Simplified information sheet

prepared under the Law on the accessibility
of products and services

Portfolio Management

This simplified information sheet is intended for you as an interested person.
You are a client of the bank or may become one.

The **ABBL** has prepared this sheet together with its members. The ABBL is the **A**ssociation des **B**anques et **B**anquiers, **L**uxembourg, (Luxembourg Bankers' Association).

The information sheet explains

- What portfolio management is
- How portfolio management works

The information provided here is not legally binding. It does not create any obligation for you. It also does not oblige the bank to offer this service to you.

Some words are explained in the text. **Underlined** words are explained in a **glossary** at the end of this sheet.

By providing this information, the bank complies with Article 15 of **the Luxembourg law of 8 March 2023 on the accessibility of products and services** offered by companies.

This means that companies must provide clients with **easy access** to the products and services they offer. Clients should be able to understand and use the products and services, without assistance.

The aim is to enable **everyone to participate in social life**.

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Content

1. What is Portfolio Management?

In portfolio management, the bank invests your money in various financial instruments, such as **stocks, bonds,** or **investment funds** (see point 2). Together, these investments form your **portfolio**. The bank monitors and manages this portfolio on your behalf.

You decide with the bank how you want to invest your money. This means that you define your **investment strategy** together with the bank.

The bank then makes the investment decisions on your behalf. It manages your portfolio **independently** while respecting the principles and objectives you have agreed upon together. You **do not need to approve** the individual decisions made by the bank.

2. What is a financial instrument?

"Financial instrument" is a legal term, used, for example in the Luxembourg law of 5 April 1993 on the financial sector.
Financial instruments are financial products that can be bought or sold either on the **financial markets** or **over-the-counter.**

Financial instruments include, in particular:

- Securities, such as shares (ownership in a company) or bonds (loans made to a company or a state)
- **Derivatives**, such as **options**, whose value depends on another asset (e.g., a stock or a currency)
- **Units in collective investment undertakings**, such as **investment funds**. These funds pool the money of multiple investors to invest it in the financial markets.

3. How does Portfolio Management work?

Portfolio management generally includes the following steps:

a) The bank requires various information from you

Before the bank manages your portfolio, it must verify whether the proposed management aligns with your investment objectives, financial situation, experience and knowledge of financial markets, and risk tolerance.

To do so, the bank requires certain information from you.
Without this information, the bank is not allowed to sign a contract with you. This is legally required.

This information helps establish your **investor profile**. The bank then defines, together with you, an **investment strategy** that corresponds to this profile.

To establish this **profile,** you must complete a questionnaire covering:

- **Your financial situation:** What are your income, expenses, and assets?
- **Your capacity to bear losses:** What financial losses can you accept?
- **Your investment preferences and objectives:** What do you want to achieve with your investments? For example, growing your money long-term or saving for retirement.
- **Your investment horizon:** How long do you want to invest?
- **Your risk tolerance:** Are you willing to accept losses or significant fluctuations in the value of your investments?
- **Your experience and knowledge of financial markets:** Have you invested before? Do you know the main financial products?
- **Your sustainability preferences:** Do you want your investments to follow specific environmental or social criteria (e.g., companies reducing greenhouse gas emissions, or companies combating child labor).

To manage your portfolio, you must have with the bank:

- **A securities account,** which is a special account where the bank keeps your financial instruments;
- **An account linked to the securities account,** used to record the money movements related to your transactions (purchases and sales). It is usually your current account.

b) The bank sets up portfolio management

Once the contract is signed and your bank accounts are opened (the securities account and the linked account), you deposit money with the bank. You can also transfer financial instruments that you already own to this account.

From that moment, the bank can start managing your portfolio. The bank acts **autonomously**. This means it buys and sells financial instruments according to the **investment strategy** defined with you before signing the contract. The bank does not need **to get approval** for each investment decision.

c) The bank provides you written information

The bank regularly sends **detailed reports** on the management of your portfolio. These reports cover a specific period, called the **reference period**. The frequency of these reports is also specified in your contract. Under Luxembourg law, the bank must send you a report at least **once a year.** Some contracts provide for you to receive reports **more frequently than once a year.**

These management reports typically include:

- The **composition and value** of your portfolio at the reference date (which financial products you own and how much they are worth at the reference date);
- The **performance of your portfolio** over the period (how its value changed);
- **Fees and costs** related to managing your portfolio;
- The **balance** of your account at the beginning and end of the period;
- **Payments received**, such as dividends or interest;

- **Transactions** executed (purchases and sales of financial products).

