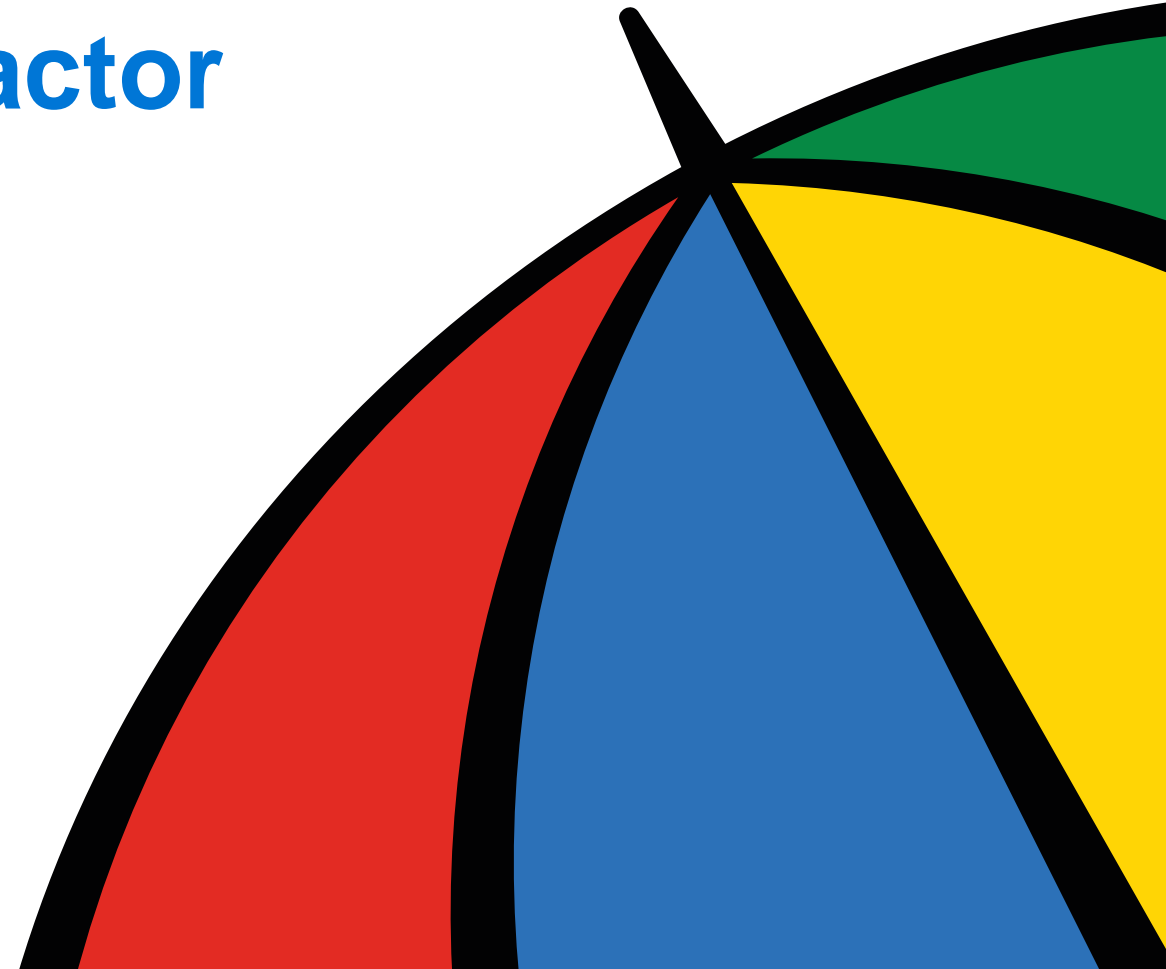


# L&G Gerd Kommer Multifactor Equity UCITS ETF

Access Gerd Kommer's Weltportfolio concept through an ETF

**This is a marketing communication. Please refer to the prospectus of the fund and to the key investor information document before making any final investment decisions.**



**Part 1:  
Gerd Kommer and the  
Weltportfolio concept**



# Who is Gerd Kommer?

Person, brand, independent asset manager, ETF



Dr. Gerd Kommer spent two and a half decades in the financial industry. He is a well-known author in German-speaking countries and has published ten books on financial topics selling more than 300,000 copies.

Gerd Kommer is a strong brand in the German-speaking area advocating broad and diversified exposure as well as low-cost investments via Index funds / ETFs.

Gerd Kommer Invest (GKI) is a BaFin-regulated, independent asset manager based in Munich, Germany. The company was founded in 2017 by Gerd Kommer. GKI looks after around 300 wealthy families in German-speaking countries and manages assets of over EUR 800 million as of June 2023.

The launch of the ETF is based on a partnership between GKI and LGIM. Specifically, the ETF provides easy access to Gerd Kommer's Weltportfolio concept which in its core is a "All-Cap-All-Market" Multifactor-Equity investment strategy.

**GERD  
KOMMER  
ETF**

**GERD  
KOMMER  
INVEST**

# Gerd Kommer's 'Weltportfolio' concept

"All-Cap-All-Market" Multifactor-Equity investment strategy

The Weltportfolio investment strategy is characterised by the following features:

- **Innovative approach to country weighting:** Individual countries weights are determined as the average of their market capitalisation and economic output, i.e., gross domestic product. This combines the advantages of these two different weighting methods, particularly leading to a reduction in the "US concentration risk".
- **"All-Cap-All-Market":** The ETF will invest in both developed and emerging markets, covering the entire investable universe including small, mid and large caps.
- **Multifactor Investing:** Increased exposure to five established factors

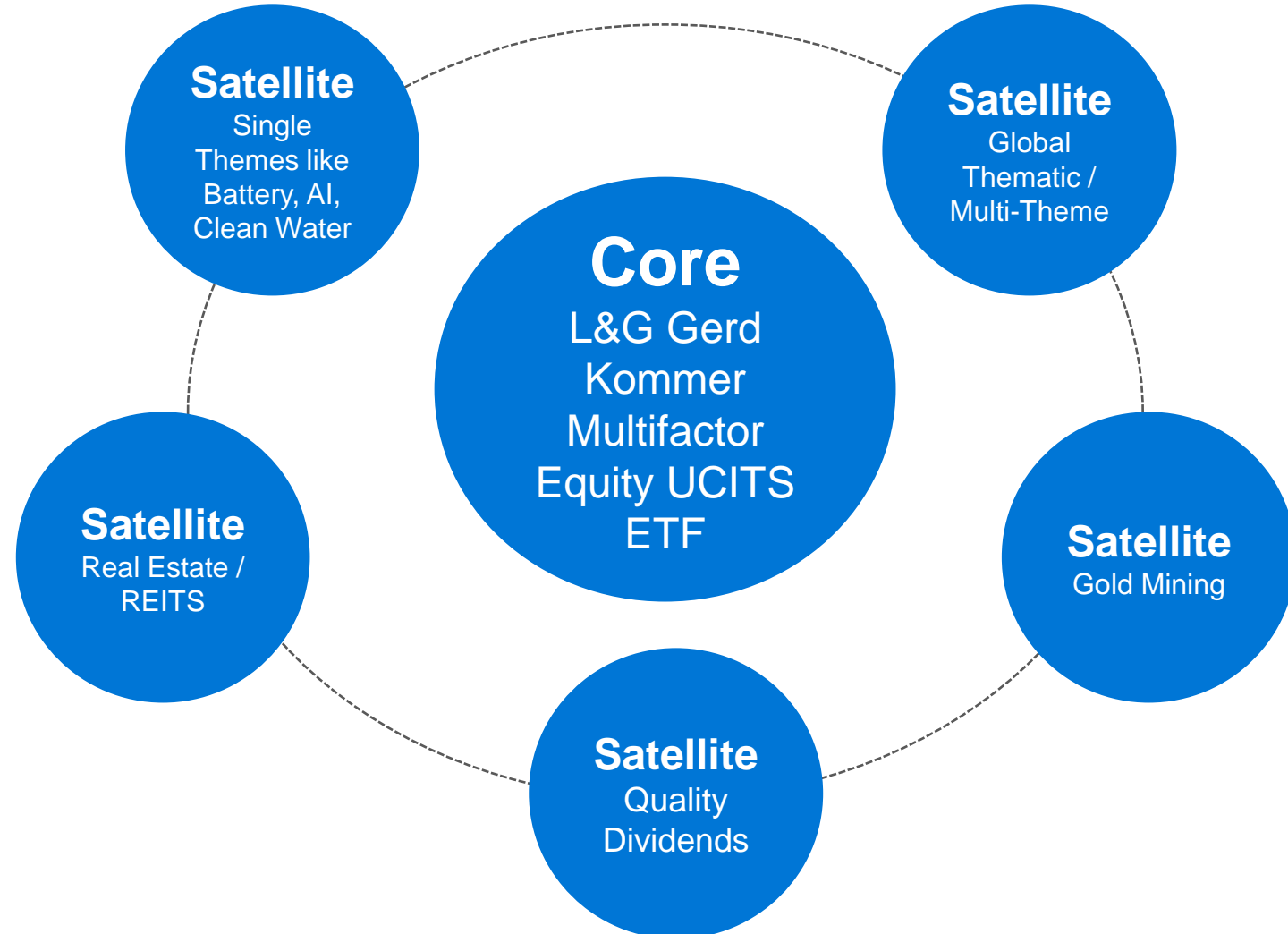
<b>Quality</b>	<b>Value</b>	<b>Size</b>	<b>Momentum</b>	<b>Investment</b>
Stocks with high profitability & low leverage	Stocks that are "cheap" against their fundamental metrics	Small capitalisation stocks	Stocks with high price momentum	Stocks with low investment

