WEALTH MANAGEMENT

INVESTOR GUIDE

QUINTET
LUXEMBOURG
PRIVATE BANK

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This brochure aims to provide you with such information in a clear and transparent way for a non-exhaustive range of investment instruments.

Your private banker, Quintet Luxembourg Private Bank, is there to help you look at the question in more detail, in particular with regard to your personal situation.

QUINTET LUXEMBOURG PRIVATE BANK

ADAPTING THE MANAGEMENT OF YOUR WEALTH TO YOUR PRIORITIES AND PERSONAL SITUATION

It is the duty of your private bank, Quintet Luxembourg Private Bank, to know your values, your wealth, your wishes and your plans for the future.

This sustainable relationship is vital to our individualised approach, as it makes it possible to develop wealth planning solutions. To do this our private bankers are in constant contact with different groups of experts, made up of financial analysts, risk managers and wealth planners.

"There's no such thing as a typical investor".

Your private banker will meet you regularly and ensure that the strategy followed is always in line with your investor profile and any changes in your expectations.

To help him with this he has the Investor Questionnaire which forms the cornerstone of our Wealth Management approach.

As part of this approach, you should also keep yourself up to date with the characteristics, advantages and risks of the various investment vehicles.

THIS BROCHURE AIMS TO GIVE YOU AN ALL-ROUND VIEW OF THE INVESTMENT INSTRUMENTS.

YOUR RISK TOLERANCE
RISK/RETURN TRADE-OFF

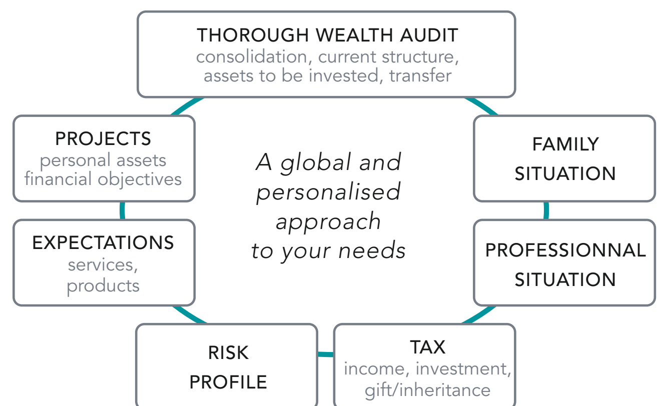
Our trusted advisor approach lets us provide you, if you need it, with the help of external specialists and advice to respond to your concerns.

This approach nwecessarily means a thorough wealth audit of your situation and your needs. One of the key elements is to determine your tolerance to risk.

Risk tolerance is linked to the investor's willingness and capacity to take risks. It requires a particularly subjective analysis and remains linked **to the investor's profile.**

Factors which may influence risk tolerance include:

- age,
- situation in the cycle of life,
- investment period,
- need for stable income, cash,
- long-term return goals or obligations/constraints,
- the size of the portfolio and financial solidity,
- financial knowledge and experience.



Investment decisions are always the fruit of compromise. The level of return that you want or expect must be compatible with your risk objective:

- high or better than average returns generally involve greater risks,
- while a drop in risk level generally means lower potential returns.

The environment for investments can be volatile. Expected returns may be unrealistic, given market conditions:

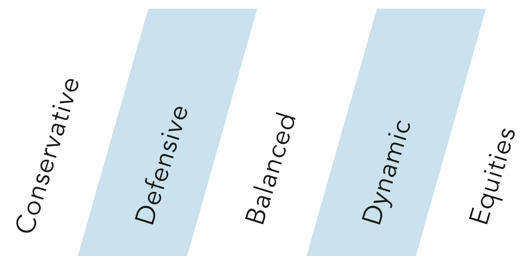
- often, investors overestimate their risk tolerance and only realise this when faced with a highly volatile environment;
- likewise, investors may underestimate their capacity to bear risk and, consequently, not be able to achieve the returns they could have.

An investor's risk tolerance is very subjective and a specific risk profile can change over time due to changes in your investment objectives or more personal circumstances. In this case, you may need to contact your private banker to update your risk profile.

WHAT SORT OF INVESTOR ARE YOU?

To ensure that your investment strategy is adapted to your objectives, your private banker will help you to define your overall risk and investment profile. To do this he has a risk profile analysis tool which takes account of your experience of the markets and your knowledge of investment instruments. It defines the level of risk that you are ready to accept in comparison to the return that you expect from your investments and your investment horizon.

STRATEGY



PROFILE PROPOSED BY THE BANK

The answers you have given will allow your private banker to assess your investor profile and confirm it with you. In this way you can see the investment strategy that is best suited to your situation and your needs. your investments and your investment horizon.

PROFILE			Conservative	Defensive	Balanced	Dynamic	Equities
CONSERVATIVE	**Investment horizon is around 3 years.** You do not want to take too many risks with your investments. You want regular income. Your portfolio may be subject to slight or moderate fluctuations.	☐	✓				
DEFENSIVE	**Investment horizon is more than 3 years.** Above all you are looking for regular returns with a moderate risk of loss. You accept moderate volatility.	☐		✓			
BALANCED	**Investment horizon is more than 5 years.** You are looking for long term capital growth. You are willing to take moderate risks and accept potentially significant variations in your portfolio.	☐			✓		
DYNAMIC	**Investment horizon is more than 7 years.** You are looking for strong capital growth over the long term. You are ready to accept sharp and sudden fluctuations in your portfolio, both upwards and downwards.	☐				✓	
AGGRESSIVE	**Investment horizon is more than 10 years.** You want very strong capital growth over the long term. You are ready to accept sharp and sudden variations in your portfolio, both upwards and downwards. Given the type of investment made, the portfolio will not generate regular income.	☐					✓

This investor profile is the indispensable starting point for putting in place an investment strategy which is suitable to your personal situation.

RESPECTING THE TARGET MARKET

With the aim of protecting investors, the legislation requires that financial products be created to meet the needs of a very specific clientèle.

Manufacturers must identify a target market for each instrument that they create as well as a distribution strategy that is suitable for the same market.

This target market is defined very precisely, based on five cumulative criteria:

- type of client, i.e. private client, professional client or eligible counterparty;
- client's level of knowledge and experience of the type of product and its characteristics;
- client's financial situation and ability to take losses, i.e. how much he is prepared to lose;
- clients' risk tolerance, i.e. general attitude to investment risks with explicit criteria;
- client's objectives and needs.

As a distributer, we have to take account of this new indicator.

We have to identify the clients who meet the target market criteria and only invest or advise this product for these predefined clients.

SUSTAINABILITY PREFERENCES

In line with the new regulatory requirements Quintet now collects from you your preferences regarding sustainable investments and includes them in the suitability assessment process. Our new Investor Questionnaire contains a straightforward explanation of the sustainability related terms and set of questions which will help us to understand your preferences. Sustainability preferences, just like other elements considered in the suitability process, are assessed at the level of your portfolio. If you open an account jointly with other persons, you should therefore agree on the sustainability features of your joint account. You can find further details about our sustainable investment framework and initiatives you can find on Quintet's website.

A share (or equity) is a title of ownership representing a fraction of the capital in a company.

Generally the share gives its holder (the shareholder) certain rights: a right to vote at meetings, a right to information, a right to the net assets if the company goes into liquidation and a right to any distribution of profits (dividend).

