

# APPENDIX: INVESTMENT RULES FOR INTERNAL FUNDS

## LITHUANIA

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All capitalised terms shall have the meaning ascribed to such terms in the clause "Definitions" in the General Conditions of the Policy.

### INVESTMENT RULES FOR INTERNAL FUNDS

CLASSIFICATION OF THE POLICYHOLDER	D
MINIMUM INVESTMENT OF THE POLICYHOLDER IN ALL CONTRACTS	1,000,000 €
MINIMUM TO BE INVESTED IN THE INTERNAL DEDICATED FUND	125,000 €
MINIMUM TO BE INVESTED IN THE SPECIALISED ASSURANCE FUND	N/A
POLICYHOLDER'S WEALTH INVESTED IN TRANSFERABLE SECURITIES	≥ 2,500,000 €

### INTERNAL FUND OF TYPE D

- › **No limit is imposed by the Commissariat aux Assurances in terms of either issuer limits or global limits.**
- › **These rules are applicable without any domiciliation restrictions\*.**
- › **Bank accounts in precious metals can be used.\*\***
- › **Derivative products can also be used to generate income.**

\* Domiciliation restrictions may be applied to products not traded on a regulated market (please refer to Utmost Luxembourg S.A. for further details).

\*\* Physical commodities remain strictly forbidden in any type of Funds.

**For an Internal Fund of type D, investments have to comply with the catalogue of assets as described below:**

1. Transferable securities;
2. Money-market instruments;
3. Units in collective investment undertakings;
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the request of one of the parties (other than by reason of a default or other termination event);
6. Options, futures, swaps and any other derivative contracts relating to commodities that can be physically settled provided that they are traded on a regulated market and/or Multilateral Trading Facility (MTF);
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that can be physically settled, not otherwise mentioned in point 6, and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;
8. Derivative instruments for the transfer of credit risk;
9. Financial contracts for differences;
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the request of one of the parties (other than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

**The use of derivatives and OTCs** (which are traded over-the-counter) is allowed within the limits of CAA circular letter 17/6 meaning that it is only possible when the Custodian Bank, holding the Underlying Assets of the Insurer's technical reserves, does neither require the Insurer to pledge the Underlying Assets, nor require collateral or margin to cover the derivative transaction. Should the Custodian Bank require a pledge agreement, margin calls or a comparable coverage agreement to be signed, the request will be rejected and no derivative position will be taken.

CLASSIFICATION OF THE POLICYHOLDER	C	B	A	N
MINIMUM INVESTMENT OF THE POLICYHOLDER IN ALL CONTRACTS	€ 250,000	€ 250,000	€ 125,000	N/A
MINIMUM TO BE INVESTED IN THE INTERNAL DEDICATED FUND	€ 125,000	€ 125,000	€ 125,000	Internal Collective Funds and Specialised Assurance Funds
MINIMUM TO BE INVESTED IN THE SPECIALISED ASSURANCE FUND	N/A	N/A	N/A	
POLICYHOLDER'S WEALTH INVESTED IN TRANSFERABLE SECURITIES	> € 1,250,000	> € 500,000	> € 250,000	

CATEGORIES		C		B		A		N	
A	BONDS	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT
1	Bonds of an EEA government issuer	100%	100%	100%	100%	100%	100%	100%	100%
2	Bonds of a government issuer of the A Zone of the OECD outside the EEA	100%	100%	100%	100%	100%	100%	100%	100%
3	Bonds of international organisations of which at least two EEA Member States are members								
3a	Bonds of banks issuing mortgage bonds	100%	100%	100%	100%	100%	100%	50%	100%
4	Bonds of a non-government issuer of the EEA traded on a regulated market	100%	100%	30%	100%	20%	100%	10%	100%
5	Bonds of a non-government issuer of the A Zone of the OECD outside the EEA traded on a regulated market	100%	100%	30%	100%	20%	100%	10%	40% <sup>1</sup>
6	Bonds of an issuer outside the A Zone of the OECD traded on a regulated market of the EEA	100%	100%	2.5%	10% <sup>2</sup>	1%	5% <sup>2</sup>	0,5%	2.5% <sup>2</sup>
7	Bonds of an issuer outside the A Zone of the OECD traded on a regulated market outside the EEA approved by the CAA	100%	100%	2.5%	10%	1%	5%	0%	0%
8	Bonds of a non-government issuer of the A Zone of the OECD not traded on a regulated market	100%	100%	10%	20% <sup>3</sup>	10%	20% <sup>3</sup>	5%	10% <sup>3</sup>