# How we see the Gerd Kommer ETF sit in a portfolio

The ETF aims to provide a single-product solution as the core component in an equity Core-Satellite portfolio

Given its highly diversified equity exposure the L&G Gerd Kommer Multifactor Equity UCITS ETF shall be considered as the only Core component needed in a Core-Satellite portfolio.

In addition, different types of Satellite investment strategies such as individual themes or equity alternatives can be added as investors see fit.



# Free Float MCap Weighted Indices can be highly concentrated

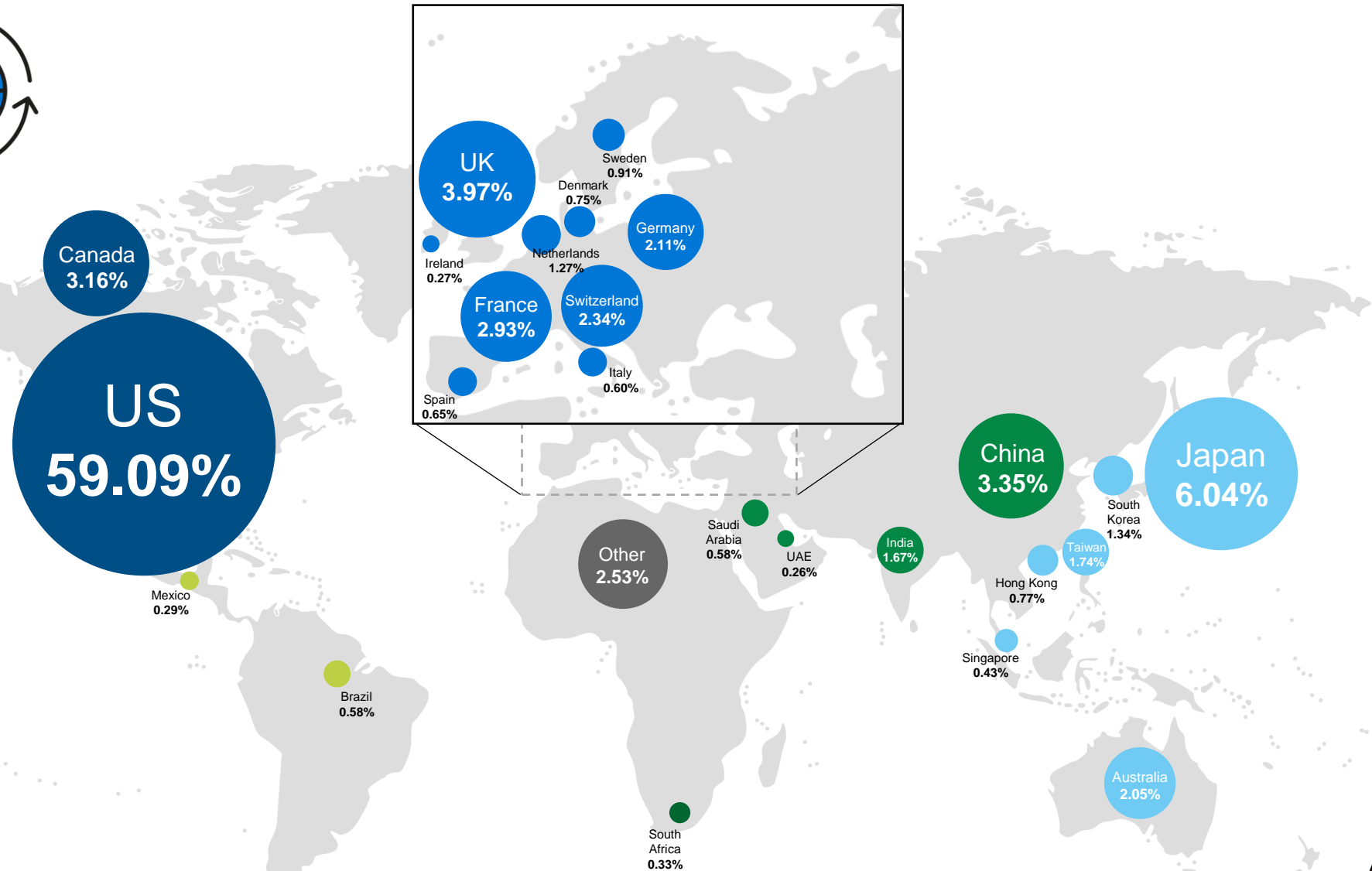


## Global Indices are driven by DM stocks

Developed Markets make up approximately **90%** of Solactive GBS Global Markets Investable Universe Index<sup>1</sup>.

US exposure has the majority share at 59% of the index.

While the weight of developed markets accurately reflect the equity market capitalisations of these countries, the size of their economy is not taken into account.



Source: Bloomberg, Solactive, LGIM. As of April 2023. **The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.** <sup>1</sup>The Solactive GBS Global Markets Investable Universe Index is the equivalent of the MSCI ACWI IMI Index and captures 99% of the free-float market capitalization in the Developed Markets and Emerging Markets.