THE MAIN TYPES OF SHARES

Bearer or registered shares

- "Bearer" shares form the great majority of shares traded on the stock exchange because they can be sold freely. A bearer share does not require its holder to be listed in the company's share register.
- The identity of the holders of registered shares is entered in the company's register. In return for the advantages they offer (reduced fees…) their assignability is subject to specific formalities.

Ordinary or preferred shares

- An ordinary share carries the usual shareholder rights (right to vote, dividend…). This is the most widely found type of share.
- A preferred share gives its holder a right of priority over the holder of an ordinary share. The right of priority generally operates when paying dividends or if the company goes into liquidation. However, a preferred share does not usually confer voting rights.

ADVANTAGES OF SHARES

Investing in shares in a company allows you to take part in its development. By becoming a shareholder, the investor provides the company with capital to finance its activities.

The company's development may be reflected in a rise in the share price on the stock exchange (synonymous with capital gains for the shareholder) and possibly lead to a distribution of net profits to the shareholders (in the form of a dividend). In this way the capital that the shareholder has provided for the company is remunerated.

On the other hand, a company in trouble may decide not distribute a dividend to its shareholders (risk of non-remuneration). They may be affected by a fall in the company's share price (risk of capital loss). The extreme case of the company's insolvency could lead to a total loss of the capital invested by the shareholders.

The evolution of the price of a share depends on numerous factors linked to the markets (publication of macroeconomic statistics…) and the company itself (publication of results…). The price of a share can therefore be particularly volatile and difficult to anticipate in the short term.

Investing in the shares of a company requires the identification – with the help of your private banker – of its strengths and weaknesses as well as the external factors to which it is sensitive in order to verify that it is adapted to your investor profile, investment horizon and your objectives (recurring dividends, capital gains…).

DIVIDENDS

The dividend is a remuneration paid by a company to its shareholders. Payment of a dividend generally corresponds to a distribution of company profits. The latter may also decide to draw on its reserves to continue paying a dividend despite not making a profit.

NB: a dividend is not paid automatically (even if the company makes a profit).

Main types of dividends

- **The cash dividend** is by far the most traditional and widespread. It is paid by a cash transfer to the share-holder's account.
- **The dividend** in shares takes the form of an allocation of new shares to the shareholder. This method leads to an increase in the number of company shares and consequently reduces (or slows the growth of) the dividend per share (dilution). For this reason, dividend payment in shares is becoming increasingly rare.

Other types of dividends

- **The interim dividend** is when a company distributes a part of the dividend to shareholders in advance (before the dividend has been calculated for the year). This practice provides a better division of income for the shareholder and of payments for the company. The interim dividend is very widespread in the USA and the UK and is becoming more common.
- **The preferred dividend** (often higher than an ordinary dividend) is paid to shareholders holding preferred shares. However, the holder of preferred shares does not have the right to vote.
- **An exceptional dividend** may be paid by the company when its liquid assets are clearly greater than its needs (in particular after an exceptional event such as a sale which generates significant income).
- **A dividend premium** may be paid by the company to reward the loyalty of certain shareholders (holders of registered shares for at least two years). The premium is limited by law to 10%.

THERE ARE SEVERAL FAMILIES OF SHARES

- **Defensive stocks**

  Characterised by less vulnerability to fluctuations on financial markets and in a more global sense to the evolution of the economic situation, and generally coming from sectors such as foodstuffs, utilities and pharmaceuticals, these stocks offer better resistance in periods when the market is falling.

- **Cyclical stocks**

  Unlike defensive stocks, cyclical ones are vulnerable to the economic situation and to long-term trends specific to economic cycles. Active in sectors such as construction, the car industry and infrastructure, these stocks are particularly buoyant in periods of growth.

- **High-yield stocks**

  These stocks have a high dividend. These are generally mature companies paying a major part of their profits to their shareholders (mainly because of their limited needs in terms of investment). These stocks are particularly seen in the bancassurance and real-estate sectors.

- **Growth stocks**
  Unlike high-yield stocks, growth stocks are representative of rapidly growing companies with strong growth in both turnover and profits. Because of major investment needs, growth stocks pay little or no dividend. However, the capital gains potential is much higher. These stocks are also the most exposed when the market falls.

- **Value stocks**
  Unlike growth stocks with their dynamism and high capital gains potential, a value stock is considered to be undervalued compared to its intrinsic value, its balance sheet and more generally to other stocks in its sector. When markets fall, value stocks usually resist well, like defensive ones.

- **Gilt-edged securities**
  Often associated with large listed companies (see "big caps" below), these stocks are very well known in their sectors. They are marked by several years' regular growth and a good outlook.

- **Small caps**
  As their name indicates, these stocks have a modest stock market capitalisation. Often related to growth stocks, small caps generally offer greater capital gains potential than big caps, but they are also more fragile when markets fall. This type of stock may have low liquidity since the number of shares in circulation is limited.

- **Big caps**
  Unlike small caps, these stocks are marked by significant stock market capitalisation which could be several hundred billion euro. Also known as "blue chips", these stocks may be bought as gilts.

- **Within the framework of investment strategies proposed by the bank, the following products are also considered as shares :**

– investment funds or UCI as defined in paragraph 4, page 21, which only hold equites

– real-estate shares (the right of the share is on a property: for example, real-estate rental management on behalf of the shareholder

– real-estate funds composed exclusively of real-estate shares

– funds composed exclusively of shares and real-estate shares

– funds of funds, the latter being invested in shares as defined above

OVERVIEW OF THE ADVANTAGES, DISADVANTAGES AND RISK OF INVESTING IN SHARES

ADVANTAGES	
POTENTIALLY HIGH RETURN	Over the long term it has been found that shares generally perform better than bonds. A share's global performance is mainly due to the increase in its price on the stock exchange (potential capital gain) and, to a lesser extent, the dividends it has generated.
POTENTIALLY RAPID APPRECIATION	Generally characterised by high volatility, the share price may rise rapidly, allowing shareholders to make a profit in the (very) short term.
SHARE DIVERSITY	The great diversity in listed companies (in terms of sector, business, country) means there is a choice from a wide range of shares. The share selected may therefore be adapted to the strategy (investor profile, yield target…) and market trends (defensive stock when markets fall, cyclical stock when markets rise…).

DISADVANTAGES	
POTENTIALLY HIGH RISK	In compensation for a potentially higher return than for bonds, shares are a riskier investment. There are many factors, difficult to predict, which may cause a share's price to fall. Since its payment is not certain, the dividend may not offset a depreciation.
COMPANY RISK	The shareholder is the owner of a fraction of the capital and not a holder of a debt (cf. bond). He must take the risk of the company's insolvency into account, which means a capital loss.
DIVIDEND UNCERTAINTY	The payment of the dividend depends on the company's distribution policy, its results and future investments. It may stop or be reduced if the results are bad or the profits insufficient. The uncertainty around the payment of the dividend carries a risk of non-remuneration.