## APPENDIX: INVESTMENT RULES FOR INTERNAL FUNDS

A	BONDS	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT
9	Bond-type structured products fulfilling the conditions set out in point 5.6.3 of the circular letter 15/3 (refer to Utmost Luxembourg S.A. for further details)								
9a	issued or guaranteed by international financial entities from at least two Member States of the EEA	100%	100%	100%	100%	100%	100%	100%	100%
9b	issued or guaranteed by a bank in the A Zone countries with an S&P rating of A+ or higher	100%	100%	100%	100%	100%	100%	100%	100%
9c	issued or guaranteed by a bank in the A Zone countries with an S&P rating of A or A-	100%	100%	100%	100%	100%	100%	50% <sup>5</sup>	100%
9d	issued or guaranteed by a bank in the A Zone countries with an S&P rating of BBB+ or BBB	100%	100%	100%	100%	50% <sup>6</sup>	100%	25% <sup>6</sup>	100%
B	EQUITIES	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT
1	Equities of an issuer of the EEA traded on a regulated market	100%	100%	30%	100%	20%	100%	10%	100%
2	Equities of an issuer of the A Zone of the OECD outside the EEA traded on a regulated market	100%	100%	30%	100%	20%	100%	10%	40% <sup>1</sup>
3	Equities of an issuer outside the A Zone of the OECD traded on a regulated market of the EEA	100%	100%	2.5%	10% <sup>2</sup>	1%	5% <sup>2</sup>	0.5%	2.5% <sup>2</sup>
4	Equities of an issuer outside the A Zone of the OECD traded on a regulated market outside the EEA approved by the CAA	100%	100%	2.5%	10%	1%	5%	0%	0%
5	Equities of an issuer of the A Zone of the OECD not traded on a regulated market	100%	100%	10%	20% <sup>3</sup>	10%	20% <sup>3</sup>	5%	10% <sup>3</sup>

B	EQUITIES	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT
6	Equity-type structured products fulfilling the conditions set out in 5.6.3 of the Circular Letter 15/3 (refer to Utmost Luxembourg S.A. for further details)								
6a	issued or guaranteed by international financial entities from at least two Member States of the EEA	100%	100%	100%	100%	100%	100%	100%	100%
6b	issued or guaranteed by a bank in the A Zone countries with an S&P rating of A+ or higher	100%	100%	100%	100%	100%	100%	100%	100%
6c	issued or guaranteed by a bank in the A Zone countries with an S&P rating of A or A-	100%	100%	100%	100%	100%	100%	50% <sup>5</sup>	100%
6d	issued or guaranteed by a bank in the A Zone countries with an S&P rating of BBB+ or BBB	100%	100%	100%	100%	50% <sup>6</sup>	100%	25% <sup>6</sup>	100%
C	INVESTMENT FUNDS	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT
1	Investment funds compliant with the directive 2009/65/EC, as amended	100%	100%	100%	100%	100%	100%	100%	100%
2	Investment funds of a country of the EEA, non-compliant with the modified Directive 85/611/EEC	100%	100%	100%	100%	50%	100%	25%	40% <sup>4</sup>
3	Investment funds of a dependent territory of an EEA country	100%	100%	2.5%	100%	2.5%	100%	2.5%	5% <sup>4</sup>
4	Investment funds from a country of the A Zone of the OECD outside the EEA	100%	100%	100%	100%	50%	100%	25%	40% <sup>4</sup>
5	Investment funds from a country outside the A Zone of the OECD	100%	100%	2.5%	100%	2.5%	100%	2.5%	5% <sup>4</sup>

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D	ALTERNATIVE FUNDS	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT
1	Simple hedge fund with enhanced quality criteria (refer to Utmost Luxembourg S.A. for further details)	100%	100%	30%	100%	20%	100%	0%	0%
2	Simple hedge fund without enhanced quality criteria	100%	100%	2,5%	10%	2,5%	10%	0%	0%
3	Fund of hedge funds with enhanced quality criteria (refer to Utmost Luxembourg S.A. for further details)	100%	100%	100%	100%	50%	100%	25%	40% <sup>4</sup>
4	Fund of hedge funds without enhanced quality criteria	100%	100%	2,5%	100%	2,5%	100%	2,5%	5% <sup>4</sup>
E	OTHER ASSETS	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT	LIMIT PER ISSUER	GLOBAL LIMIT
1	Real estate investment funds of the A Zone countries	100%	100%	5%	10%	5%	10%	2,5%	5%
2	Current, deposit at notice and time-deposit accounts	100%	100%	100%	100%	100%	100%	20%	20%

An Internal Fund of type B/A/N may not invest more than 30%/20%/10% respectively of its assets in securities other than the structured products of a single non-government issuer from Categories A and B above. In addition, the total value of the securities held by the Internal Fund in such issuers in which it invests over 10%/10%/5% respectively of its assets may not exceed 50%/40%/40% of the value of the Fund's assets.

