GENERAL PRINCIPLES OF WEIGHTING

To determine the lombard value (also referred to as the “Borrowable Equivalent Amount”), for example, for an arranged overdraft (Lombard Credit), a Pledged Overdraft Facility and/or, on a non-exhaustive basis, a different banking transaction requiring an assessment of assets held on the account, Banque de Luxembourg assesses the value of your assets using weighting rules according to the type of instrument, as well as its quality and liquidity.

1. Definitions

Capitalised terms and expressions in italics in this *General Principles of Weighting* have the meaning given to them in the *General Terms and Conditions of the Loan or Credit*, or failing this, that given to them hereinafter:

Central Administration: The central administration of an investment fund comprises all the fund’s back-office functions: specifically, its accounts, *Net Asset Value* calculation, performance calculation, preparation of reports, the *Issue* or redemption of units or shares, keeping the shareholder register, the administration of client accounts and communication with members or shareholders.

Stock Market Capitalisation: The stock market capitalisation is the value, at market price, of all the shares representing the capital of a company. It equals the number of outstanding shares multiplied by the market price per share. It is also used to assess the relative value of a financial market.
This is calculated by adding together all the stock market capitalisations for the shares comprising the market. The stock market capitalisation serves as a comparison between different international financial markets, business sectors and companies.

Lombard Credit: Lombard credit is used to obtain a loan either in the form of a current account advance, or a debit authorisation in return for a pledge of a securities deposit. The loan must be used to invest in financial products with the aim of achieving leverage from the pledged deposited securities. Based on the weighting principles described in this document, the *Bank* determines the maximum loan principal against each security in the portfolio.

Pledged Overdraft Facility: The pledged overdraft facility is a way of obtaining a loan in the form of a current account advance, or a debit authorisation in return for a pledge of a securities deposit. The loan can be used for any purpose other than investing in financial products with the aim of achieving leverage from the pledged deposited securities. Based on the weighting principles described in this document, the *Bank* determines the maximum loan principal against each security in the portfolio.

Custodian: The custodian opens and administers the securities current accounts for member registrars and transfer agents. It centralises the book-keeping for securities and facilitates their transfer between financial intermediaries by executing credit transfers between accounts.

Issue: An issue is a financial operation that consists of creating transferable securities, whether or not they are listed. The issue process on the primary market takes place over a relatively short period of time (often between a week and a month). The placement of an issue is handled by a large financial institution. An issue can be used to borrow capital (bonds), raise equity capital (shares) or create specific financial products (warrants, structured products, etc.).

UCITS Funds: Undertakings for collective investment in transferable securities (or UCITS) are a type of investment fund. The term is enshrined in European Council Directive 85/611/EEC of 20 December 1985, which aimed to establish a single regulatory regime in the European Union for this type of investment fund, and thus create a European Community market for this type of investment vehicle and guarantee a high level of investor protection.

Non-UCITS Funds or Alternative Funds: Alternative funds refer to investment funds that do not fall within the scope of the European Directive on undertakings for collective investment in transferable securities (*UCITS*), such as hedge funds, funds of hedge funds, venture capital funds, private equity funds and real estate funds. There are no legal restrictions on the assets in which alternative funds can invest. Risk diversification rules are not as strict as they are for *UCITS*. Unlike *UCITS*, alternative funds do not benefit from a European passport to enable them to be marketed in all European Union member states once authorisation has been obtained in one member state.

Maximum Drawdown: This defines the maximum capital loss from a given point and its lowest subsequent correction (from peak to trough). It is an important indicator to measure the downside risk of a strategy and its capacity to climb back up.

Convertible Bond: Convertible bonds are hybrid securities and form a specific category of bonds. The holder of a convertible bond can transform it into shares of the issuing company at a conversion ratio defined in the issue contract. The price of the bond varies according to the price of the share and is hardly affected by bond market interest rates.
The issuer is able to finance itself more cheaply, as the yield offered on convertible bonds is lower than that on a traditional bond, while the investor enjoys the guarantee of a minimum yield. If, during the conversion period, the market price of the share is higher than the conversion price (against the convertible bond), the investor can make substantial capital gains.