RISKS SPECIFIC TO SHARES	
CAPITAL LOSS	Capital may be lost if the company issuing the shares goes bankrupt (extreme case) or there is depreciation (the resale value of the shares is less than the purchase price). NB: the depreciation remains 'latent' as long as the shares have not been sold. The risk of capital loss is inherent to any investment in shares but it can be partially limited with defensive stocks.
EXCHANGE	There is no exchange risk for shares held and denominated in the shareholder's benchmark currency. However, a company issuing shares may be subject to an exchange risk depending on the geographical division of its activities. The exchange risk at corporate level may have an impact firstly on results and secondly on shareholders (through the stock exchange price and possible payment of a dividend).
RATE	The impact of the rate risk on a company's shares is only indirect (like the exchange risk). A rate rise can in particular increase the company's financing costs if it takes a loan.
VOLATILITY	The fluctuations in a share's price are the results of many factors which may impact the market in its totality (economic, political, diplomatic, social developments…) or more specifically the company or its sector of activity (publication of results, legal changes…). Furthermore, these fluctuations are sometimes increased upwards or downwards by irrational psychological factors (market rumours, nervousness or euphoria…). All these factors give shares a volatility level which is generally higher than other asset classes, making anticipating price fluctuations particularly hazardous (especially in the short term).
LIQUIDITY	In difficult market conditions or, more generally, for small caps, there may a lack of liquidity. This is characterised by weak supply or demand for a given price. Consequently, buy or sell orders may not be executed under the conditions wished for (partial execution, selling price lower than expected…) and may increase the risk for the investor.

A bond is a transferable security, representing part of a loan issued by a State, a supranational institution or a company in order to finance its investments. The bond issuer (the borrower) is to reimburse the bondholder (the lender) at a specified maturity date (except for so-called 'perpetual' bonds) and to remunerate him by paying him a coupon with a predetermined interest rate and frequency (except for zero coupon bonds).

MAIN TYPES OF BONDS

- **Fixed rate bonds**
  The issuer of a fixed-rate bond will remunerate the bondholder at a constant rate (fixed definitely on issue) until maturity. At maturity, the issuer will reimburse the bondholder the amount borrowed.

- **Variable (or floating) rate bonds**
  Unlike fixed-rate bonds, the coupon varies depending on the benchmark rate (inflation rate, money-market rate or bond rate). The amount lent is also reimbursed at maturity.

- **Zero coupon bonds**
  This type of bond does not pay interest during its life. Instead, the issue price is considerably lower than the redemption price at maturity (including the capitalised interest).

ADVANTAGES OF BONDS

Investing in an issuer's bonds means contributing to the latter's financing.

In return, the investor may receive a regular income (coupon) as interest on the sum lent. On maturity, the sum lent by the investor will have to be repaid by the issuer. Bonds may suit an investor wishing on the one hand to receive regular income and on the other to protect his capital. However, a bond investment is not devoid of all risk.

Firstly, the redemption of a bond at maturity depends directly on the solvency of its issuer (this solvency is regularly assessed by rating agencies such as Moody's or Standard & Poor's – see "ratings" table below).

Furthermore, during its life, a bond's value varies depending on how interest rates move: any rate hike means a depreciation for bonds in issue (i.e. a drop in price on the secondary market) since they pay less than new bonds issued on the primary market (see also rate risk below). Likewise, a rate cut makes bonds in issue more attractive: the investor may make a capital gain by reselling his bonds on the secondary market, at a price higher than that paid.

Investing in a bond requires analysing – with the help of your account officer – the financial solidity of its issuer (whether a government or a company) and the future development of interest rates. This preliminary analysis makes it possible to assess the two main risks linked to a bond investment (solvency risk and interest rate risk) and to assess its suitability to your investor profile, your investment horizon and your objectives (regular income, indexed to inflation, capital gain…).

MAIN CHARACTERISTICS

Issuers

- **A State / government**
  The public authorities issue bonds to finance their investments and expenses or to refinance their debts which are coming to maturity. A bond issued in the issuer's own currency is called a government bond or 'govie'. When the issue is denominated in another currency, it is generally called a sovereign bond.

- **A supranational institution**
  Ranked below States, this type of body may also issue bonds (e.g. the European Investment Bank, European Financial Stability Facility…). English speakers use the term 'supranational bond'.

- **An enterprise**
  Enterprises may finance themselves directly on the bond market by issuing bonds. These are called corporate bonds.

→ **It is generally admitted that a government bond is more liquid** (a loan on this scale is often much larger than on a corporate scale) **and less risky** (the risk of insolvency is often lower than for a company) **and so less remunerative than a corporate bond.** However, since the beginning of the sovereign debt crisis, these generally accepted considerations have to be taken in context. Before taking any investment decision, it is essential to analyse the bond and its issuer's solvency.

Rating of the issuer

An issuer's solvency may be assessed by one or more financial rating agencies. Each rating agency attributes ratings according to its own criteria (see table below, listing the different ratings and their meanings, for the two main agencies).

→ The higher a rating (close to AAA or Aaa), the greater the issuer's capacity to meet his commitments. The risk for an investor is therefore lower.

The lower the rating (close to C or D), the greater the issuer's risk of defaulting. The risk of the investor not recovering his capital and/or interest is higher.

The ratings between AAA (or Aaa) and BBB- (or Baa3) fall into the Investment Grade category. These ratings are attributed to good quality issuers, offering a low level of risk.

Ratings below BBB- (or Baa3), known as speculative grade or junk bonds, are attributed to bonds considered risky. The substantial default risk is offset by a higher yield.

Denomination, nominal value and issue amount

For a bond issue, the denomination (or the nominal) corresponds to the minimum tradable amount. The nominal is equal to the issue divided by the number of bonds (or denominations) issued.

→ The higher the amount of an issue, the more liquid it is and therefore easier for the investor to trade.

	STANDARD & POOR'S		MOODY'S	
INVESTMENT GRADE	AAA	Extremely strong capacity to meet its financial commitments. The highest rating.	Aaa	Highest quality level, minimal credit risk.
	AA+ AA AA-	Very strong capacity to meet its financial commitments.	Aa1 Aa2 Aa3	High quality level, very low credit risk.
	A+ A A-	Strong capacity to meet its financial commitments. Somewhat sensitive to unfavourable economic conditions and changes in situation.	A1 A2 A3	Satisfactory quality level, low credit risk.
	BBB+ BBB BBB-	Adequate capacity to meet its financial commitments. Sensitive to unfavourable economic conditions.	Baa1 Baa2 Baa3	Average quality, may have speculative elements. Moderate credit risk.

	STANDARD & POOR'S		MOODY'S	
NON-INVESTMENT GRADE (SPECULATIVE)	BB+ BB BB-	Subject to major uncertainties under unfavourable conditions (economic situation…). Less vulnerable in the short term.	Ba1 Ba2 Ba3	Highest quality level, minimal credit risk.
	B+ B B-	More vulnerable in unfavourable conditions but currently able to meet its financial commitments.	B1 B2 B3	High quality level, very low credit risk.
	CCC+ CCC CCC-	Currently vulnerable. Capacity to meet financial commitments requires favourable conditions.	Caa1 Caa2 Caa3	Satisfactory quality level, low credit risk.
	CC C D	Currently very vulnerable. Very close to default. Currently very vulnerable. Very close to default (authorisation of arrears, declaration of issuer's insolvency…). Payment default on financial commitments.	Ca C	Highly speculative, very close to default, with little chance of recovering capital and interest. The lowest rating. Generally in default, with little chance of recovering capital or interest.

Par price, issue/redemption price and issue/redemption premium

An issue issued/redeemed at 'par' has an issue/redemption price equal to 100% of the nominal. When the issue price is lower than par, the investor benefits from an issue premium. If the redemption price is higher than par, the investor benefits from a redemption premium.

A bond's **currency** influences its interest rate. A currency considered 'weak' (heavily indebted country, high inflation rate…) will be offset by a high interest rate.

→ Investing in a bond denominated in its benchmark currency neutralises the exchange risk.

The maturity corresponds to the bond's maturity date. The lifetime of the bond influences the redemption level.