# Weltportfolio Concept results in more balanced country exposure

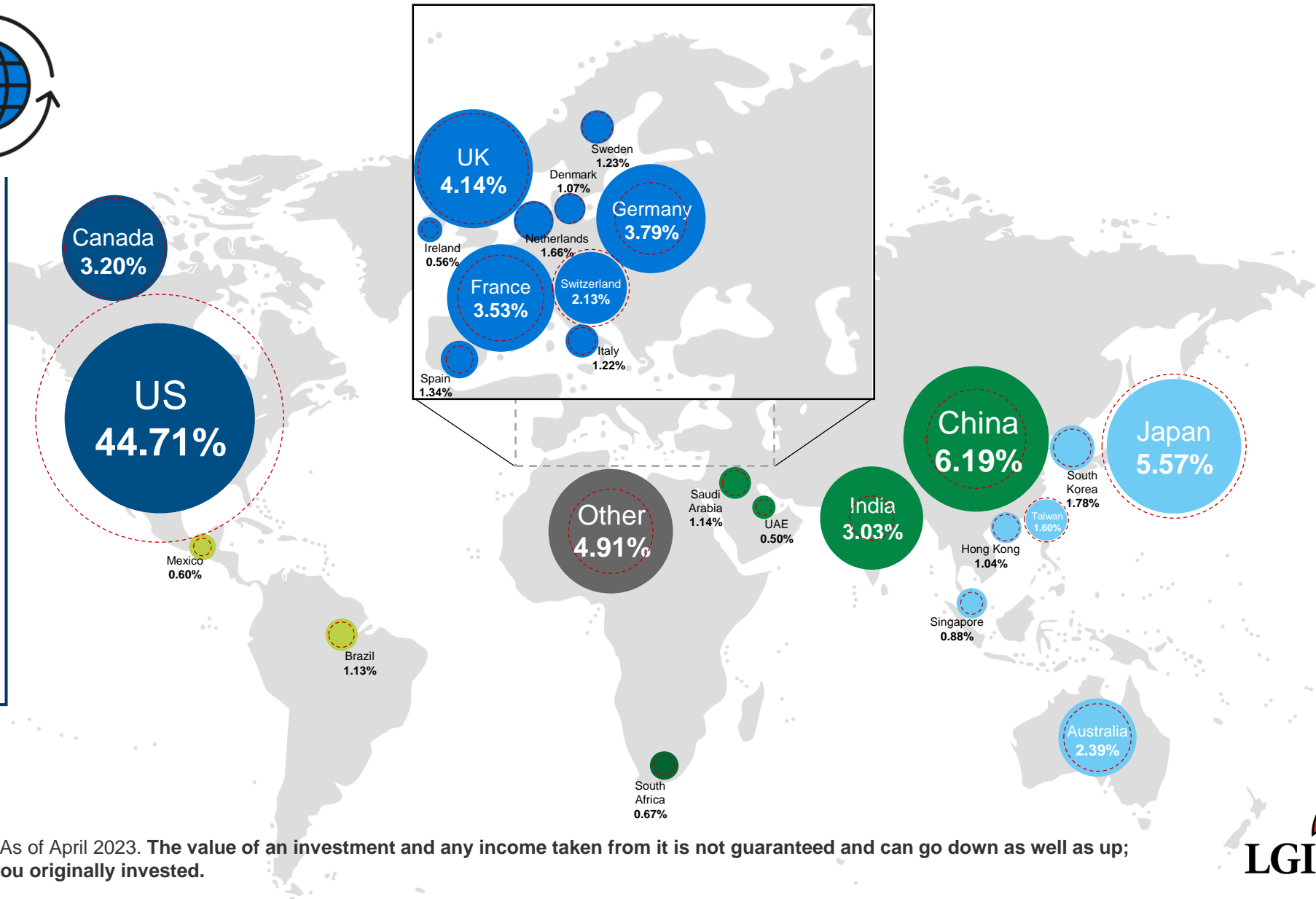
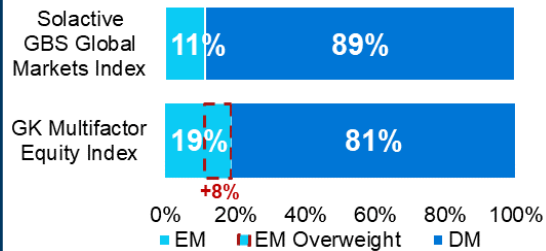


## A Portfolio with a balanced global profile

By taking both market capitalisation and GDP into account, a more diversified portfolio is constructed

US concentration risk is reduced as US weight falls from 59% to 45%.

This also results in a more balanced DM / EM breakdown within the investment strategy



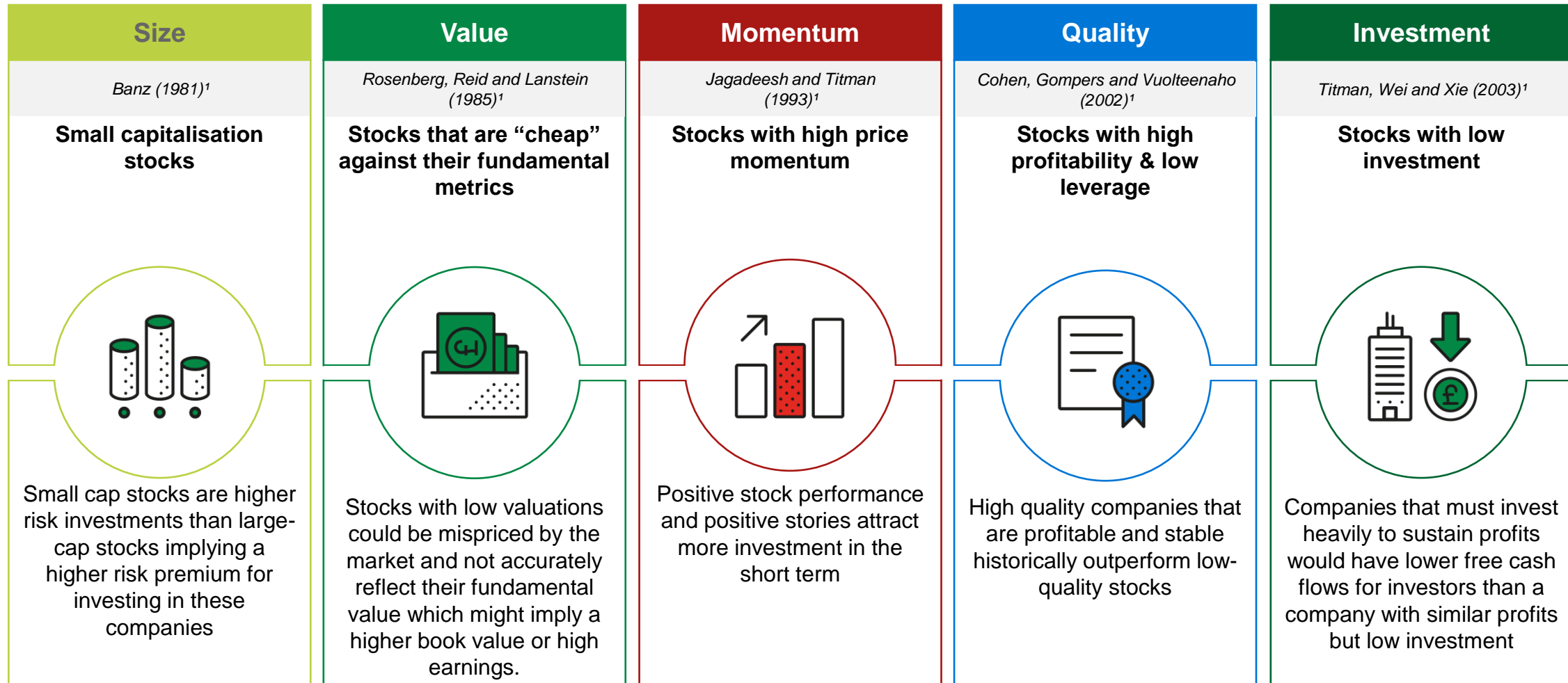
# Part 2: Multifactor investing





# Multi-Factor Investing

Long-term empirical research point to established factors that have stood the test of time after decades of scrutiny:



<sup>1</sup>Sources: Seminal research papers for each factor. Links to papers are as follows - Size: [https://doi.org/10.1016/0304-405X\(81\)90018-0](https://doi.org/10.1016/0304-405X(81)90018-0), Value:

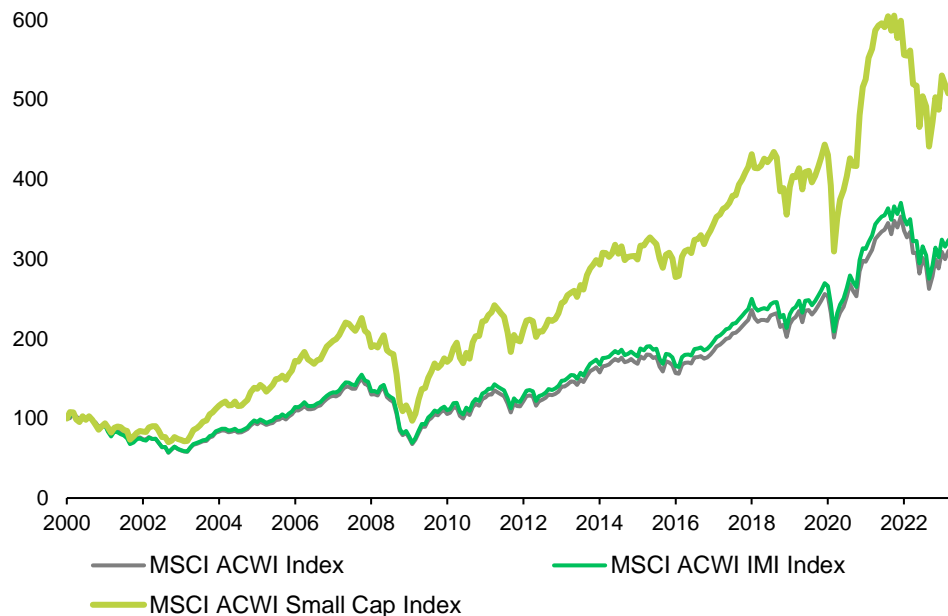
9 | [https://doi.org/10.1016/S0304-405X\(02\)00229-5](https://doi.org/10.1016/S0304-405X(02)00229-5), Momentum: <https://doi.org/10.1111/j.1540-6261.1993.tb04702.x>, Quality: <https://doi.org/10.3905/jpm.1985.409007>,

Investment: <https://doi.org/10.3386/w9951>

# Size

<b>Market Cap</b>	<i>Total Market Capitalisation in USD</i>	<ul style="list-style-type: none"> <li>- Stocks with a lower market capitalisation are higher risk investments than large-cap stocks which implies a higher risk premium for investing in these companies compared to stocks with a larger market capitalisation</li> </ul>
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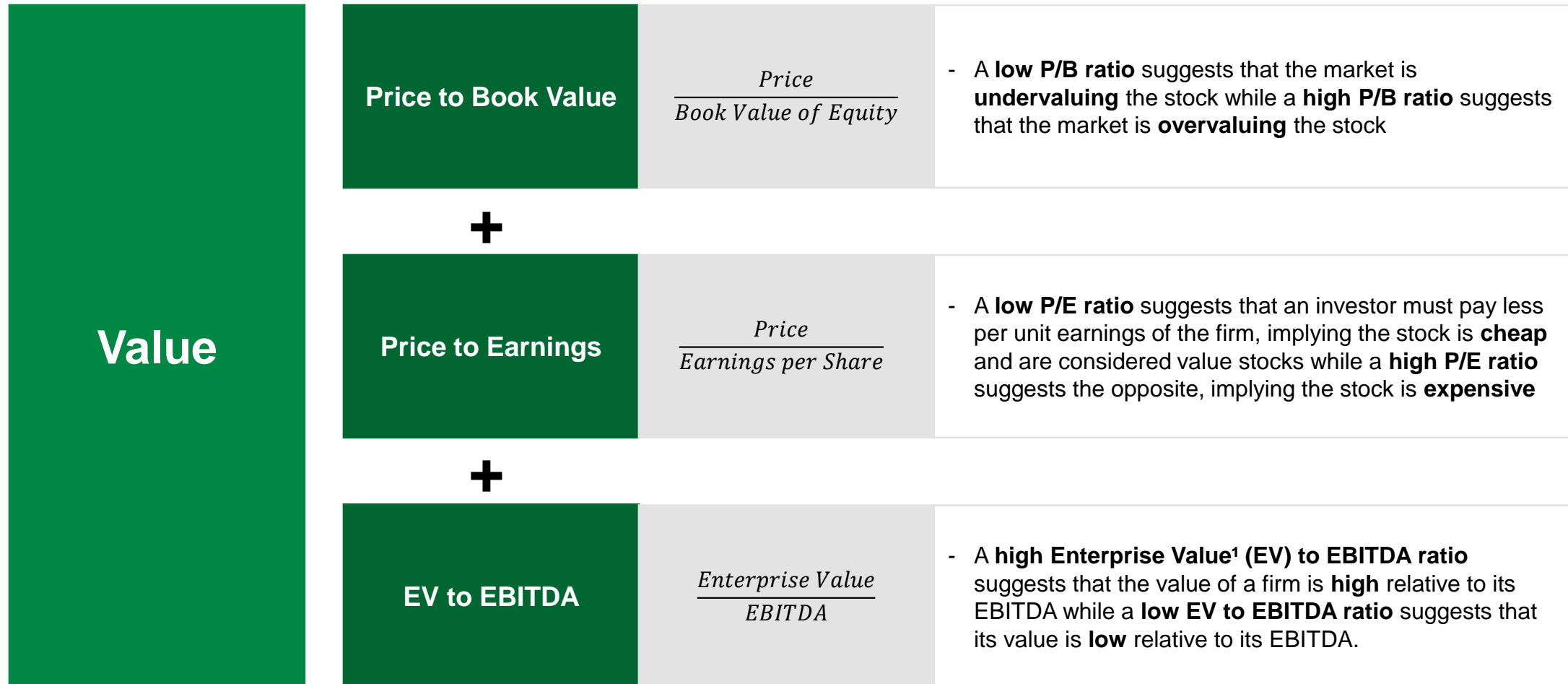
## Long-Term Small Cap Performance



- A global index inclusive of small cap stocks has outperformed an index with large and mid cap stocks only in the long term.
- By including and overweighting small cap stocks, we aim to capture and maximise the size factor premia available across global markets.

# Value

Value is an equally weighted average of price to book value, price to earnings, and enterprise value to EBITDA.



# Quality

Quality is defined as a composite of Profitability and Leverage.

Quality	<b>Profitability</b>	$\frac{Earnings_t}{Book\ Value\ of\ Equity_t}$	- A company with high profitability implies that it generates high earnings given its book value while a company with low profitability generates low earnings when compared to its book value
		+	
	<b>Asset Turnover</b>	$\frac{Sales_t}{Total\ Assets_t} - \frac{Sales_{t-1y}}{Total\ Assets_{t-1y}}$	- A company with a <b>high asset turnover</b> ratio indicates an <b>efficient use of assets to generate sales</b> while a company with a low asset turnover might suggest poor utilisation of assets.
		+	
	<b>Coverage Ratio</b>	$\frac{Free\ Cash\ Flow_t}{Total\ Debt_t}$	- A <b>high coverage ratio</b> suggests that a company can cover the value of its debt several times by using its free cash flow, meaning its <b>leverage is low</b> .
	+		
	<b>Return on Assets</b>	$\frac{Earnings_t}{Total\ Asset_t}$	- A Company with a high return on assets is very effective at deploying assets to generate sales and profits. By generating high returns from its assets, the firm is <b>highly profitable</b>

# Momentum & Investment

Momentum and Investment Factors are applied through a low-turnover trading screen to the top/bottom 10% of securities.

