the investment becomes apparent or any gains can be realized.

*Lack of control.* The Private Funds will hold a non-controlling interest in the Underlying Funds and, therefore, will have a limited ability to protect its position in the investments of those Underlying Funds. There can be no assurance that appropriate investor rights will be available to protect the Private Funds' interest or that such rights will provide sufficient protection of the Private Funds' rights.

*Illiquidity risk.* An investment in LGT CP USA's Private Funds requires a long-term commitment, with no certainty of return. There most likely will be little or no near-term cash flow available to investors/participants in the Private Funds. The securities issued by Underlying Funds and Co-Investments typically cannot be sold except pursuant to a registration statement filed under the U.S. Securities Act of 1933, as amended (Securities Act) or in a private placement or other transaction exempt from registration under the Securities Act and that complies with any applicable non-U.S. securities laws. As such, LGT CP USA Private Fund's investments may be highly illiquid, and there can be no assurance that any Private Fund will be able to realize on such investments in a timely manner. Similarly, the interests in a Private Fund generally will not be registered under the Securities Act or any other applicable securities laws. There may be no public market for such interests and none may be expected to develop. In addition, an investor in a Private Fund will not be permitted to assign, sell, exchange or transfer any of its Interest, rights or obligations with respect to its interest, except by operation of law, without the prior written consent of the general partner, which consent may be withheld in such.



Investors may not withdraw capital from a Private Fund and, as such, may not be able to liquidate their investments prior to the end of the Private Fund's term.

Counterparty and settlement risk. LGT CP USA may recommend investments that require entering into contracts with other parties. Such investments bear a risk that the counterparties will not or will not be able to carry out their obligations. To the extent over-the-counter derivative contracts or transactions (i.e., transactions in options or other derivatives that are not cleared through the facilities of an exchange or clearing organization) are recommended, they may be exposed to a special risk of default by a counterparty or to settlement difficulties. This risk may be materially greater than default or settlement risks involved in standardized and exchange-traded transactions. The latter are generally backed by clearing organizations' guarantees, are generally marked to market daily and intermediaries are generally subject to settlement and segregation and minimum capital requirements. Transactions directly with a counterparty generally do not benefit from those protections and expose each party to a greater risk of the other's default. For example, although a broker or dealer or other counterparty may collateralize its obligations to a particular party by segregating its assets and identifying them on its records as assets dedicated to that party, those or similar arrangements may not always be adequate to protect the party if the counterparty were to become insolvent and, even if they are, the party could expect delays in receiving the benefit of the derivative or other contract.

Short sales. Some trading strategies expected to be executed by investments recommended by LGT CP USA involve the execution of "short sales". While short sales may be useful under certain circumstances in the pursuit of potential profit opportunities or the mitigation of certain forms of risk, they may result in an unlimited loss of capital within a relatively short period of time under certain other circumstances.

Derivatives. Recommended investments may invest in derivatives, including but not limited to futures, options, over-the-counter derivatives, swaps, forward contracts or other derivatives. Investment and trading in derivatives is often highly speculative and involves certain special risks, including without limitation a high degree of leverage, lack of liquidity, the absence of reliable price quotes or a reliable trading market, imperfect correlation between a derivative instrument and the underlying commodity or instrument, volatility, government intervention to influence prices, and, with respect to over-the-counter derivative instruments, non-performance of the counterparty to a transaction. Any of the foregoing risks could lead to significant losses.

Fees of underlying investments. The fund managers or portfolio managers of the underlying investments are expected to charge fees and expenses to their investors. These fees might or might not be based upon assets or upon profits or other performance measures, and there might be no restrictions on the fees and expenses. Further, these fees and expenses may be substantial and will be in addition to any fees and expenses charged by a Private Fund. The fees and expenses of these underlying investments will reduce the returns of the Private Fund.