→ In general, the longer the life of a bond, the more remunerative the bond is for the investor.

The modified duration gives an indication of a bond's exposure to rate risk. Indeed, it measures the sensitivity of a bond's price to a variation of 1% in interest rates.

→ The higher the modified duration, the more sensitive a bond is to rate variations.

The interest rate (nominal interest rate) is set on issuance and expressed as a percentage of the nominal. Applied to the nominal it allows the calculation of the coupons paid per denomination.

→ This rate depends on numerous elements (type of issuer, rating, maturity, currency, market conditions…).

Yield to maturity (actuarial rate)

The interest rate alone does not determine the real yield of a bond over its whole life.
The yield to maturity - expressed by the actuarial rate - quantifies the real yield on a bond by also reflecting its (current) price, redemption price and remaining life.

→ In contrast to the nominal rate, the actuarial rate enables investors to compare different bonds.

Subordination

The fact that a bond is subordinated means that it has a lower preference ranking for repayment in the event of issuer default or insolvency. Indeed, repayment of this type of bond (sometimes called "junior") is subordinated to the issuer repaying all so-called "senior" or "traditional" bonds. However, subordinated debt still takes precedence over shares and other equity interests.

→ The higher risk of non-redemption is compensated for by a higher yield for the investor.

Ex interest or cum interest – with or without accrued interest ("clean price" or "dirty price")

Most bonds are quoted at a percentage of nominal value (except convertible bonds which may be quoted at a price per bond, with a direct monetary value).
A bond's value is made up of two components, the clean price excluding accrued interest and the dirty price including accrued interest.
The clean price excludes accrued interest and makes it possible to compare different bonds.
The dirty price is that portion of the interest earned for the period since the last coupon payment.

THERE ARE SEVERAL FAMILIES OF BONDS

- **Indexed bonds** (e.g. inflation-linked bonds)
  The coupon and/or the repayment of capital are wholly or partially indexed to a benchmark, for example, the revenues of the issuer company, the price of a product, etc. The best-known are bonds indexed to inflation, in exchange for a lower nominal interest rate. Inflation-linked bonds protect investors, as the name implies, from the risk of inflation by means of a coupon and a redemption price that are regularly revalued to reflect rises in price indices since the bonds were issued.

- **Perpetual bonds**
  are bonds for which the nominal is never redeemed or for which the redemption date is set after issue (at the issuer's initiative). Throughout their life, the holder will receive a coupon and can sell the bonds on the stock market instead of being able to redeem them within a known timescale.

- **"High-yield" bonds**
  are identified by having ratings lower than BBB-. This type of bond is considered to be speculative.

→ In exchange for a (very) high level of risk, these bonds pay much higher interest.

- **Extensible bonds** can be extended beyond their maturity date, for a predetermined rate and term (set at issue).

→ Extending a bond with a high nominal interest rate can be beneficial to investors when rates are low.

- **Convertibles bonds** allow investors to exchange them for the issuer's shares (the share exchange parity is set on issue) during a predetermined period (the conversion period).

→ This type of bond should be distinguished from "reverse convertibles", where the issuer and not the investor has the right to convert. The investor will receive shares when they have fallen below a predetermined level. Conversion will always be done to the investor's detriment. In exchange for this risk, investors will generally receive a high coupon.

- The main feature of **Floating Rate Notes (FRNs)** is that they have a floating rate coupon, linked to a benchmark rate, for example, EURIBOR or LIBOR, which is reset from time to time during their life.

→ The investor does not know the exact amount of the coupons, but benefits from a certain amount of protection against inflation.

> **"Sukuk"** (singular "sak") **certificates are often likened to bonds.** They are Sharia law compliant investment certificates. Remuneration in the form of interest (along with any investment in gambling, tobacco or alcohol, etc.) is not allowed under Sharia law.
>
> A sak is therefore not based on a debt issue, but backed by a tangible asset. This is allowed under Sharia law and provides a steady income stream for a fixed period (like bonds, it has a maturity that is set in advance).
>
> This is therefore an equity interest, similar to a security backed by a revenue generating asset.

This is therefore an equity interest, similar to a security backed by a revenue generating asset.

- **Within the framework of the investment strategies proposed by the bank, the following financial products are also considered as bonds:**

– Investment funds or UCI as defined in paragraph 4, page 21, which only hold bonds
– Investment funds or UCI which only hold bonds and/or other funds comprised solely of bonds.

OVERVIEW OF THE ADVANTAGES, DISADVANTAGES AND RISKS OF INVESTING IN BONDS

ADVANTAGES		DISADVANTAGES	
RELATIVELY LOW LEVEL OF RISK	Over the long term, it has been found that bonds generally offer lower levels of risk and volatility than shares. Moreover, unless the issuer defaults, bonds often provide several "certainties" from the date of issue: term to maturity, rates and frequency of coupons, redemption price, etc.	ISSUER RISK	The yield expected by the investor depends on the ability of the issuer to honour its commitments. The investor may suffer a loss of income or even loss of capital in the event of default or insolvency of the issuer. The more attractive the yield offered by the issuer, the more risky the investment.
RECURRING, STABLE AND ATTRACTIVITE INCOME STREAMS	The majority of bonds provide investors with recurring (except "zero coupon" bonds) and stable (except floating-rate bonds) income. Furthermore, bonds generally offer a higher rate of return than short-term investments. The effect of inflation	THE EFFECT OF INFLATION	Since the terms of a bond (interest-rate, redemption price) are fixed to maturity, the holder's purchasing power is affected by inflation both in terms of coupon and in terms of the capital repaid (except for index-linked bonds). The effect of inflation is that much greater for longer maturities and/or for lower nominal interest rates.
CAPITAL GAIN POTENTIAL	Bonds can also generate capital gains during their life if interest rates fall. Gains can only be realised if the bonds are resold before maturity. The longer the residual life of the bond, the higher the potential for capital gains.	RISK OF CAPITAL LOSSES BEFORE MATURITY	The issuer's bond redemption arrangements only apply at maturity (except for perpetual bonds). Depending on how the price of the bond moves during its life, a sale before maturity could lead to a capital loss for the investor, particularly if interest rates rise.