<sup>1</sup> TYPE N: Global limit applicable to cumulative total of categories A5 and B2.

<sup>2</sup> TYPE A, B, N: Global limit applicable to cumulative total of categories A6 and B3.

<sup>3</sup> TYPE A, B, N: Global limit applicable to cumulative total of categories A8 and B5.

## RULES / DEFINITIONS / GLOSSARY

## GENERAL RULES APPLICABLE TO INTERNAL FUNDS

**Prior approval from the Insurer**

For any financial instrument not traded on a regulated market and/or in case a financial instrument has a redemption liquidity less than once a semester and/or in case of closed-end funds, the investment is subject to the prior approval by the Insurer.

The Insurer may require the Policyholder to sign a specific client indemnity informing the Policyholder on the specific risks associated with a financial instrument to confirm the proper understanding and the acceptance of the risks linked to this type of asset prior to exposure to such financial instrument.

Before the first investment in any structured product, the Policyholder should read, understand and sign the specific structured product description which explains the characteristics and risks of investing in the asset. The Insurer reserves the right to request a copy of the structured product description signed by the Policyholder.

## ADDITIONAL RULES APPLICABLE TO CERTAIN ASSET CLASSES

**Alternative Funds**

Internal Funds of type A & B: redemption liquidity for Alternative Funds and Funds of Alternative Funds has to be at least six-monthly.

Internal Funds of type C: redemption liquidity for Alternative Funds and Funds of Alternative Funds has to be at least yearly.

Internal Collective funds of type N: redemption liquidity for Funds of Alternative Funds has to be at least monthly.

Internal Funds of type D: no restrictions apply to the redemption liquidity of Alternative Funds and Funds of Alternative Funds.

However for the Funds of type C and D, the prior approval from the Insurer is required before any investment in Alternative Funds and Funds of Alternative Funds with a redemption liquidity less than once a semester as stipulated higher.

A specific client indemnity must be signed by the Policyholder prior to any exposure to such assets.

**Commodities**

Direct commodity investments are prohibited. Commodity certificates are not admissible, except for Funds of type D.

Funds investing in financial instruments linked to commodities are admissible within the applicable investment limits.

Bank accounts in precious metals are allowed in Type D Funds on the express condition that the Insurer is authorized to repay any request for partial or total surrender in cash only and the valuation is made available by the Custodian Bank.

**Derivatives**

**Derivatives are permitted for hedging purposes only and may not be used for speculative purposes except for Funds of type D.** For instance, within funds of Type A, B or C Long Put and Short Call positions are admissible if the underlying assets are held within the portfolio. The use of derivatives and OTCs (which are traded over-the-counter) is allowed within the limits of CAA circular letter 17/6 meaning that it is only possible when the Custodian Bank, holding the Underlying Assets of the Insurer's technical reserves, does neither require the Insurer to pledge the Underlying Assets, nor require a collateral or margin to cover the derivative transaction. Should the Custodian Bank require a pledge agreement, margin calls or a comparable coverage agreement to be signed, the request will be rejected and no derivative position will be taken.

### **Index Certificates**

Index certificates are classified and admitted according to the lower limit between the certificate itself and the underlying asset.

The limit to which an Internal Fund may invest in a certificate is the lower of the following two limits:

- › The limit that would be applicable to similar bonds issued by the same issuer;
- › The limit that would be applicable to the assets to which the certificate is linked, if these assets were held directly in the account.

### **Financial instruments not traded on a regulated market**

Investments in financial instruments not traded on a regulated market can be requested to the Insurer for Internal Funds of type D.

For Internal Funds of type C, it can be requested if the asset is domiciled within the A Zone countries.

Each request will in any case be subject to the prior approval by the Insurer and due diligence by the Insurer, which covers, but not limited to, the following areas:

- › Company structure / activity / financial situation;
- › Counterparty risk;
- › Availability of valuations at market value.