International investments. The Private Funds and/or its underlying investments may invest in a wide variety of markets and financial instruments, including some markets that may be considered emerging markets. It should be understood that special risks apply to such investments, including without limitation changes in exchange rates and exchange control regulations; devaluations or non-convertibility of foreign

currencies; failures or disruptions in central banks, banking systems, markets or financial exchanges; changes in monetary policy, interest rates, or interest rate policies; political, social and economic instability; investment and repatriation restrictions; the expropriation of assets; default by sovereign states, exchange members or corporate issuers on their financial obligations, and limited recourse for such defaults; the imposition of foreign taxes; and less liquid markets, less information, higher transaction costs, greater difficulty in enforcing contractual obligations, less uniform accounting and auditing standards, less developed settlement and custodial practices, greater price volatility, and less government supervision of exchanges, brokers, market intermediaries, issuers, and other market participants than may be the case in a client's domestic jurisdiction.

*Concentration/performance risk.* Because each Private Fund may only make a limited number of investments, and because those investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to investors/participants in the Private Funds. Additionally, the performance of a Private Fund or any other investment vehicle managed or advised by LGT CP USA or our affiliates are not necessarily indicative of the results that will be achieved by any other Private Fund.

*Bridge financing and leverage.* LGT CP USA may, from time to time, borrow funds on behalf of a Private Fund or recommend investments that use borrowing instruments, including, in the case of some underlying investments, margin borrowing and other means that if such instruments were to decrease in value and under certain circumstances, could result in losses exceeding the assets. In addition to borrowing from securities brokers, dealers, banks or others, the investments may use derivatives to leverage capital, as discussed below. Leverage increases both the possibilities for profit and the risk of loss. Borrowings (or in some cases guarantees of performance of obligations) will usually be from (and, in the case of guarantees, by) securities brokers and dealers, and will typically be secured by the securities and other assets of the investments. Under certain circumstances, such a broker or dealer may demand an increase in the collateral that secures such obligations, and if the investment is unable to provide additional collateral, the broker or dealer could liquidate assets held in that of that investment's account to satisfy the investment's obligations. Liquidation in that manner could have extremely adverse consequences, including sales at disadvantageous times and prices.

*Currency exchange.* LGT CP USA may invest or recommend that investments be made in a different currency than the base currency of a Private Fund. Exchange rate fluctuations could cause the value of an investment in a Private Fund to increase or decrease.

*Hedging.* Hedging strategies in general are usually intended to limit or reduce investment risk, but they can also be expected to involve transaction costs, involve a risk of loss, may give rise to liquidity problems or may inherently limit or reduce the potential for profit.

*Real estate risk.* LGT CP USA may invest or recommend to invest in underlying investments which may be subject to the risks inherent in the ownership and operation of real estate and real estate businesses and assets. Some of the risks associated with real estate investments include, but are not limited to, the lack of demand for commercial or housing space in a locale, changes in general economic or local conditions, changes in supply of, or demand for, similar or competing properties, changes in tax, real estate,

environmental and zoning laws, changes in interest rates, unavailability of mortgage financing which may render the sale or refinancing of property difficult or impracticable, uncertainty of cash flow to meet loan and other fixed obligations, uninsured or uninsurable casualties, terrorist attacks and war and other factors that cannot be controlled.

Side letters. A Private Fund, and/or LGT CP USA may from time to time enter into side letters with one or more investors that provide such investor(s) with additional and/or different rights (including, without limitation, with respect to a Management Fee, a Performance Fee, access to information, and minimum investment amounts) than such investor(s) have pursuant to the Governing Documents of the applicable Private Fund. LGT CP USA will not be required to notify any or all of the other investors of any such written agreements or any of the rights and/or terms or provisions thereof, nor will LGT CP USA be required to offer such additional and/or different rights and/or terms to any or all of the other investors. As a result, LGT CP USA may face potential conflicts of interest if they manage the assets of a Private Fund in accordance with such additional or different rights and/or terms.

#### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of the adviser's management.

LGT CP USA has no such legal or disciplinary events to disclose.

#### **Item 10 – Other Financial Industry Activities and Affiliations**

LGT CP USA is part of LGT CP, an asset management business line of LGT Group. LGT CP USA has arrangements with certain investment advisers that are part of LGT CP. LGT CP is not itself a legal entity; rather the legal entities within LGT CP brand remain the individual asset management firms. LGT CP USA also has affiliated investment advisers with whom it does not conduct any business.