RISKS SPECIFIC TO BONDS	
DEFAULT OR IN-SOLVENCY OF THE ISSUER	The risk of default varies greatly from one issuer to another, but generally the lower the rating, the higher the risk (Note: rating agencies are not infallible). Insolvency (or default) of the issuer can be temporary (delay or failure to pay coupons) or permanent (bankruptcy leading to total or partial loss of capital).
INTEREST RATES	During its life, the price of a bond varies with changes in market interest rates. A rise in interest rates leads to a drop in the prices of fixed-rate bonds already in issue. As a result, the longer the residual life of a bond, the greater the potential for a capital loss. The price of a floating-rate bond is less sensitive to falls in interest rates, but the return on such a bond can be less attractive because of lower coupons.
INFLATION	Over time, the rate of inflation has an impact on the purchasing power of capital (eroding the value of money) and on real interest rates in the coupons (nominal interest rate - rate of inflation). NB: a rate of inflation higher than the nominal rate produces a negative real interest rate and a loss of purchasing power for the investor. Furthermore, high inflation has a tendency to push up market interest rates, and to push down the prices of bonds already in issue.
VOLATILITY	During its lifetime, the price of a bond can fluctuate considerably. These fluctuations may be linked to the issuer (or its business sector): increased vulnerability in difficult economic circumstances, a deterioration in the financial position and/or a ratings downgrade could push down the price of the bond on the secondary markets. Moreover, inflation and fluctuations in market interest rates could push the price of the bond down (see "Interest rates" and "Inflation"). NB: the longer the residual life of a bond, the more sensitive its price will be to fluctuations. During its life, the risk of volatility can therefore give rise to an unrealised capital loss, reflected in the bond's valuation within the investor's portfolio. However, volatility risk can only produce a capital loss if the bond is resold before maturity.
LIQUIDITY	For bonds, liquidity risk depends on the efficiency of their secondary market. A modest-scale bond issue puts a fairly small number of bonds into circulation, so transaction volume will be relatively low. The investor's ability to resell bonds quickly at the required price will therefore be all the more restricted in difficult market conditions. NB: Liquidity risk is nil for investors who hold their bonds to maturity. This risk only surfaces if the bond is sold before maturity.
EARLY REDEMPTION	On issue, some bonds may come with a clause for early redemption at the issuer's initiative. This clause enables it to redeem the bonds before maturity at a price and on a date set at the time of issue. The issuer generally exercises this right in the event of a "long-term" drop in interest rates to a level lower than the nominal interest rate that it is paying to its investors. For investors, clauses of this type represent a risk of loss of earnings. Obviously, early termination of the conditions that the investors are benefiting from suggests that these conditions are more favourable than market conditions. So the investor is unlikely to be able to reinvest other than on less favourable terms.

A structured product is a tailored investment solution, using a combination of traditional financial instruments, (for example, bonds) and derivatives (for example, options). This combination allows investors to adjust the level of risk to their optimal acceptable level, while benefiting from movements in the underlier (for example, a stock, an exchange rate, etc.).

USES OF STRUCTURED PRODUCTS

Because of the many combinations available, structured products can meet the most specific requirements of each investor:

- **Structure:**
  the currency in which the product will be denominated, the investment horizon (one month, five years, etc.)
- **Underlier(s):**
  equities, bonds, indices, interest rates, exchange rates, commodities, funds, etc.
- **Anticipation:**
  rise, stability or fall in the underlier (during the life of the product or on maturity)
- **Objective:**
  regular income, participating in performance, hedging against risks, etc.
- **Acceptable level of risk:**
  total or partial protection of capital invested at maturity, no protection
- **Issuer (and guarantor, if any):**
  level of financial standing required, evaluation of default risk.

  Structured products are the result of the combination of several financial instruments. The risks associated with this type of investment should be examined carefully. They are aimed at more aware investors who should consult their private banker to obtain the information necessary to understand this type of investment.

CATEGORIES OF STRUCTURED PRODUCTS – RISK / RETURN

There are three broad product types, depending on the "acceptable risk/ expected return" trade-off and investment targets.

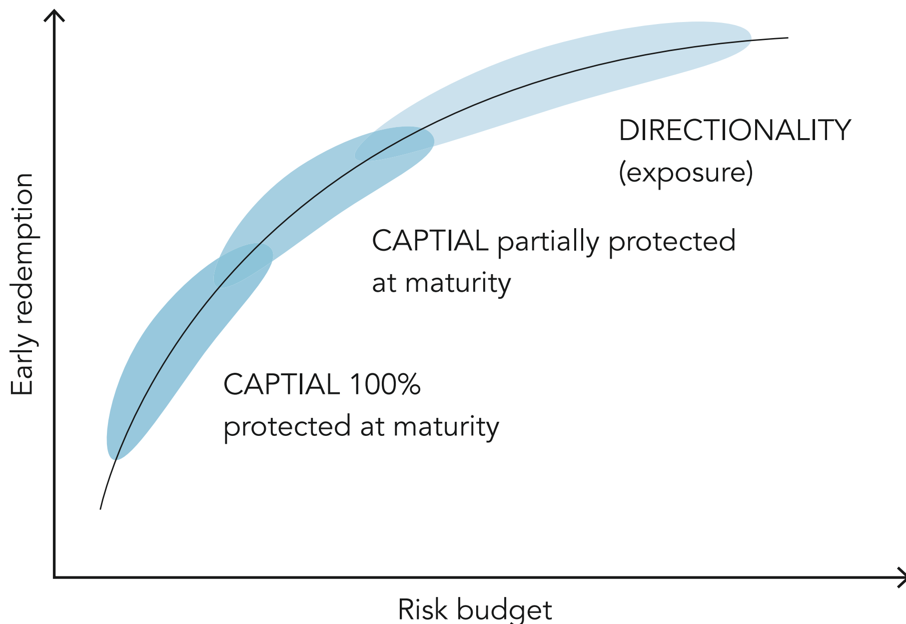
- **Products offering 100% capital protection on maturity**
  Here the return target is lower than for other types of product. The priority objective is the redemption at maturity of capital initially invested.

→ Redemption of capital is subject to issuer solvency (and solvency of the guarantor, if any). The financial "standing" of an issuer is generally evaluated by one or more ratings agencies (see the ratings table in the Bonds section).

- **Products with partial or conditional protection of capital at maturity**
  The level of risk accepted for this category of products is higher and allows investors to have higher return targets. Examples:

→ 90% partial protection
repayment of capital at maturity will be a minimum of 90% of capital initially invested, whatever the changes in the underlier (subject to the solvency of the issuer and of the guarantor, if any).

→ conditional protection
redemption at maturity of the capital initially invested is subject to one or more conditions being met (for example, the underlier must not hit a predefined level at maturity or during its life).



- **"Directional" products with high exposure to the financial markets, with no capital protection:**
  The priority will be higher return, in exchange for giving up protection of capital on maturity.
  The return and redemption at maturity depend on the movement in the underlier (sometimes with leverage).

OVERVIEW OF ADVANTAGES, DISADVANTAGES AND RISKS OF INVESTING IN STRUCTURED PRODUCTS

ADVANTAGES		DISADVANTAGES	
TAILORED INVEST-MENT SOLUTION	Structured products are flexible investment solutions that can meet specific expectations/ constraints that cannot be achieved with a single financial instrument.	RISK OF DE-FAULT…	…of the issuer (and of the guarantor, if any) The risk of insolvency of the structured product issuer (or of its guarantor, if any) must be taken into account.
ADAPTATION TO INVESTOR PROFIL	Structured products can offer different levels of capital protection on maturity and so can be adapted to all risk profiles, from the most defensive to the most dynamic.	RELATIVE CAPITAL PROTECTION	While a structured product may offer capital protection, this is only guaranteed on final maturity and not during the product's life.
RISK MONITORING AND HEDGING	The structured products may be used as risk-hedging instruments and also to invest in a theme by partially or totally neutralising a risk (exchange, rate,…).	VALUATIONS AND PRICE MOVEMENTS	The value of the structured product may diverge from that of its underlier because the product is a combination of various financial instruments. The spread between the bid and ask price is often wider than for a traditional instrument.
DIVERSITY OF STRUCTURES AND UNDERLIERS	Many types of instrument can be used to design products, allowing great diversity in terms of structure (guaranteed or conditional income, frequency of income, etc.) and underliers (sometimes not accessible as direct investments).	LOSS OF INCOME COMPARED WITH PURCHASING THE UNDERLIER	Over the same period, the specifics of a structured product (conditional income, limited exposure, etc.) can give rise to a loss of income compared with direct investment in the same underlier (where that is possible), with however the level of risk accepted being different.