**A specific client indemnity must be signed by the Policyholder prior to any exposure to such assets.**

### **Real Estate Funds**

Internal Funds of type A & B: redemption liquidity for Real Estate Funds has to be at least six-monthly.

Internal Funds of type C: redemption liquidity for Real Estate Funds has to be at least yearly.

Internal Collective funds of type N: redemption liquidity for Real Estate Funds has to be at least monthly.

Internal Funds of type D: no restrictions apply to the redemption liquidity of Real Estate Funds.

However for the Funds of type C and D, the prior approval from the Insurer is required before any investment in Real Estate Funds with a redemption liquidity less than once a semester as stipulated higher.

**A specific client indemnity must be signed by the Policyholder prior to any exposure to such assets.**

### **Direct Investments outside the A Zone countries**

Direct investments (i.e. bonds, equities, structured products, certificates etc.) domiciled outside the A Zone countries and not listed on a market approved by the CAA, are not admissible, except for type D.

### **ALTERNATIVE PRODUCTS: DUE DILIGENCE PROCESS**

Should the Investment Manager wish to invest in alternative products (e.g. Real Estate, Hedge Funds, Private Equity) for Internal Dedicated Funds that he manages on Utmost Luxembourg S.A.'s behalf, he must perform this in compliance with the applicable regulations.

## CLIENT SUITABILITY

Policyholders are classified under one of the following 5 categories. All the Funds, internal dedicated/collective/specialised, opened under the contracts of this Policyholder will be assigned the same classification as that of the Policyholder.

**Type N:** Default category.

**Type A:** Minimum premium invested by a policyholder in all the contracts subscribed with our insurance company is EUR 125,000 and declared wealth of minimum EUR 250,000.

**Type B:** Minimum premium invested by a policyholder in all the contracts subscribed with our insurance company is EUR 250,000 and declared wealth of minimum EUR 500,000.

**Type C:** Minimum premium invested by a policyholder in all the contracts subscribed with our insurance company is EUR 250,000 and declared wealth of minimum EUR 1,250,000.

**Type D:** Minimum premium invested by a policyholder in all the contracts subscribed with our insurance company is EUR 1,000,000 and declared wealth of minimum EUR 2,500,000.

The declared wealth is the total value of the financial instruments held by the Policyholder together with the bank accounts, the total value of the life-insurance contracts and the capitalisation contracts, decreased by the total value of the Policyholder debts.

The minimum investment into each Internal Dedicated Fund is EUR 125,000.

## DOMICILES

### EEA (European Economic Area)

The member countries are: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden (Switzerland is not part of the EEA).

### A Zone countries

A Member State of the EEA or one of the following countries:

Australia, Canada, Japan, New Zealand, Switzerland, United Kingdom and United States of America or any other countries where the prudential control similar to the one in place in EEA is available (refer to [www.bis.org/publ/bcbs260\\_fr.pdf](http://www.bis.org/publ/bcbs260_fr.pdf) - Brazil, China, Hong Kong, India, Republic of Korea, Saudi Arabia, Singapore, South Africa, Turkey).

### Dependent Territory (only the following countries are dependent territories of European countries)

**Netherlands:** Dutch Antilles.

## GLOSSARY

**CAA:** The Commissariat aux Assurances is the regulator of the Luxembourg insurance industry.

**Internal Dedicated Fund:** An Internal Fund directly linked or otherwise, without a guaranteed return and serving as the support for a single contract and managed by an asset manager.

**Internal Collective Fund:** An Internal Fund without a guaranteed return open to a multitude of policyholders.

**External Fund:** an undertaking for collective investment established outside an insurance undertaking and subject to an approval procedure and the continuous prudential supervision of a government supervisory body.

**Specialised Assurance Fund:** An Internal Fund other than a dedicated fund, directly linked or otherwise, without a guaranteed return, serving as the support for a single contract.

**Directive 2009/65/EC:** European Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to the Undertakings for Collective Investment in Transferable Securities (UCITS).

**Regulated Market of the EEA:** A market listed in Article 47 of Directive 2004/39/CE on investment services in the securities field.

**Regulated Market outside the EEA:** The CAA recognises regulated markets outside the EEA which are members of the World Federation of Exchanges. A list of members may be found at [www.world-exchanges.org](http://www.world-exchanges.org).

A WEALTH *of* DIFFERENCE

[www.utmostinternational.com](http://www.utmostinternational.com)

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Utmost Wealth Solutions is registered in Luxembourg as a business name of Utmost Luxembourg S.A.