LGT CP USA may outsource certain services, such as valuation support, controlling or structuring to its affiliate, LGT CP Pfaeffikon. LGT CP USA's Private Funds have a contractual relationship with LGT Fund Managers (Ireland), a fund administrator that is an affiliate of LGT CP USA.

Certain of LGT CP USA's access persons (see Item 11), who provide advisory services, are employees of LGT CP Pfaeffikon, an Exempt Reporting Adviser. LGT CP USA and/or its executive officers and other employees are also engaged in providing services to LGT CP Pfaeffikon and other affiliates of LGT CP USA. These activities may include serving on investment committees, providing research or opinions to, or marketing various LGT Investment Vehicles offered by, LGT CP USA's affiliates. From time to time LGT CP USA's personnel may provide such services from the office of LGT CP Pfaeffikon.

LGT CP USA's officers, directors, and employees may be asked to serve as directors, advisers, or in other forms of participation in other funds, companies or organizations, some of which may be affiliates of LGT

CP USA under common control by LGT Group. Since such commitments may be for compensation and involve substantial responsibilities and potential conflicts of interest or the appearance of such conflicts, prior approval of senior management and/or boards of the various LGT entities must be sought before accepting such a position and compliance personnel must be advised of all such appointments.

LGT CP USA is not registered and does not have an application pending as a securities broker dealer. Certain employees of LGT CP USA hold securities licenses with a third-party broker dealer, Foreside Fund Services, LLC to facilitate private fund distribution.

LGT CP USA is registered as a commodity pool operator with the Commodity and Futures Trading Commission and is a member of National Futures Association.

LGT CP USA is required to treat its Clients fairly in relation to such conflicts of interest or material interests as described above. LGT CP USA strives to maintain adequate policies and procedures to protect its Client interests and by drawing its Clients' attention to the possibility of such conflicts. Such policies and procedures include, but are not limited to LGT CP USA's Code of Ethics, personal trading policies, investment allocation policies, policies governing outside business activities and gifts and entertainment.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### *Code of Ethics*

LGT CP USA has adopted a Code of Ethics consistent with the requirements of Rule 204A-1 of the Advisers Act. Because all employees may at some time have access to or obtain investment information, LGT CP USA has designated all of its employees as access persons subject to the requirements of the Code of Ethics. More specifically, the definition of Access Person will generally include any employee, director, officer, or individual (including without limitation, consultants, associated persons<sup>1</sup>, trainees, interns and temporary staff whose employment is expected to last for 6 months or more) having a function or role at the Firm. The Firm's Chief Compliance Officer has discretion to determine, on a case by case basis, whether a particular person should or should not be subject to this Code. The purpose of the LGT CP USA's Code of Ethics is to establish standards of conduct expected of its employees and reflects LGT CP USA's fiduciary responsibilities and duties to its clients. All employees are required to acknowledge in writing the receipt of the Code of Ethics and their agreement to comply with its procedures and provisions.

The objectives of the Code of Ethics are primarily to protect LGT CP USA's clients, but also to educate and remind LGT CP USA's employees of their position of trust, and to guard against violations of securities laws and establish verification procedures. Implicitly stated in the Code of Ethics is the recognition that, as an investment adviser, LGT CP USA is a fiduciary and, consequently has the responsibilities to render professional, continuous and unbiased advice, acting at all times in the client's best interest and avoiding even the appearance of a conflict of interest. As a fiduciary, it is an investment

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<sup>1</sup> Associated persons are employees or agents of LGT CP USA's global affiliates who provide services to the Firm through service agreements in compliance with the Advisers Act and the no-action letters issued by the SEC thereunder commonly referred to as the "Unibanco no-action letters."

adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of its clients at all times. This fiduciary duty is considered the core underlying principle for LGT CP USA's Code of Ethics.

In particular, LGT CP USA's Code of Ethics covers the following areas:

- Employee personal security transactions and holdings;
- Policies and procedures designed to detect and prevent insider trading;
- Compliance with federal securities laws;
- Protecting confidentiality of client information;
- Sanctions and reporting of violations;
- Managing conflicts of interest;
- Political contributions.