Promoter: The promoter is the name given to the body responsible for an investment fund's administrative, accounting and financial management, conducted on behalf of a financial institution or private clients.

Rating: The rating is an estimated grade given to a security (debt or property) issued by a government or a company. Several major global rating agencies (e.g. Moody's, Standard & Poor's, and Fitch) assess issuers and regularly publish their ratings.

Net Asset Value (NAV): The net asset value is the price at a given moment (excluding fees) of a collective investment fund. It is equal to the fund's net assets divided by the number of units or shares outstanding. The net asset value fluctuates according to the valuation of the assets the fund owns, not according to the supply and demand of its units or shares.

2. The basic principles are as follows:

a) The pledged securities portfolio must be diversified and composed of liquid and readily tradable securities.
   - (i) Bonds are weighted according to their *Rating* and residual maturity. In certain circumstances this principle can be adapted according to the country of origin of an issuer. The restrictive list of countries can be found under point 12.
   - (ii) Shares are weighted according to their *Stock Market Capitalisation* and geographic origin.
   - (iii) Investment fund units are weighted on a case-by-case basis depending on their investment policy, size, degree of liquidity and/or *Net Asset Value*.
   - (iv) Precious metals are weighted at a single rate.
   - (v) Structured products are weighted on a case-by-case basis according to their structure and their least favourable redemption scenario.
   - (vi) In principle, any other types of instruments or securities have no collateral value.

b) All these assets are also weighted according to their *Issue* currency. The end weighting is therefore obtained by multiplying the weighting of the product by the weighting of the product's currency.

c) The *Bank* reserves the right to weight a security on an individual basis.

d) The *Bank* may amend these *General Principles of Weighting* at any time subject to written notice in accordance with legal and regulatory changes, or changes in standard market practice and the market situation or *Bank* policy. The *Bank* reserves the right to notify the *Client* at any time and by any means, including by notice online, of any changes made to these *General Principles of Weighting*.

The weighting principles applicable to the various asset classes are detailed below. This information is provided on an indicative basis.

3. Bonds

3.1. Government or supranational bonds

Residual maturity	0-2 years	2-5 years	5-20 years	>20 years
Aaa-Aa	95%	90%	80%	75%
A	85%	80%	75%	65%
Baa	75%	70%	65%	45%
Ba	55%	45%	35%	0%
B	35%	25%	0%	0%

3.2. Corporate bonds

Residual maturity	0-2 years	2-5 years	5-20 years	>20 years
Aaa-Aa	90%	85%	70%	50%
A	80%	75%	60%	40%
Baa	70%	65%	50%	30%
Ba	50%	40%	30%	0%
B	30%	20%	0%	0%

3.3. Bonds whose issuers originate from and/or are exposed to the countries listed under point 12.

Residual maturity	0-2 years	2-5 years	5-20 years	> 20 years
	0%	0%	0%	0%

Subordinated debt is weighted according to the *Issue's Rating* or the issuer's subordinated *Rating*. If this information is not available, the collateral value of the bond will be zero.

The *Bank* will automatically use *Ratings* from Moody's, where possible. Failing that, an equivalent *Rating* from another agency may be considered.

4. Shares

	Large caps > *EUR 10bn*	Mid caps *EUR 10bn* > *Cap* > *EUR 2bn*	Small caps *EUR 2bn* > *Cap* > *EUR 500m*
Countries rated Aaa-Aa-A	60%	50%	30%
Countries rated Baa-Ba	50%	30%	0%
Companies of origin of and/or exposed to the countries listed under 12.	0 %	0 %	0%

5. Convertible bonds

For the weighting of *Convertible Bonds*, the weighting of the underlying asset (cf. rules applied to equities under point 4) as well as the weighting linked to the issuer's *Rating* (cf. rules applied to bonds under point 3) are considered. The lowest of these will be used as the weighting of the *Convertible Bond*.