RISKS SPECIFIC TO STRUCTURED PRODUCTS	
LOSS OF CAPITAL	The risk of loss of capital depends on the level of capital protection offered by the structured product. This risk can be offset with a structured product offering 100% capital protection on maturity. This protection is still, however, dependent on the solvency of the issuer (and of the guarantor, if any).
EXCHANGE	Exchange risk depends mainly on the underlier and therefore on the instruments used to make up the structured product. It is nil for a structured product denominated in the investor's benchmark currency.
INTEREST RATE	The interest rate risk depends on the instruments making up the structure and can have a twofold impact: at the level of the valuation of the product during its life and at the level of the expected return. An increase in interest rates can drive down the value of the bond (which might be one of the components of the product) and reduce the return distributed by a fixed-income product. A structure may pay floating-rate income to keep down the impact of movements in interest rates.
VOLATILITY	Various types of instruments can be used in the composition of a structured product, each with their own specific degree of volatility. Movements in the prices of a structured product are difficult to anticipate over its lifetime.
LIQUIDITY	It is often more difficult (and sometimes impossible) to sell a structured product before its maturity than to sell other financial instruments that are actively traded on a regulated market. This liquidity risk generally takes the form of a lower resale price.
EXTRAORDINARY EVENTS	The Base Prospectus and the Final Terms (legally required documents for structured products) provide for a certain number of adjustment or substitution arrangements to reflect the impact of any such extraordinary events on the product (early redemption for tax reasons or because of market disruption – a "Market Disruption Event" – such as trading in the underlier being suspended, etc.); the sum repaid to the client can therefore be less than that which would have been obtained by applying the prevailing redemption formula under normal circumstances.

An undertaking in collective investment, or "fund" in common parlance, is an organisation for receiving capital from a number of investors so as to invest it collectively in various types of assets (equities, bonds, etc.).
It is managed in accordance with the investment policy laid down when it was formed and within the legal framework laid down in its country of domiciliation.

TWO LEGAL FORMS IN LUXEMBOURG

The "contractual" – constitution Based – form

A Luxembourg fund – a Fonds Commun de Placement (FCP) – is made up of capital invested and owned in common by the unitholders.

It is not a separate legal entity and must be managed by an investment management company following a set of investment management rules.

Investors have no influence over the way the FCP's assets are invested.

The "statutory" – legal entity – form

A "Société d'Investissement à Capital Variable/Fixe (SICAV/SICAF)" – an open- or closed-ended investment company – is a separate legal entity and is managed by a Board of Directors, which lays down the company's investment management policy.

The investors are the company's shareholders and as such they have the right to vote and can take part in General Meetings.

ADVANTAGES OF UCI

The main advantage of investing your assets in a UCI is that **the assets raised from a large number of investors can be pooled.** Because of the size of the funds raised, the fund manager can access a wide range of different securities and stock markets that individual investors could not access on their own.

This diversification of assets **reduces overall portfolio risk** compared with direct investment in a financial instrument, because the underliers generally do not move in the same way (it is very unusual for all securities to fall dramatically at the same time).

Funds are so diverse that they can **meet the specific needs of every investor.** However, given the plethora of funds on offer, it is essential **to have experienced advisors to help you make the right choice.**

Investor is advised to consult his private banker to define his investor profile, investment horizons and targets so that a suitable fund or funds can be selected.

MAIN CHARACTERISTICS

Different types of uci units

- **Capitalisation units**
  The income/dividends received by the fund are reinvested in the fund. Investors receive the return on their investment when they sell their units.
- **Distribution units**
  The income/dividends received by the fund are paid out to investors at regular intervals (not necessarily in full).

Net asset value

The Net Asset Value (or NAV) is the UCI's subscription or redemption price. It is calculated by dividing the fund's net asset value by the number of units in issue. This may be done daily, weekly or monthly, etc.

European passport

A UCI may, or may not, have a European passport allowing it to be marketed freely throughout the European Union, depending on whether it complies with European Directives or not:

- **Section I of the Luxembourg law on UCI (coordinated UCITS)**
  These funds can only be invested in transferable securities and other instruments permitted by European Directives → European passport
- **Section II of the Luxembourg law on UCI**
  These funds do not apply the restrictions of European Directives → No European passport

There is a wide variety of uci, including:

- **Money-markets funds** invested in cash and in securities with a short residual life
  → term deposits, treasury bills, certificates of deposit (issued by banks), commercial paper (issued by companies) and bonds nearing maturity.
- **Bond funds** investing in fixed or variable income bonds. They can be invested in securities with very diverse characteristics
  → government bonds, corporate bonds, convertible bonds, high yield bonds, etc.
- **Equity funds** investing in equities according to pre-set criteria
  → country or geographical area, economic sector, stock market capitalisation, investment style, specific themes, etc.
- **Real-estate funds** invested in real-estate equities. These are characterised by the fact that the right of the share is on a property: for example, real-estate rental management on behalf of the shareholder
- **Flexible or balanced funds** actively and dynamically combining various investment strategies. They are mainly invested in equities, bonds and money-market instruments.
- **Funds of funds** invested in the units of other funds, which themselves invest in various asset classes.

This classification covers the type of funds for which Quintet Luxembourg Private Bank is a promoter. This list is not exhaustive.

"TRACKERS" OR ETF (EXCHANGE TRADED FUNDS)

ETFs are funds listed on the stock exchange, covering a wide range of investment policies.

They combine the advantages of an index-based fund with the performance of a stock. They have one objective only, that of replicating the upward or downward movement of an underlying index.

They therefore follow the composition of specific market indices, representative of asset classes (equities, bonds, commodities, etc.), from a geographical angle (Europe, USA, emerging markets, etc.) or perhaps an economic sector (automobile, insurance, etc.).

ETFs can be divided into three main categories, depending on the replication techniques used:

- **Entirely physical:** the ETF invests entirely in the assets making up the index to be replicated
- **"Optimised" physical:** the ETF invests in an optimised basket of securities making up the underlying index
- **"Synthetic":** derivative products are used to reproduce the performance of the underlying index, with or without leveraging, either upwards or downwards.

In a single transaction, ETFs make it possible:

- to track the movement of the target index
- to diversify your assets, with no minimum investment (they are traded by the unit)
- to benefit from low management fees compared with traditional funds
- to benefit from the lack of entry/exit fees, where the purchase/sale is made on the stock market
- to obtain a performance very close to that of direct investment in all the securities making up the index being replicated
- to monitor prices easily (ETFs are usually continuously listed on the stock market)
- to invest in liquid instruments, to place stop-loss orders – so benefiting from movements of the index in real time.

Like all forms of investment, ETFs also present risks (set out in detail in the "risk factors" section of their prospectuses).

Here is a brief outline :

- **Risk linked to the target index:** investors must be aware of the risks linked to the target index and its components. ETFs following leveraged strategies (aiming to magnify movements in the index) expose investors to higher risk. A minor change in the index could result in large profits, but also in large losses.
- **Liquidity risk:** linked to the characteristic of the index being replicated (if its components have low liquidity, investors may find there are wide divergences between the value of the ETF's assets and the price of the ETF itself). This risk is also affected by the efficiency of the market on which the ETF is traded, or extraordinary events (for example, a "Market Disruption Event", such as the index or the ETF itself being suspended from trading).
- **Risk of counterparty failure:** ETFs using derivative products ("synthetic" and/or leveraged) expose investors to this risk. Failure of the counterparties with which the derivatives are contracted can of course affect the ETF's value, or even close it down. The amount repaid to the investor could therefore be lower than that obtained under normal circumstances.
- **Investment management risk:** this involves, amongst other things, the risk of a divergence between the performance of the index being replicated and the ETF (tracking error). This risk is more likely to occur in practice in ETFs using the "optimised" physical replication technique.