## Momentum

$$0.5 * \left( \frac{Price_{t-1m}}{Price_{t-12m}} - 1 \right) + 0.5 * \left( \frac{Price_{t-1m}}{Price_{t-6m}} - 1 \right)$$

- By combining 12 month and 6 month returns, the momentum factor captures both short and mid term price movements.
- Strong returns in these periods leads to a high momentum score while weak returns leads to a low momentum score

## Investment

$$\frac{Total Assets_t}{Total Assets_{t-1y}} - 1$$

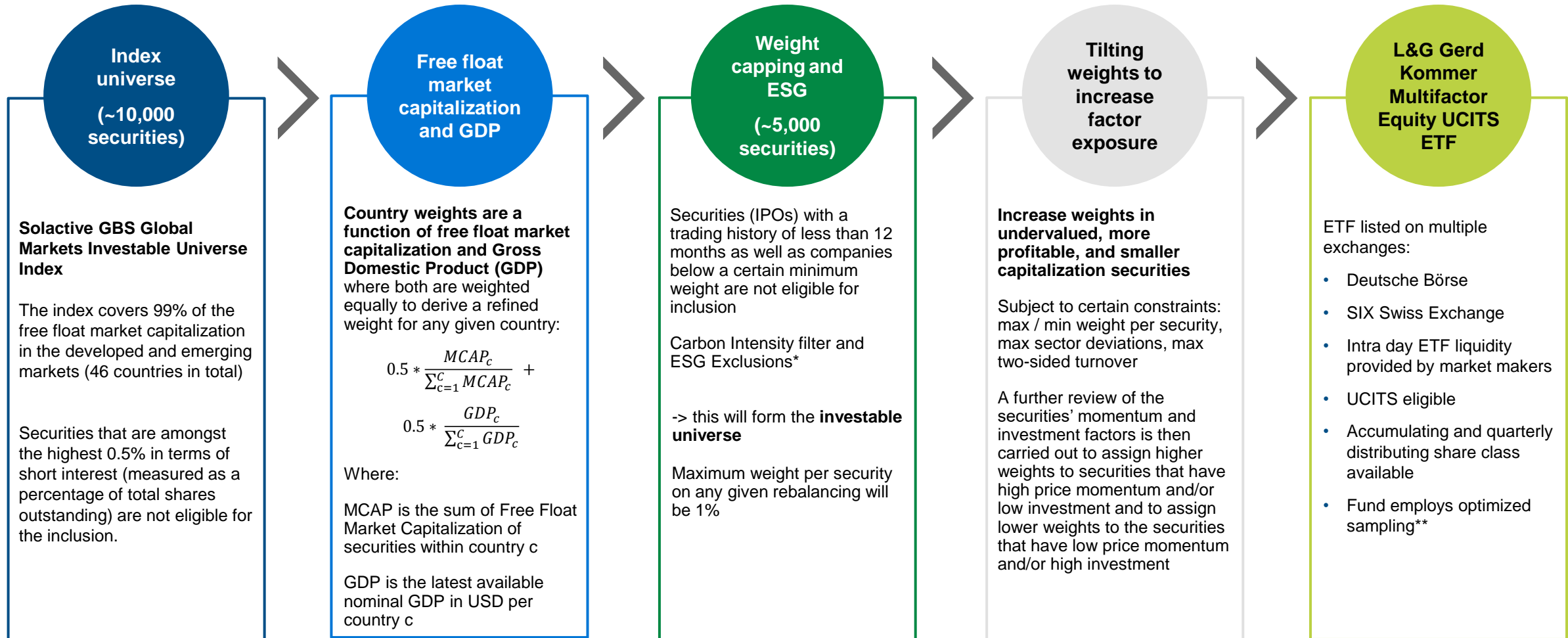
- Asset growth aggregates financing from equity & debt issuance and growth in retained earnings.
- Thus, we can focus on asset growth as a broad measure of investment to examine the relation between investment and expected returns. High stock issuance, high debt issuance, and high merger and acquisition activity tend to result in poorer performance

**Part 3:**  
**L&G Gerd Kommer Multifactor**  
**Equity UCITS ETF**



# L&G Gerd Kommer Multifactor Equity UCITS ETF

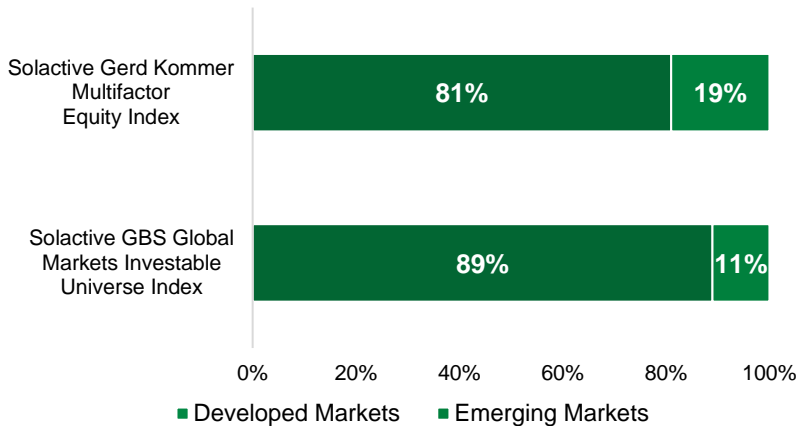
Investment process explained step-by-step



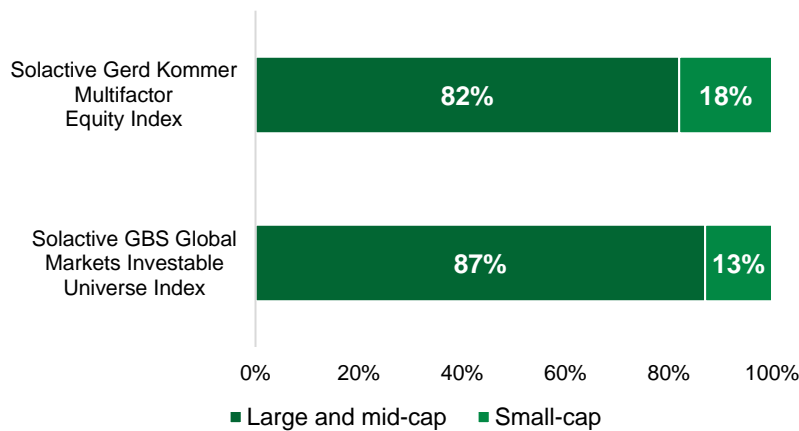
# Gerd Kommer Index versus Free Float MCap Weighted Benchmark

The Gerd Kommer index aims to provide a higher level of diversification at more attractive fundamentals in our view

## More diversified DM / EM breakdown

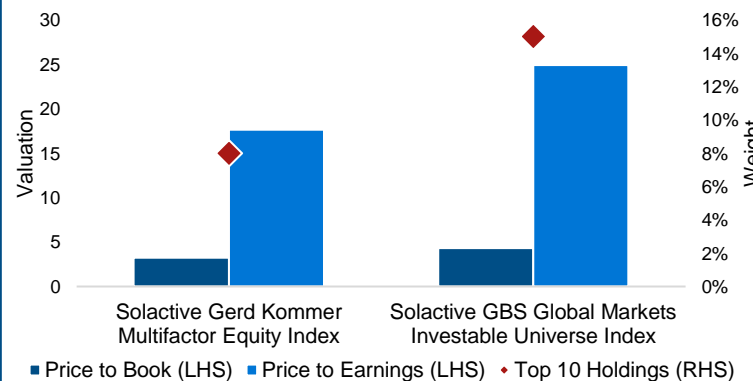


## Higher exposure to small caps



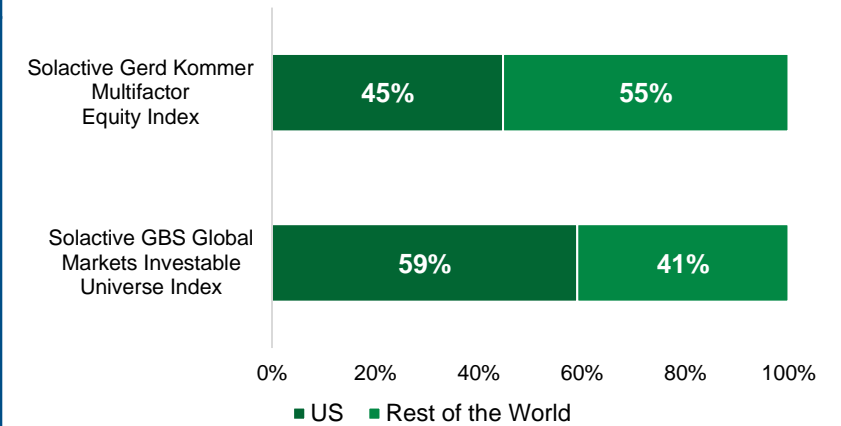
## Attractive valuations & lower concentration risk

- Optimising for value stocks results in more attractive portfolio valuations.
- Concentration risk is reduced as top 10 holdings constitute of 8% vs. 15% in the benchmark.