LGT CP USA requires all of its access persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. LGT CP USA has the responsibility to make sure that the interests of all clients are placed ahead of LGT CP USA's or its access person's own investment interest. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. LGT CP USA and its access persons must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect its duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of LGT CP USA's Code of Ethics. However, if a client or a potential client wishes to review LGT CP USA's Code of Ethics in its entirety, a copy will be provided promptly upon request.

#### *Participation or Interest in Client Transactions and Personal Trading*

It is not a general practice to recommend client purchase or sale of securities in which LGT CP USA or a related person has an interest. Recommendations for clients are based upon the perceived advantage or disadvantages of the security in relation to the client's investment objectives and goals, and upon economic, financial, and other factors bearing on its value and on the valuation of alternatives. In order to minimize this conflict of interest, and in accordance with its fiduciary duty to clients, LGT CP USA and its access persons will place client interests ahead of their own interests. Any transactions must be carried out in a manner that does not work to the disadvantage of clients' transactions or result in a conflict of interest, or even the appearance of a conflict of interest. LGT CP USA prohibits its access persons from trading, either personally or on behalf of others, while in possession of material non-public information regarding a security or communicating material non-public information to others. Further procedures within LGT CP USA's Code of Ethics state that access persons:

- may not maintain securities, commodities or futures account at any broker, dealer, bank or investment adviser without LGT CP USA's knowledge,
- must consult the Restricted List prior to effecting any purchase or sell transactions,

- may not purchase or sell certain securities unless the access person obtains advance clearance of such transition from the Compliance Department. These securities transactions include Initial Public Offerings (IPOs) and Limited Offerings (e.g. participation in hedge funds, private equity funds, private placements, etc.) including investments in Private Funds and LGT Investment Vehicles.
- may not purchase or sell securities if access person has knowledge at the time of such transaction that the security is being purchased or sold, or is being considered for purchase or sale, for a client account.

### **Item 12 – Brokerage Practices**

LGT CP USA is exclusively investing on behalf of its Private Funds in non-publicly traded private equity style partnerships, where there are no related soft dollar practices or clearing of trades through broker dealers. If the Private Funds were to receive a distribution in kind from a sale of stock it might be required to engage a broker to execute a sale of the security. Where LGT CP USA must engage a broker, it will aim to place orders with brokers on the best available terms, taking into account the relevant market at the time of the transactions of the kind and size concerned. When evaluating trades to ensure best execution, LGT CP USA would take into account the price of the financial instrument, transaction costs, speed, likelihood of execution and settlement size, nature and any other consideration relevant to the execution of the order. The best possible result for a particular transaction will be determined by the relative importance given by LGT CP USA to these factors.

### **Item 13 – Review of Accounts**

LGT CP USA provides monitoring and periodic review of the investments recommended to LGT Pfaeffikon, to determine if the investments are meeting expectations. Triggering factors include general economic changes, market fluctuations and changes in Client situation..

Each Private Fund managed by LGT CP USA is reviewed on a continuing basis by the portfolio management team to ensure conformity with Private Fund objectives and guidelines. Such reviews are carried out at least quarterly. LGT CP USA has invested the capital of its Private Funds in underlying real estate funds. These investments receive frequent monitoring of their performance, management actions and investment strategies. Accounts will be reviewed on a non-periodic basis if an extraordinary event occurs resulting in a material change in value for the investments held in the account.

LGT CP USA has also engaged an independent public accounting firm to conduct annual audits of the Private Funds managed by LGT CP USA. As part of the annual audit process, the accounting firm independently verifies investment prices and positions in the Private Funds, and confirms the Private Funds' ownership of investment assets.



Generally, investors in the Private Funds will receive written quarterly unaudited performance reports and annual audited financial statements, as well as certain tax information for preparation of investors' tax returns. Custom reports may be developed to meet specific investor requirements.

#### **Item 14 – Client Referrals and Other Compensation**

LGT CP USA does not have any oral or written arrangements to receive cash or any economic benefit (including commission, equipment or non-research) from a non-client in connection with giving advice to clients. LGT CP USA does not have any arrangements to directly or indirectly compensate any person for client referrals. There are currently no client referrals or paid solicitation arrangements.