The bank also informs you **if the value** of your portfolio **falls significantly**. For example, if the total value of your portfolio drops by 10% (or another threshold defined in your contract).
You also receive a **suitability statement**, a written document explaining how the bank's investment decisions comply with your investment preferences and objectives (your investment strategy). Typically, you receive this statement **four times a year**.

If you have chosen to include sustainability criteria in your investment strategy (see point 3.a), the bank provides an annual report showing the results achieved in the areas of Environmental, Social, and Corporate Governance (ESG) objectives.

4. What are the costs of Portfolio Management?

Before signing the contract, the bank provides an estimate of all fees related to this service, so you know in advance how much it could cost.

Portfolio management may involve different fees depending on the pricing model chosen (for example: fixed fees, fees based on assets under management, performance fees, or a combination thereof).

These fees may include:

- **Transaction fees:** applied when the bank buys or sells financial instruments for you;
- **Custody fees:** for keeping your securities safe;
- **Portfolio management fees.**

These fees are stated in your management contract, in fee brochures, and in any specific documentation listing all costs and fees.
Each year, you also receive a **summary of all fees** you have actually paid.

You will also be informed if the bank receives any remuneration from a third party in connection with this service (for example a payment from a fund management company).

5. Have you a withdrawal right?

If you signed the contract **remotely** (for example, online or by phone), you can withdraw) within **14 days**. This is your **right of withdrawal.**

The 14-day period starts from the moment:

- The contract is signed, and
- You have received all necessary legal information.

The 14 days include **weekdays, Saturdays, Sundays, and public holidays**.

Before signing the contract, the bank must clearly explain your right of withdrawal and how to exercise it.

6. What is the duration of the contract? Can you terminate the contract?

The contract is generally concluded for an indefinite period (i.e.,without an end date). You can terminate the contract at any time by respecting the **notice period** specified in your contract.

The bank may also terminate this contract in accordance with the conditions set out in the agreement.

Glossary

- **Bond:** The person who buys a corporate bond is lending money to the company. The company must pay interest on the borrowed money. Bonds have a fixed term. At the end of this term, the company must repay the principal amount of the bonds.
- **Convertible bond:** gives its holder the right to convert it, at a specified time, into shares.
- **Convertible share:** it gives its holder the right to convert it, at a specified time, into another form of security, usually into bonds (loans made to a company or a state) or ordinary shares (ownership parts of a company), according to the terms and conditions provided.
- **Derivative:** A derivative is a financial product whose value depends on another financial product**.** a stock, a bond, a currency, an interest rate, or even a commodity (like oil or gold).
- **Notice Period:** It is the period between the notice of termination (for example, the end of a contract) and the date on which the termination takes effect (when the contract ends).
- **Financial Instruments:** These are financial products that can be bought or sold either on financial markets or over-the-counter markets. Financial instruments include, for example, stocks, bonds, derivatives, investment funds, etc.
- **Financial Market:** A financial market is a place where buyers and sellers trade financial instruments (such as stocks, bonds, or derivatives). These trades can take place between investors, companies, or banks, either on organized markets (like stock exchanges) or over-the-counter markets. These markets help companies, governments, and individuals raise money for their projects and also allow investors to place their money and resell it easily.
- **Investment Fund:** A general term for pooling money from several investors to invest in a diversified portfolio of financial instruments.
- **Over-the-Counter Market (OTC):** This is a market where two parties (for example, a bank and an investor) negotiate directly with each other without using an organized market like a stock exchange. The two parties agree on the contract terms (price, quantity, maturity, etc.) themselves.

- **Option:** A financial product that gives the buyer the right, but not the obligation, to buy or sell an asset (like a stock) at a price fixed in advance, until a specific date.
- **Structured product:** a complex financial instrument that combines traditional financial assets (such as shares or bonds) with derivatives (such as options).
- **Stock (Share):** A stock is a share of ownership in a company. When you buy a stock, you become a shareholder, which means you are a co-owner of the company.
- **UCITS (Undertakings for Collective Investment in Transferable Securities):** A specific type of investment fund that pools money from multiple investors to invest in a portfolio of securities such as stocks or bonds.

A glossary is also available on the OSAPS website (www.osaps.lu)
You will find other banking terms explained there.