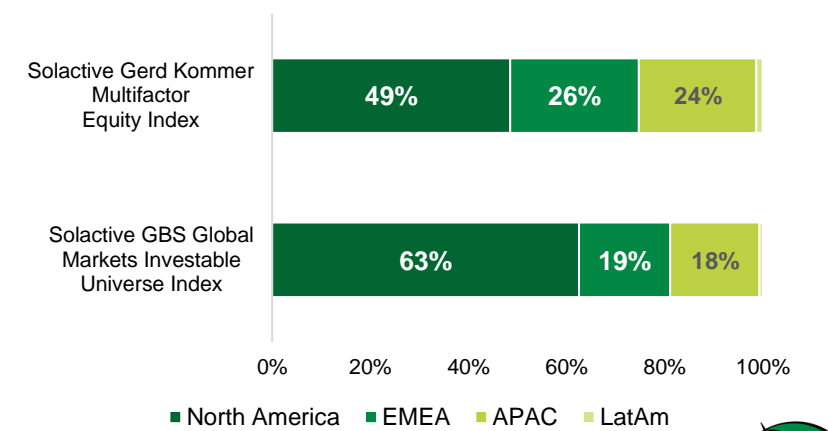


	Top 10 Holdings	Price to Book	Price to Earnings
Solactive Gerd Kommer Multifactor Equity Index	8%	3.25	17.66
Solactive GBS Global Markets Investable Universe Index*	15%	4.35	24.93

## Lower single-country concentration



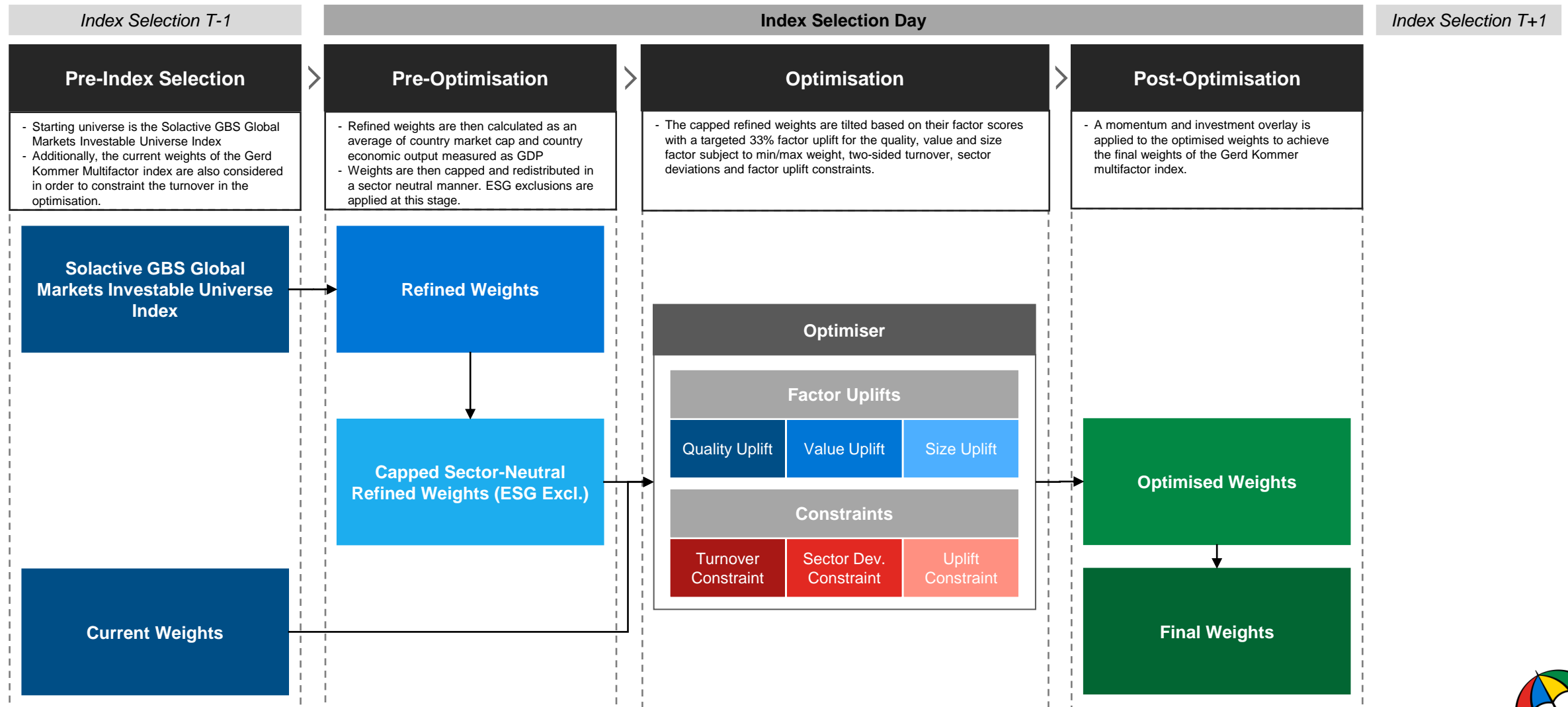
## More balanced regional exposure



Source: Solactive, LGIM. As of April 2023. \*The Solactive GBS Global Markets Investable Universe Index is the equivalent of the MSCI ACWI IMI Index and captures 99% of the free-float market capitalization in the Developed Markets and Emerging Markets. **The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested. It should be noted that diversification is no guarantee against a loss in a declining market.**