OVERVIEW OF ADVANTAGES, DISADVANTAGES AND RISKS OF INVESTING IN UCI

ADVANTAGES		DISADVANTAGES	
EASE OF ACCESS	Investors can invest their assets in a broadly diversified portfolio, starting with a modest initial investment.	FEES	Fees can vary widely depending on the characteristics of the UCI and on the financial institutions that market it.
WIDE SELECTION	The range of funds available to investors is huge. This gives them the opportunity to access many markets or particular investment themes.	RISK RELATING TO MARKETS OR SPECIFIC THEMES	Making the right choice from the profusion on offer can prove difficult. In particular, investors should be aware that investing in specialist markets or themes usually turns out to be more risky than investing on more "traditional" markets.
PROFESSIONAL INVESTMENT MANAGEMENT	In addition to spreading portfolio risk, professional investment management gives you the benefit of the expertise and the resources available to a fund manager (software, information, etc).	LACK OF TRANSPARENCY	Investors do not always have a clear idea of the whole portfolio (all the individual securities that make it up) since they are not the ones making the investment decisions.
FLEXIBILITY	Most UCI are open to new business, with no maturity date and with a daily NAV, providing investors with great flexibility and liquidity.	TRADABILITY	With some UCI, for which the NAV is prepared less frequently (weekly, monthly, etc.), it is difficult to react quickly to sudden market movements. UCI that are closed to new transactions through to final maturity also exist.

RISKS SPECIFIC TO UCI	
INVESTMENTS	UCI invest in a variety of financial assets and are consequently subject to fluctuations in the prices of their underliers. They are therefore exposed to all the risks facing equities, bonds, money-market instruments and any other transferable securities used (e.g. interest rate risk, risk of stock market movements, credit risk, etc.).
EXCHANGE	Exchange risk depends mainly on the makeup of fund assets. It is nil for UCI invested in underliers denominated in the investor's benchmark currency. It can be significant if a large proportion of the fund's assets is invested in foreign currencies.
INVESTMENT MANAGEMENT	The movement in a fund's NAV depends on investment decisions. So the return received by the investors depends on the ability or otherwise of the investment manager to select the best performing assets.
LIQUIDITY	In the event of high redemption demand by investors (in excess of a certain threshold), the law can permit funds to restrict redemptions.
COUNTRY OF RESIDENCE	Prudential supervision, money laundering regulations and investor protection are stricter in some countries (such as Luxembourg) than in others.

These instruments, looked at very briefly, have special characteristics in terms of the risk/return ratio and are often very sophisticated. They generally involve high risk, as do derivative products or other instruments using leveraging. They should therefore obviously be restricted to very knowledgeable investors who are well aware of the risks incurred.

DERIVATIVE PRODUCTS

Derivatives are not suitable for all investors. Derivatives are speculative investments involving a high degree of risk. An investor in a derivative product is exposed to a risk of loss greater than the capital initially invested. Therefore, investors must have the financial capacity, level of experience and ability to bear the risks of investing in a derivative product.
Before investing in a derivative product, an investor should be aware of the risks inherent to this type of product (market, counterparty, liquidity risk, etc.).

They are financial instruments "derived" from real investments such as bonds, equities, indices, exchange rates, interest rates, etc. They fall into two categories:

- **the options markets:**
  tradable options, warrants and share options
- **the futures markets.**

The technical resources needed to operate on the futures markets are considerable and the amounts invested are often very large. So the options markets would seem to be better suited to private investors because they allow alternative investment management techniques to be used, irrespective of whether markets are rising, falling or flat.

An option is a contract under which an investor acquires the right to buy (call) or sell (put) an underlying asset at a pre-set price for a fixed period, or at a pre-set maturity date, in exchange for paying a premium.

SIMPLE STRATEGY	ANTICIPATING MOVEMENTS IN THE PRICE OF THE UNDERLIER	POTENTIAL FOR GAIN	POTENTIAL FOR LOSS
BUYING A CALL	Price rise	Unlimited	Limited
SELLING A CALL	Price stagnation or slight fall	Limited	Unlimited
BUYING A PUT	Price fall	Unlimited	Limited
SELLING A PUT	Price stagnation or slight rise	Limited	Unlimited

Because of the unlimited loss risk, sellers of options are required at all times to hold the necessary surety (deposited security) to cover their short positions.

Furthermore, the potential loss is revalued daily for each short position. If the security deposited is insufficient, margin calls are made to increase the security deposited.

A warrant is a transferable security similar to an option, giving the right to buy or sell a financial asset (currency, index, interest rate, equity, exchange rate, etc.) at prices and for periods that are set in advance. As with options, there are call warrants and put warrants.

Futures transactions involve a commitment to deliver or receive a set quantity of a given underlier (perhaps a commodity, such as oil or wheat) on a specific date and at a price agreed at the time the contract was concluded. The primary purpose of this type of contract is to hedge against any adverse price movements. Speculative investors can also profit from fluctuations in the prices of these contracts, in exchange for often high risk.

HEDGE FUNDS

Hedge funds are not suitable for all investors. Hedge funds are speculative investments involving a high degree of risk. An investor in a hedge fund could lose all or a substantial part of his investment. Investors must therefore have the financial capacity, level of experience and ability to bear the risks of investing in a hedge fund.
Hedge funds can use leverage and other investment techniques that can lead to volatile performance and increased risk of loss. An investment in a hedge fund is generally illiquid and there may be significant restrictions on the redemption of holdings in a hedge fund. There is no secondary market for investments in a hedge fund.
Each hedge fund is unique and involves unique risks. Before investing in a hedge fund, an investor should be aware of the risks inherent to this type of product (limited diversification, liquidity risk, tax risk, etc.).

These are funds that can invest in any type of financial product and can use leverage. They can take short positions, borrow and lend, pledge or assign assets as collateral, etc.

All hedge funds present an overall specific risk deriving from the combination of the risks that arise from the investment strategies and financial instruments they use. Given the almost limitless number of combinations that these products present, the risk typical of any particular case cannot be covered in detail in this brochure. Also, before committing to a hedge fund, investors need to obtain detailed knowledge of the specific risks attaching to that hedge fund.

PRIVATE EQUITY

"Private Equity" or capital investment is made in non-listed companies. It can be made directly or through the intermediary of funds specialising in this type of business.
Its strategies come in several forms, depending on the stage of development of the target companies:

Early stage: (Risk capital, venture capital

- **Seed Capital:**
  (first two years) developing and finalising a concept (very high risk)
- **Start-up Capital:**
  (second to fourth year) finalising the product and launching the marketing process (high risk)

Later stage: (build-up, buy & build, buyout – leveraged buyout…)

- **Expansion/development/growth Capital:**
  (from third to fifth year) funding for increased production, marketing or if needed working capital.
- **Buyout Capital:**
  (from fifth year) funding for restructuring to achieve the company's potential.
- **Replacement Capital:**
  (from fifth year) purchase of stake in a company in particular as part of an inheritance.

