LMM

LMM COMPASS

Dear reader

By their very nature, foundations are designed to span multiple generations. They are intended to ensure stability, but at the same time must respond to real changes in market conditions. We have summarized the key findings of the "Stiftungsmonitor" survey for you.

Jürg Meier
Partner, CEO

Gerhard Seger
Member of the Management Board

THEMES

Market data
Markets and strategies

Specialist article
Foundation Assets – Between Expectations and Reality

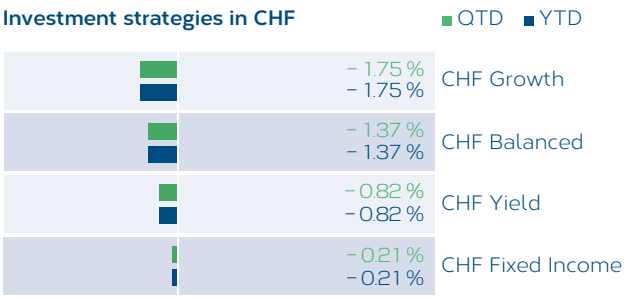
MARKET DATA AND STRATEGIES

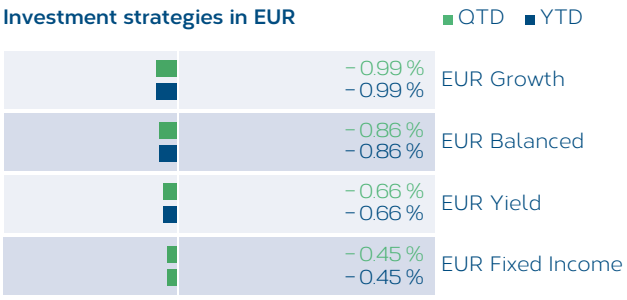
The performance of asset classes in the first quarter of 2026 can be divided into two phases: before and after the start of the war with Iran, when trends and sentiment reversed. Overall, with the exception of commodities (oil and gold) and the U.S. dollar, nearly all major asset classes have posted negative returns since the start of the year. Gold, which had risen by more than 22 % in USD terms year-to-date before the war began, fell by 11.6 % in USD terms over the course of the month, and silver also gave up most of its year-to-date gains. Yields on U.S. Treasuries and German Bunds rose by over 30 basis points in March. As a result, government bonds offered no protection–nor did corporate bonds. With the exception of the Pacific and UK regions, established equity markets were in negative territory.

As already mentioned, there was hardly any asset class that offered protection against losses in the first quarter of 2026. This trend is also reflected in the strategies, which were negative across the board. Portfolios with a high allocation to precious metals or commodities tended to perform better.

		Value	% QTD	% YTD	Currency
Currencies	EUR / CHF	0.92	– 0.75	– 0.75	
	EUR / USD	1.16	– 1.61	– 1.61	
	USD / CHF	0.80	+ 0.88	+ 0.88	
	USD / JPY	158.70	+ 1.25	+ 1.25	
Bonds	Switzerland		+ 0.23	+ 0.23	CHF
	Europe		– 0.64	– 0.64	EUR
	USA		– 0.05	– 0.05	USD
	EMMA (Hard Currency)		– 1.61	– 1.61	USD
	Inflation Linked		– 0.24	– 0.24	USD
	High Yield		– 1.31	– 1.31	USD
	World		– 1.07	– 1.07	USD
Equities	Switzerland		– 2.85	– 2.85	CHF
	Europe		– 0.94	– 0.94	EUR
	North America		– 4.61	– 4.61	USD
	Pacific		+ 1.87	+ 1.87	USD
	EMMA		– 0.17	– 0.17	USD
	World		– 3.20	– 3.20	USD
Alternatives	Real Estate		+ 1.30	+ 1.30	USD
	Commodities		+ 23.30	+ 20.30	USD
	Gold		+ 8.15	+ 8.15	USD
	Private Equity (listed)		– 20.12	– 20.12	USD
	Hedge Fonds		– 0.57	– 0.57	USD

Calculation LMM; reference date 01.01.–31.03.2026





Note: the figures are before costs
Calculation LMM; Period 01.01.–31.03.2026

FOUNDATION ASSETS – BETWEEN EXPECTATIONS AND REALITY

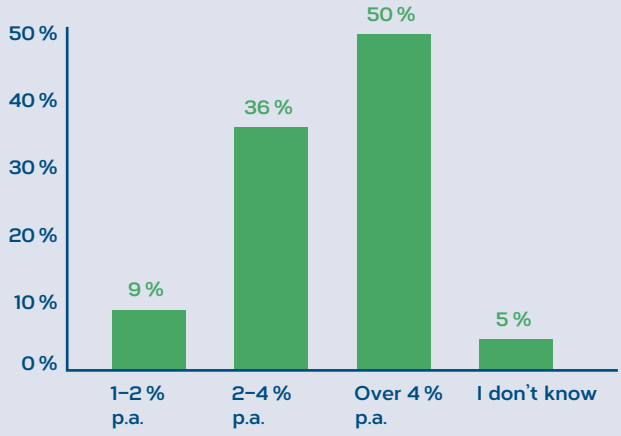
The "Stiftungsmonitor" survey conducts an annual survey of topics of particular relevance to Austrian foundations. In the 2025 survey, one of the key focuses was again on asset management. In total, over 300 individuals from the foundation sector participated in the survey. The central question of this year's survey was: What return expectations do foundations have for their asset management, and are these in line with expectations based on their defined strategy?