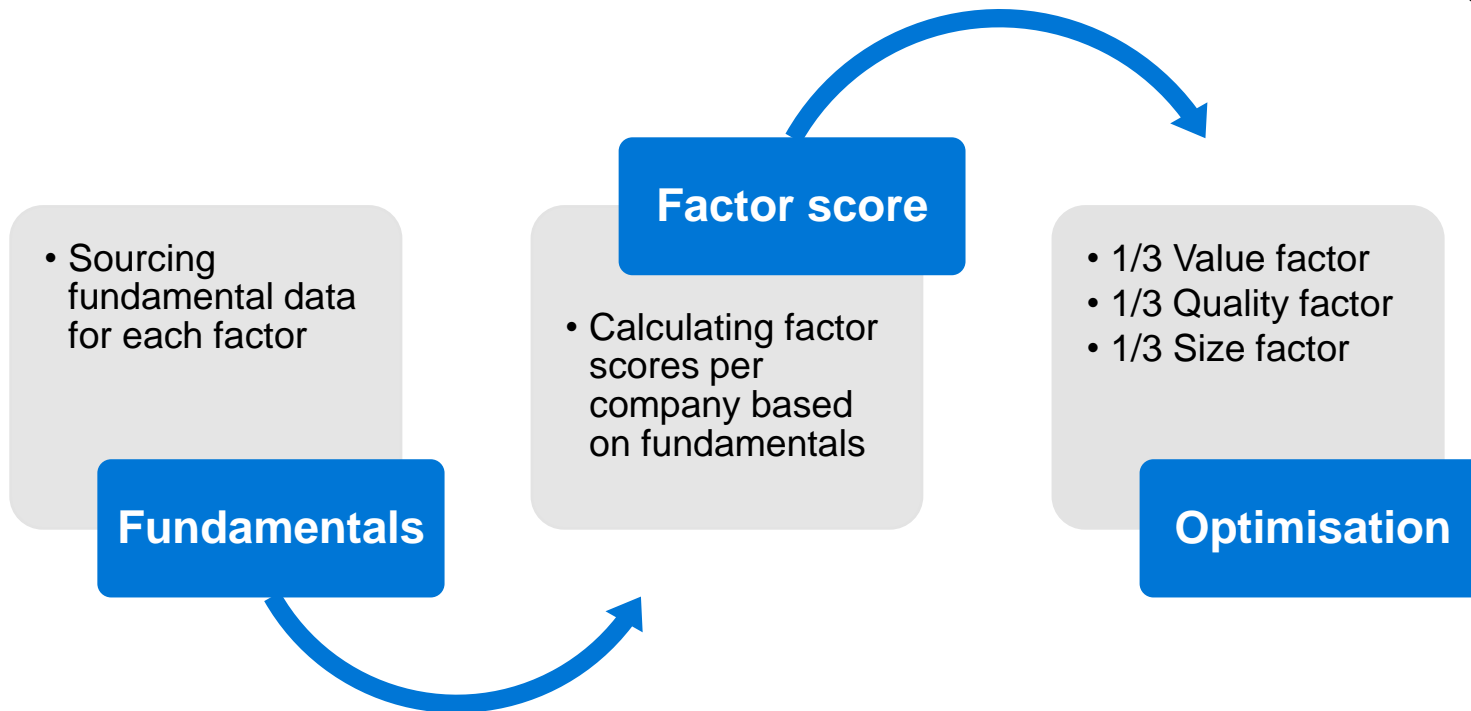
# Multi-Factor Optimisation



# Factor tilts explained

Seeking to harvest multiple sources of returns without having to rely on a single source from a factor

For any company in the investable universe

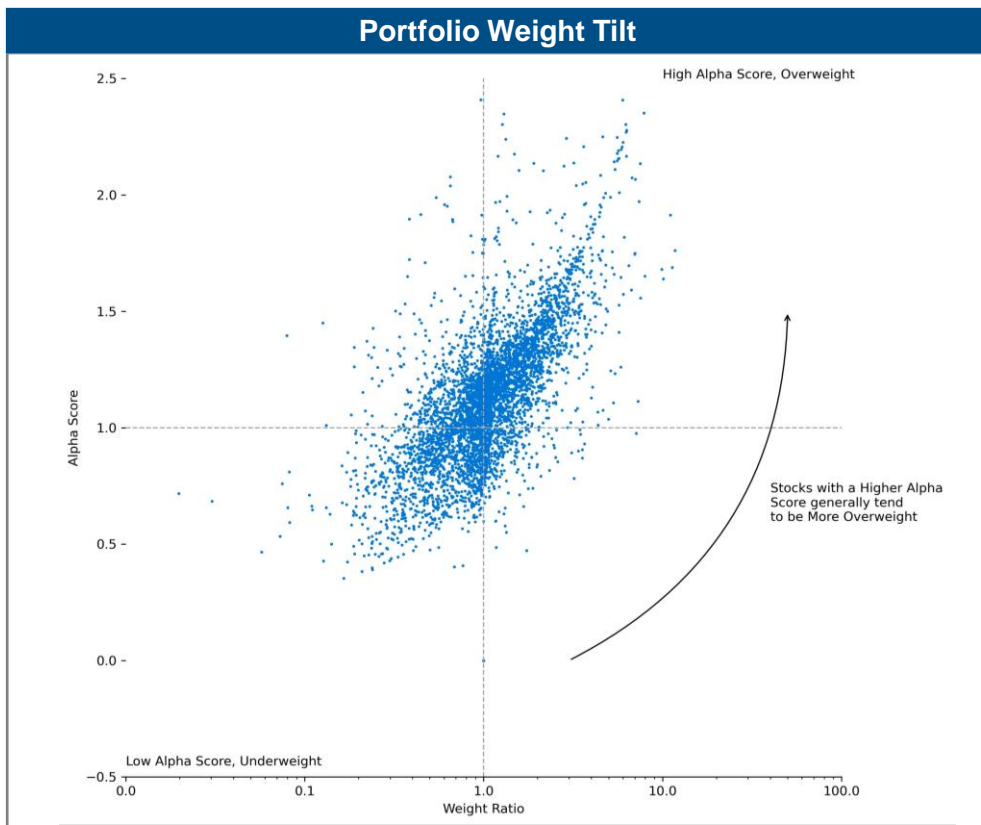
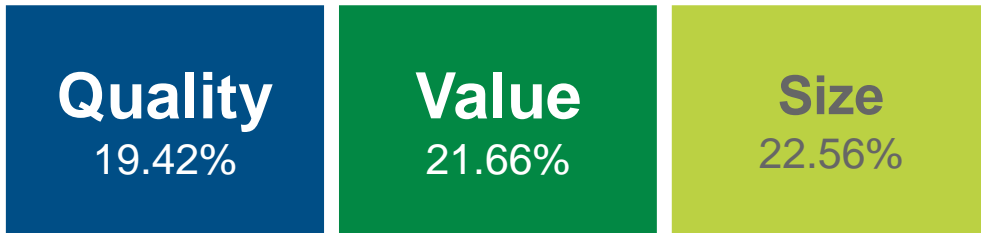


We target a 1/3 uplift in the Value, Quality, and Size factor to provide a balanced uplift in each factor; together the three factors form an alpha score



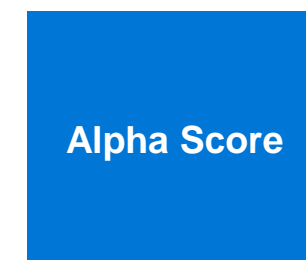
# Multi-factor weight tilt in practice

## Factor Uplifts<sup>1</sup>:



- Uplift constraints lead to a balanced factor profile, limiting any bias towards individual factors. As seen on the left, we are able to achieve a balanced uplift around 19-23% for all 3 factors despite different constraints.
- To visualise a standalone figure for factor uplift, we can build an alpha score by combining quality, value and size (equally weighted).
- When plotting the alpha score against weight tilt<sup>2</sup> (or weight ratio) we can see a clear trend.
- Stocks with a higher alpha score (implying stronger quality, value and size characteristics) tend to be more overweight, this can be seen in the graph on the left.

$$\begin{bmatrix} 1/3 \\ 1/3 \\ 1/3 \end{bmatrix} *$$



<sup>1</sup> Factor uplifts based on latest selection day as of 31 March 2023. Factor uplift means an improvement in the respective factor versus the refined weights.

<sup>2</sup> Weight tilt/ratio refers to the ratio between final weights and capped sector-neutral refined weights. A weight ratio higher than 1 means stock is overweight (i.e. final weight > capped sector-neutral refined weight) while a weight ratio between 0 and 1 means stock is underweight. **The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.**

# Momentum & Investment overlay after the optimization

Reducing portfolio turnover and increasing momentum / investment factor exposure

The objective of the overlay is to reduce turnover in the portfolio and to increase exposure to the respective factor

## Company A

Has high price momentum and/or low investment

$$\text{Final Weight } 0.25\% = \text{MAX}(\text{Optimised Weight } 0.22\%, \text{Current Weight } 0.25\%)$$

Example:

Assuming company A has a high price momentum and its current weight in the portfolio is 0.25% while its optimised weight is 0.22%

-> Company A remains at 0.25% resulting in lower portfolio turnover and an increase in the momentum factor