Particular risks relating to this type of investment are as follows:

- Investors are subject to the risk of the company going bankrupt, which could give rise to a total loss of capital invested.
- Investors make a firm commitment for a set amount: the funds are drawn down gradually, on demand by the investment managers, as they make investments. Distributions are also unpredictable, because they depend on selling investments.
- The commitment is long-term (7 to 10 years, or even longer) with extension periods possible. This allows the fund manager to avoid selling in an unfavourable economic climate.
- Most private equity funds are closed s and the opportunities for exit before maturity are therefore limited.
- Valuation is done quarterly, or even half yearly.

FINANCING INVESTMENT USING A LOAN

This is also a way for investors to invest amounts higher than those represented by the value of their portfolios. This gives them a leveraging effect.

In financial transactions of this type, investors generally have to lodge the securities as collateral for the loan granted (pledge, charge). Fluctuations in the prices of the pledged financial instruments could have an adverse effect on the ability to repay the loan, which might force the lender organisation (the bank) to sell the securities that have been lodged, at what might be an unfavourable moment.

The leveraging effect obtained by buying transferable securities on credit gives rise to a proportionately greater sensitivity to price fluctuations. It offers the chance of higher gains, but also a higher degree of risk of loss.

ALTERNATIVE INVESTMENTS

Alternative investments are aimed at very knowledgeable investors. They are investments whose value may fluctuate sharply and the initial capital is not guaranteed. These investments may therefore be part of the strategies defined with the bank (especially to hedge or diversify risk) but on a very moderate scale. Your Private Banker will be happy to answer any questions you may have about this type of investment.

Within the framework of the investment strategies offered by the bank, the following are considered as alternative investments:

- **Commodities**
  (gold, oil, metals, agricultural products...)
- **Certain direct investments in infrastructure**
  (energy, water, transport, logistics, mining, telecommunications and real estate)
- **The following very high-risk products:**
  in worst-case scenarios, the whole investment may be lost

– **Hedge funds.** They are described in Chapter 8 "Other forms of investment for very knowledgeable investors only", page 27),

– **Private equity funds** as described in Chapter 8 "Other forms of investment for very knowledgeable investors only", page 27)

The current legislation establishes uniform rules with the European Union on the format and content of key information documents. The aim is to allow the investor to understand and compare the main characteristics of the various packaged retail and insurance-based products (PRIIPs) as well as undertakings for collective investments covered by the UCITS Directive (UCITS).

The key information documents are pre-contractual documents whose aim is to give investors information in a simple and uniform manner. With a standard format of a maximum of 3 pages, they present, clearly and succinctly, the critical information to allow the investor to understand the nature of the products and their associated risks.

They are updated at least once a year or more frequently if the information contained in them is signifi cantly impacted.

KIID FOR PRIIPS

Products which are defined as PRIIPs are non-UCITS investment funds; any structured product, including structured deposits, any derivatives, convertible bonds and insurance products, directly or indirectly exposed to market fl uctuations.

However, products with no investment risk, direct investment in equities and bonds, deposits other than structured deposits, non-life insurance products payable only in the event of death or incapacity, occupational pension schemes and any other pension product are not defi ned as PRIIPs.

The key information document for these products contains the following information:

- Aim of the document
- Product specifics
- Risks associated with the product
- Consequences of the product issuer going bankrupt
- Costs and charges associated with this product
- Life of the product
- How to make a complaint
- Other relevant information

[1] Regulation (EU) No 1286/2014 on key information documents for investors on packaged retail and insurance-based products (PRIIP).
[2] Directive 2009/65/EC commonly known as the UCITS Directive (Undertakings for Collective Investment in Transferable Securities) on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.

KIID FOR UCITS

This category comprises products in the form of Sicav (Sociétés d'investissement à Capital Variable or investment company with variable capital) and FCP (Fonds Communs de Placement or common investment funds). This market is regulated by the European UCITS Directive. This Directive lays down common rules for the creation and management of investment funds at European market level.

The key information document for these products contains the following information:

- Fund's objectives and investment strategy
- Fund's risk/return profi le (synthetic risk return indicator or SRRI)
- Costs and fees associated with the fund
- Fund's past performance
- Practical information

Quintet Private Bank's disclosure pursuant to Article 6 of Regulation (EU) **2019/2088 on sustainability-related disclosures in the financial services sector ('SFDR')** on transparency of the integration of sustainability risks for financial advisers

How sustainability risks are integrated into investment advice

Sustainability risks are defined as environmental, social or governance (ESG) events or conditions that, if they occur, could cause a negative material impact on the value of the investment. We consider sustainability risks a source of financial risks and therefore it is crucial to incorporate the consideration of these risks in our advisory process. Quintet identifies sustainability risks to include environmental, social and governance risks. Environmental risks encompass climate risks, which include physical and transition risks, and non-climate risks such as pollution and biodiversity loss.

At Quintet, sustainability risks are integrated in the instrument selection process for investment advisory. Investment advisory is a business service offered by Quintet where we provide advice on financial instruments such as stocks, bonds and funds to clients. The investment decision remains at the clients' discretion.

Single-line stocks and bonds

When advising on single-line stocks and bonds, identified sustainability risks include, but are not limited to: violations of the UN Global Compact principles and the related chapters of the OECD Guidelines for Multinational Enterprises and the related UN Guiding Principles on Business and Human Rights, exposure to issuers subject to EU arms embargo, exposure to thermal coal and exposure to controversial weapons. We manage and limit the sustainability risks our financial advice through

(i) a set of exclusions to avoid exposure to certain high ESG risks factors;
(ii) where possible and feasible, we engage with the issuers to mitigate the identified risks.

Financial products

When advising on financial products[1], these undergo a fund due diligence process where each fund is rated based on their SFDR disclosures and Quintet's fund sustainability assessment. Sustainability risks are considered by, at a minimum, requiring funds to have aprocess in place to avoid exposure to a pre-determined set of controversial weapons . Furthermore, the fund managers need to have an active ownership policy to engage and vote, where possible and feasible.

Funds which received the highest or second highest sustainability rating by Quintet are subjected to a more rigorous evaluation of sustainability, which includes a more detailed assessment of sustainability risks. This assessment includes an analysis of the funds' holdings' exposure to substantial sustainability risks and controversies, an evaluation of the funds' sustainability risk integration approach and whether the funds engage with underlying issuers on financially material ESG matters.
For more detailed information, please refer to Quintet Sustainability Risks in Investments Policy, Responsible Investment Policy and Fund Sustainability Assessment Summary on our website Regulatory Affairs | Quintet Luxembourg.

Assessment of the likely impacts of sustainability risks on the returns of the financial products we advise on
Financial products that we advise on invest or may invest in various financial instruments such as stocks, corporate bonds and sovereign bonds. Sustainability risks, including environmental, social and governance risks, have the potential to impact the value of these instruments and consequentially the returns of the financial products we advise on.

The fund due diligence process described in the above section is expected to mitigate the sustainability risks and their impacts on the returns of the financial products we advise on. However, the likely impacts will vary depending on the funds, the exposure of the funds' holdings to substantial sustainability risks and its approach to integrate sustainability risks in the investment process.

[1] This statement applies to funds and ETFs. Sustainability risks are not considered for structured products

This documentation has been prepared from the best available sources, but is not intended to give comprehensive information on the subjects covered, and merely provides a brief overview.

It cannot, therefore, be construed as a recommendation, or as advice of a legal, economic or wealth management nature, and its writers accept no responsibility for it under any circumstances.

Readers are therefore advised to contact someone with professional knowledge of the subject if they want to evaluate the matter in greater depth, particularly regarding their personal situation.

Quintet Luxembourg Private Bank in Luxembourg will be delighted to give you guidance on your needs.

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