

GENERAL WEIGHTING PRINCIPLES

To determine the Lombard value (also referred to as the Borrowable Equivalent Amount), for example, for a Lombard Overdraft Facility, a Secured 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 these General Weighting Principles 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:

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 Overdraft Facility: A Lombard overdraft facility 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 securities deposit. Based on the weighting principles described in this document, the Bank determines the maximum loan principal against each security in the portfolio.

Secured Overdraft Facility: The secured 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 securities deposit. Based on the weighting principles described in this document, the Bank determines the maximum loan principal against each security in the portfolio.

Issue: An issue is a financial operation that consists in 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: The term Maximum Drawdown defines the maximum capital loss between its highest and lowest valuation over a given period. It is an important indicator to measure the downside risk of a strategy and its capacity to climb back up.

Convertible bonds: Convertible bonds are a specific category of bonds. They are hybrid securities. 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.

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. Basic principles

- 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, these weightings may be adapted to reflect an issuer's country of origin. The list of countries subject to restrictions is provided in 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 currency of Issue. 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 Weighting Principles 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 Weighting Principles.

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 of issuers whose country of origin is included in the list provided in point 12 and/or with exposure to the countries included on that list.

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

Subordinated debt is weighted according to the Rating of the Issue 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. Equities

	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 whose country of origin is included in the list provided in point 12 and/or with exposure to the countries included on that list.	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 USD	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 Global Equities	60%
BL Global 30	75%
BL Global 50	70%
BL Global 75	65%
BL Global Flexible	65%
BL Fund Selection Smart Equities	60%
BL Fund Selection 0-50	75%
BL Global Markets	65%
BL Fund Selection Alternative Strategies	65%

6.2. Specialised fund

BL Private Assets	20%
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6.3. Cigogne funds

Cigogne Fund - ABS/MBS Arbitrage	60%
Cigogne Fund - Convertible Arbitrage	60%
Cigogne Fund - Credit Arbitrage	60%
Cigogne Fund - Fixed Income Arbitrage	50%
Cigogne UCITS - M&A Arbitrage	60%
Cigogne Fund - M&A Arbitrage	50%
Cigogne UCITS Credit Opportunities	65%
Cigogne CLO Arbitrage	60%
Stork Fund - Dynamic Multi Strategies	65%

6.4. 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 Funds	max 70%
Equity funds	max 50%

These weightings may be reduced according to following criteria: breakdown 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 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.

6.5. Funds For Good funds

FFG-BLI Global Impact Equities	60%
FFG-BLI European Impact Equities	60%
FFG-BLI American Impact Equities	60%

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 capital protection	90% x capital protection percentage
CLN (Credit Linked Note)	90% x percentage applicable to the underlying asset (the least favourable if there are several underlying assets) based on the corporate bonds table.
Dual-currency products	80%
Other products (with no downside leverage)	Based on their riskiest underlying asset, their liquidity and the complexity of their redemption formula. The maximum weighting is 50%.

All percentages are rounded down to the nearest multiple of 5%.

9.2. Structured products issued by third parties

Structured products with capital protection	Capital guarantee percentage x percentage applicable to the issuer of the structured product based on the corporate bonds table
CLN (Credit Linked Note)	Percentage applicable to the issuer based on the corporate bonds table x percentage applicable to the entity on which the CLN is based (least favourable if several underlying assets) based on the same table
Other products (with no downside leverage)	According to their riskiest underlying asset, their liquidity, the complexity of their redemption formula and the quality of their issuer. The maximum weighting is 50%.

All percentages are rounded down to the nearest multiple of 5%.

10. Currency/cash weighting

Cash and all assets are also weighted according to their currency of Issue. 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. The list of countries subject to specific weightings

Russia, Ukraine, Belarus