## Company B

Has low price momentum and/or high investment

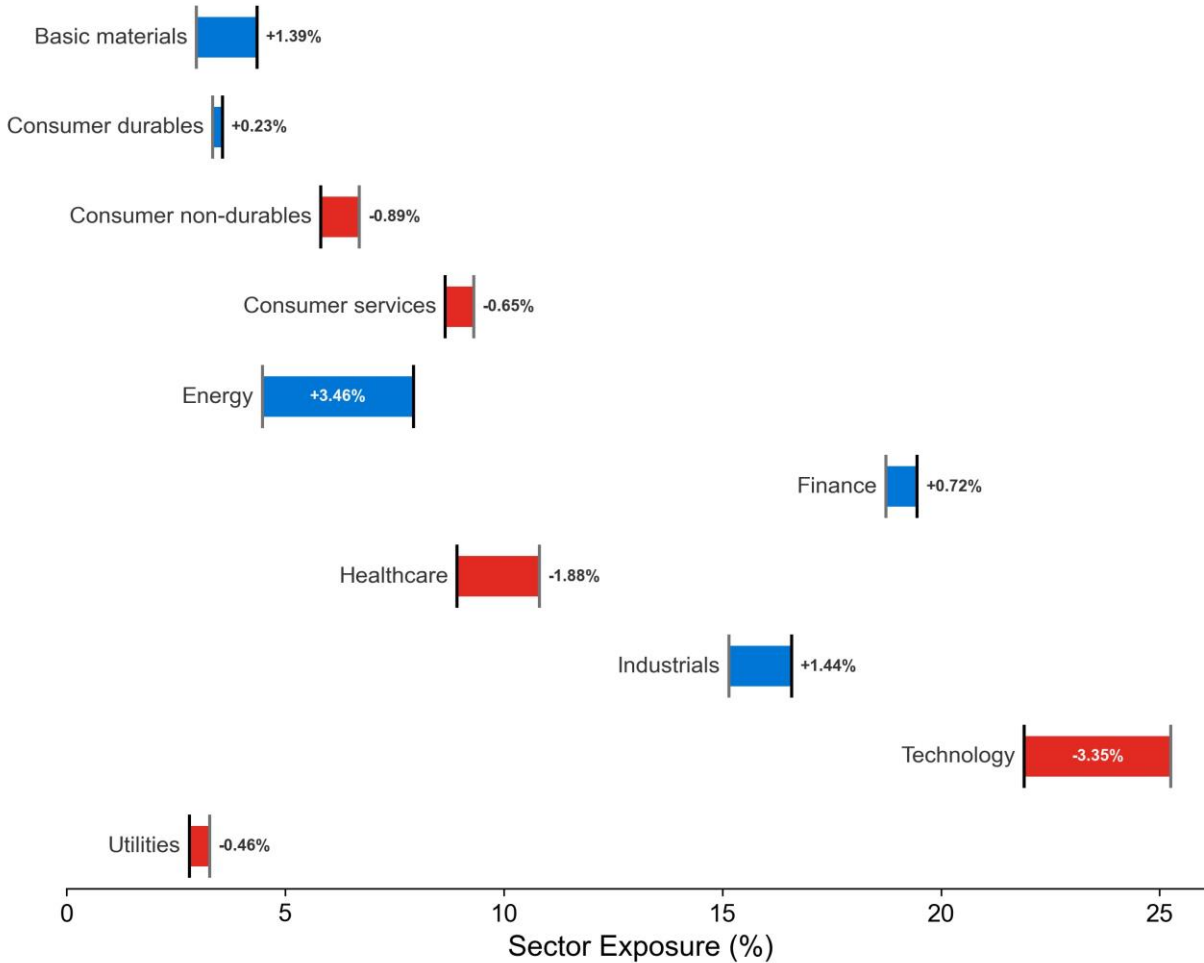
$$\text{Final Weight } 0.15\% = \text{MIN}(\text{Optimised Weight } 0.18\%, \text{Current Weight } 0.15\%)$$

Example:

Assuming company B has a high investment and its current weight in the portfolio is 0.15% while its optimised weight is 0.18%

-> Company B remains at 0.15% resulting in lower portfolio turnover and an increase in the investment factor

# Controlled Active Sector Risk



	Basic Materials	Cons. Dur.	Cons. Non-Dur.	Cons. Services	Energy	Finance	Healthcare	Industrials	Tech.	Utilities
<b>Benchmark<sup>1</sup></b>	2.96%	3.34%	6.70%	9.31%	4.47%	18.74%	10.81%	15.15%	25.25%	3.27%
<b>Final<sup>2</sup></b>	4.36%	3.57%	5.81%	8.65%	7.93%	19.46%	8.93%	16.58%	21.90%	2.80%



Portfolio is optimised subject to sector constraints by limiting maximum sector deviations from benchmark



Therefore, the portfolio aims to maximise factor uplifts while aiming to take minimal active sector risk



Absolute sector deviations are within 3-4%, leading to an optimised portfolio with similar global sector exposures to the benchmark<sup>1</sup>



Seeking reduced risk of losing out on potential performance gains due to sector-driven performance movements

21 | Source: Solactive, LGIM. As of April 2023. <sup>1</sup>The benchmark refers to the capped sector-neutral refined weights. <sup>2</sup>Final refers to the final weights portfolio. **The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.**

# Carbon reduction and ESG exclusions

Data driven ESG overlay to remove highest carbon emitting companies within sector

## Carbon Intensity

Carbon Intensity for a company is calculated and all securities of companies among the 3% highest carbon intensity per sector are not eligible for inclusion in the Gerd Kommer multifactor index:

$$\text{Carbon Intensity} = \frac{\text{GHG}}{\text{EVIC}}$$

Where:

“GHG” are the Greenhouse Gas Emissions of a company as of the index selection day. According to the GHG Protocol, the GHG metric is calculated as the sum of Scope 1 and Scope 2 emissions.

“EVIC” is Enterprise Value including Cash in USD



## ESG Exclusions

### ESG Exclusions:

- **Severe controversies** (*i.e., companies that have been involved in events that have a severe impact on the environment and society, posing serious business risks to the company*)
- **Non compliance with the United Nations Global Compact**
- **Controversial weapons** – *any direct involvement\**
- **At least 10% of revenues from:**
  - **Coal** – *thermal coal extraction, power generation, supporting products/services*

# L&G Gerd Kommer Multifactor Equity UCITS ETF

## Product-related information

Key facts			
<b>Fund launch date</b>	21 June 2023		
<b>AUM</b>	\$15 million		
<b>TER</b>	0.50%		
<b>Fund Domicile</b>	Ireland		
<b>Replication</b>	Physical – Optimized Sampling		
<b>Listings and Tickers</b>	EUR	Accumulating	GERD GR
	EUR	Distributing	K0MR GR
	CHF	Accumulating	GERD SW
	CHF	Distributing	K0MR SW
<b>ISIN</b>	IE0001UQQ933 (accumulating), IE000FPWSL69 (quarterly distributing)		
<b>WKN</b>	WELT0A (accumulating), WELT0B (quarterly distributing)		
<b>Underlying Index</b>	Solactive Gerd Kommer Multifactor Equity Index NTR		
<b>Index Ticker</b>	SOLGERD Index		
<b>Number of holdings in index</b>	5021		
<b>SFDR</b>	Article 8		

Management and administration	
<b>Issuer</b>	Legal & General UCITS ETF Plc
<b>Management Company</b>	LGIM Managers (Europe) Limited
<b>Trustee</b>	The Bank of New York Mellon SA/NV, Dublin Branch
<b>Registered countries</b>	Austria, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Norway, Spain, Sweden, United Kingdom, Switzerland

# Appendix





# L&G Gerd Kommer Multifactor Equity UCITS ETF

## Key risks

- Past performance is no guarantee of future results.
- The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested.
- Further information on the risks of investing in each fund is contained in the Prospectus available at [www.legalandgeneral.com/reports](http://www.legalandgeneral.com/reports).
- Third party service providers (such as counterparties entering into FDIs with the Fund or the Company's depository) may go bankrupt and fail to pay money due to the Fund or return property belonging to the Fund.
- If the Index provider stops calculating the Index or if the Fund's license to track the Index is terminated, the Fund may have to be closed.
- It may not always be possible to buy and sell Shares on a stock exchange or at prices closely reflecting the NAV.
- There is no capital guarantee or protection on the value of the Fund. Investors can lose all the capital invested in the Fund.
- Please refer to the "Risk Factors" section of the Company's Prospectus and the Fund Supplement

The risks associated with each fund or investment strategy are set out in the key investor information document and prospectus or investment management agreement (as applicable). These documents should be reviewed before making any investment decisions.

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### Availability of Documents:

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