Self-image: Transparent, professional, return-oriented
The "Stiftungsmonitor" survey provided the following key findings regarding investment organization and asset management:

- The professionalism of the investment organization is rated 2.5 (1-very good / 5-unsatisfactory).
- The transparency of internal decisions received a high rating of 1.3.
- 32 % of foundations invest dynamically (30 % bonds / 70 % stocks).
- 39 % invest conservatively (70 % bonds / 30 % stocks), 29 % invest in a balanced manner (50 % bonds / 50 % stocks).
- Half expect a long-term return after costs and taxes of over 4 % in real terms (after inflation).

In particular, the target return of over 4 % in real terms makes it clear that many foundations aim not only to preserve capital but also to achieve real asset growth. This goal is understandable – after all, only real returns can ensure the foundation's purpose is fulfilled over the long term. Yet this is precisely where a discrepancy between aspiration and reality becomes apparent.

What long-term real rate of return (after inflation) does your foundation use in its calculations?

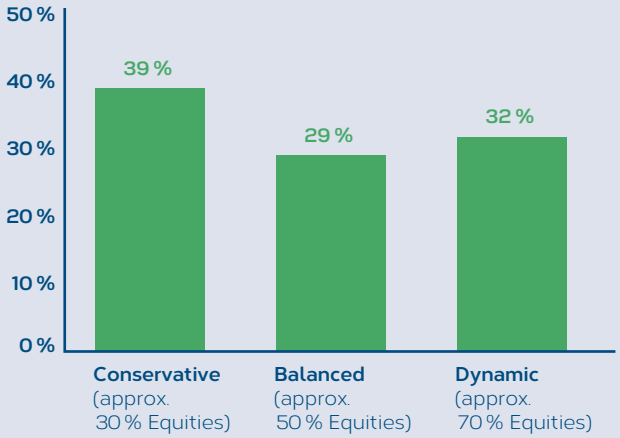


The reality: Structure and results do not align
Many portfolios are evidently invested more defensively than the return targets would suggest. Anyone seeking to achieve more than 4 % per annum after inflation over the long term requires–given a long-term inflation target of 2 % per annum in the eurozone and after asset management costs–a return of at least 7 % per annum.

Historically, such a target has only been achievable with equities (MSCI World from January 1, 2010, to December 31, 2025: 7.1 % per year in EUR). Conservative portfolios consisting primarily of fixed-income securities, as well as balanced portfolios, do not realistically allow for this return target.

If 50 % of foundations expect real returns of over 4 % but are predominantly invested in conservative or balanced portfolios, the question arises as to how professional the investment organization actually is.

What is the current risk profile of the investment portfolio?



Reporting to monitor goal achievement or a meaningless collection of numbers?

Ongoing monitoring of target achievement only yields accurate results if investment targets have been defined that are realistic and consistent with the risk profile. Reporting should clearly illustrate asset performance, enable an objective assessment of investment results, explain any deviations from the investment target, and document the results of risk and cost monitoring.

The Core Conflict: Self-Perception Versus Reality

Against the backdrop of the survey results, the foundations' positive self-assessment regarding transparency and professionalism raises the question: Does this perception align with reality?

What needs to be done?

1. **Define the investment objective realistically:** Capital preservation or real asset growth? What are the foundation's guidelines? What financial goals are necessary to fulfill the foundation's purpose?
2. **Review the investment strategy:** Is the strategic asset allocation suitable for realistically achieving the return target? How has this performed in the past, and what are market expectations?
3. **Sharpen risk understanding:** Higher real returns require a higher tolerance for market fluctuations. Short-term interventions in the strategy driven by unexpected results during volatile market phases should be avoided.
4. **Monitor results:** Continuous monitoring of portfolio performance allows deviations to be identified early and appropriate measures to be taken.
5. **Professionalize reporting:** Reporting should not only measure performance but also highlight and explain any deviations of the results from the strategy.

Only when objectives, risk profile, and investment strategy are aligned can reporting fulfill its function and enable efficient asset management. However, as long as structural questions regarding asset management are not honestly addressed, the foundation's assets will remain caught between aspiration and reality.

LMM Investment Controlling Ltd. (Head office)
Zollstrasse 32 · P.O. Box 174 · LI-9490 Vaduz

www.lmm-ic.com

LMM Investment Controlling Ltd. is an independent provider of investment controlling services and represents the interests of private and institutional clients vis-à-vis banks and asset managers. In addition to its headquarters in Vaduz, it has offices in Baar, Frankfurt and Vienna.

Disclaimer: The greatest possible care has been taken in compiling this information. However, we do not give any guarantee, including liability towards third parties, regarding the accuracy, timeliness and completeness of the information and opinions published in this newsletter. Please refer to our adapted privacy policy on our website.