#### **Item 15 – Custody**

LGT CP USA is deemed to have custody of its Private Funds' assets because of the authority that LGT CP USA has and/or its affiliated entities have over the assets of the Private Funds. LGT CP USA relies on the annual audit exception for limited partnerships provided under Rule 206(4)-2 under the Advisers Act.. LGT CP USA and its affiliates do not have actual physical custody of any Client assets; rather, all such assets are held in the name of each applicable Private Fund by an independent qualified custodian. Each Private Fund is audited annually by an independent public accountant that is both registered and inspected by the Public Company Accounting Oversight Board. Audited financial statements of the Private Funds are distributed to investors in the Private Funds within 180 days of each Private Fund's fiscal year-end.

#### **Item 16 – Investment Discretion**

LGT CP USA has full investment discretion over the Private Funds it manages. LGT CP USA's discretionary authority is set forth in the applicable investment management agreement between LGT CP USA and the Private Fund and is subject to the investment objectives, guidelines and restrictions applicable to each Private Fund.

With respect to advisory services provided to LGT CP Pfaeffikon, LGT CP USA does not have the authority to execute purchase or sale transactions or to retain investment advisors. However, certain of LGT CP USA investment professionals participate in, and vote on, certain investment and allocation decisions during the investment committee meetings with LGT CP Pfaeffikon. The investment discretion is exercised in a manner consistent with the advisory agreement between LGT CP USA and LGT CP Pfaeffikon and the stated investment objectives, policies and restrictions required by the Client.

#### **Item 17 – Voting Client Securities**

LGT CP USA provides investment sub-advisory services with respect to LGT Investment Vehicles advised by LGT CP Pfaeffikon and investment advisory and management services directly to Private Funds whose investment program primarily involves investing assets in real estate private equity type

vehicles generally through privately-negotiated transactions. These vehicles may from time to time hold interests in securities in which proxy voting is applicable. The general partner of each Private Fund is responsible for the management, policies and operations of the Private Fund acting pursuant to and in accordance with the Private Fund's partnership agreement.

Pursuant to an investment advisory agreement, LGT CP USA generally originates and recommends to the Client investment opportunities, monitors and evaluates investments and provides other related services as the Client may reasonably request. To the extent LGT CP USA exercises or is deemed to be exercising voting authority over the Client's securities, it will develop proxy voting policies and procedures, reasonably designed to result in proxies being voted in the best interest of its Client, and in accordance with its fiduciary duties and applicable regulations.

Generally, LGT CP USA would vote proxies so as to promote the long-term economic value of the recommended investment. Each proxy proposal would be considered on its own merits, and an independent determination would be made whether to support or oppose management's position.

If a Client has not delegated the power to vote proxies to LGT CP USA, that Client may direct LGT CP USA to vote in a particular manner at any time upon written notice to LGT CP USA. In those circumstances, LGT CP USA would comply with specific Client directions to vote proxies.

If LGT CP USA were to exercise voting authority with respect to its Client, the Client may at any time make a written or oral request for information on how LGT CP USA would vote proxies on his or her behalf. LGT CP USA would make and retain:

- A copy of each proxy statement or similar document that LGT CP USA receives
- A record of each vote cast by LGT CP USA on behalf of the Client
- A copy of any document created by LGT CP USA that was material to making a decision on how to vote proxies on behalf of a Client
- A copy of each written Client request for information on how LGT CP USA voted proxies on behalf of the Client and a copy of any written response by LGT CP USA to any (written or oral) Client request for information

Any Client may obtain a copy of LGT CP USA's proxy voting policies and procedures upon request.

## **Item 18 – Financial Information**

LGT CP USA does not require or solicit prepayment of \$1,200 or more in fees per client, six months or more in advance and therefore has not included a balance sheet.

Registered investment advisers are required to provide you with certain disclosures about the adviser's financial condition. At this time, LGT CP USA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.



**Item 19 – Requirements for State-Registered Advisers**

Not applicable.