6. Investment Funds

6.1. Banque de Luxembourg funds

BL Corporate Bond Opportunities	75%
BL Bond Dollar	85%
BL Bond Euro	85%
BL Global Bond Opportunities	75%
BL Bond Emerging Markets Sustainable	60%
BL Bond Emerging Markets Euro	60%
BL Equities America	60%
BL Equities Asia	60%
BL Equities Europe	60%
BL Equities Japan	60%
BL Equities Emerging Markets	40%
BL European Small & Mid Caps	60%
BL American Small & Mid Caps	60%
BL European Family Businesses	60%
BL Equities Dividend	60%
BL Emerging Markets	60%
BL Sustainable Horizon	60%
BL Global Equities	60%
BL Global 30	75%
BL Global 50	70%
BL Global 75	65%
BL Global Flexible	65%
BL Fund Selection Equities	60%
BL Fund Selection 0-50	75%
BL Fund Selection 50-100	65%
BL Fund Selection Smart Evolution	60%
BL Fund Selection Alternative Strategies	65%

6.2. Cigogne funds

Cigogne ABS / MBS Arbitrage	60%
Cigogne Convertible Arbitrage	60%
Cigogne Credit Arbitrage	60%
Cigogne Fixed Income Arbitrage	50%
Cigogne UCITS M&A Arbitrage	60%
Cigogne M&A Arbitrage	50%

Stork Dynamic Multi Strategies	65%

6.3. External funds

UCITS Funds are weighted according to their composition and characteristics. The following maximum weightings by type of fund are applied:

Money market fund	max 90%
Bond fund	max 70%
Mixed fund	max 70%
Alternative Fund	max 70%
Equity funds	max 50%

These weightings may be reduced according to following criteria: distribution by maturity, quality of the underlying bond issuers, geographic distribution of the fund's securities, and the fund's *Maximum Drawdown*. The weighting will also be reduced if the size of the fund is less than EUR 50.000.000,- or if its *Net Asset Value (NAV)* is not calculated daily.

Non-UCITS Funds are weighted at 0% by default. In some circumstances, a case-by-case weighting based on the above methodology may be applied.

7. Portfolio management mandates

The portfolios under a Banque de Luxembourg portfolio management mandate will be globally weighted according to the strategy:

Strategy	Weighting
Defensive	80%
Conservative	75%
Balanced	70%
Dynamic	65%
Growth	60%

* The "Defensive" strategy is not available for portfolio management mandates in BL Funds.

8. Precious metals

Precious metals are weighted at 50% of their portfolio value.

9. Structured products

9.1. Structured products issued by Banque de Luxembourg or the Crédit Mutuel-CIC group

Structured products with 100% capital protection	90%
Structured products with >90% capital protection	75%
Other structured products (with no downside leverage)	50%

9.2. Structured products issued by third parties

These products are weighted according to their least favourable redemption scenario:

a) The following table is applied to structured products with capital protection issued by third parties. A manual revision of the weighting may be applied on a case-by-case basis for products approaching their maturity date.

Residual maturity	0-2 years	2-5 years	5-20 years	>20 years
Aaa-Aa	90%	85%	70%	50%
A	80%	75%	60%	40%
Baa	70%	65%	50%	30%
Ba	50%	40%	30%	0%
B	30%	20%	0%	0%

b) Third party structured products without capital protection are weighted according to their riskiest underlying asset, their liquidity, the complexity of their redemption formula and the quality of the issuer. Their maximum weighting is 50%.

10. Currency/cash weighting

Cash and all assets are also weighted according to their *Issue* currency. The end weighting is obtained by multiplying the weighting of the product by the weighting of the product’s currency.

Currencies must be freely tradable to be eligible. There are two categories:

a) FX 1 list – Major currencies, weighted at 100%:
EUR, USD, AUD, CAD, HKD, NZD, SGD, JPY, DKK, NOK, SEK, CHF and GBP
b) FX 2 list – More volatile currencies, weighted at 50%:
CZK, HUF, PLN, ZAR, TRY, BRL, MYR, THB, IDR, INR and MXN
c) Any currency not included on the FX 1 or FX 2 list is weighted at 0%.

If some or all of the portfolio positions are denominated in a different currency from that of the loan, the collateral value of those positions is reduced by 10% to allow for the currency risk.

11. Portfolio diversification

For portfolios investing directly in individual securities, the weighted value of a position in equities, bonds, external investment funds, *Alternative Funds* and external structured products cannot exceed 20% of the total market value of all pledged assets of the portfolio.

12. List of countries subject to specific weightings

Russia, Ukraine, Belarus