

GENERAL WEIGHTING PRINCIPLES

To determine the Lombard value (also referred to as the *Borrowable Equivalent Amount*), for example, for an arranged overdraft (*Lombard Credit*), an overdraft facility (*Pledged Overdraft*) 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 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 are 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, execution of unit or share *Issues* or redemptions, maintenance of 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 weight 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: A 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 transfers between accounts.

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 a 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 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.

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, 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 | 0% | 0% | 0% |

| | | | |
|---|--|--|--|
| provided in point 12 and/or with exposure to the countries included on that list. | | | |
|---|--|--|--|

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% |
| <i>Alternative Funds</i> | 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.

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 guarantee | 90% x capital guarantee 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 the riskiest underlying asset, liquidity and the complexity of the 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 guarantee | 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 the riskiest underlying asset, liquidity, the complexity of the redemption formula and the quality of the 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. List of countries subject to specific weightings

Russia, Ukraine, Belarus