Discretionary Mandates

Information on the financial services

Definition of the Discretionary Mandate
The Discretionary Mandate is a contract whereby the Client[1] delegates the management of his portfolio to **EFG Bank European Financial Group SA** (the **Bank** or **EFG**) as portfolio manager, with investment decisions being reached at the Bank's sole discretion and in accordance with the mandate given by the Client. The Bank delegates portfolio management activities to EFG Asset Management (Switzerland) SA (**EFGAM**). This service can only be provided to the Client once he has signed a written Discretionary Mandate contract clearly indicating his choice of investment strategy and providing any additional information and investment instructions.

Once the Client has delegated the management of his assets, the investment decisions are taken by the portfolio manager or his delegate and the Client does not actively participate in the management of the portfolio. The Client may, however, redefine the investment strategy at any time during the existence of the Discretionary Mandate.

Types of Discretionary Mandates
The Bank offers clients different types of Discretionary Mandates:
- Standard strategies offer a selection of predefined discretionary strategies. These strategies cover a wide range of client risk/return combinations, from highly conservative to more aggressive strategies.
- Bespoke strategies offer the possibility of tailoring investment strategies to the individual wishes of the Client. This allows for a more personalised portfolio management approach, as defined by the Client.

Key features of the Discretionary Mandate offering
The Discretionary Mandate offering may include both multi-asset investment strategies and single asset class strategies, such as equities, fixed income or alternatives. Investment strategies may be invested both directly through single financial instruments (i.e. equities or bonds) or indirectly through the use of collective investment schemes and/or structured products (managed or issued by the Bank, the EFG International group or counterparties) selected by EFG.

With the Discretionary Mandate, the portfolio may be invested in various types of financial instruments pursuant to Art. 3 let. a of the Swiss Financial Services Act (FinSa). The Client may request information about these financial instruments from the Client Relationship Officer (CRO). The Bank will take into account the market offer of own as well as of third-party financial instruments for the selection of financial instruments to invest in.

Key benefits
With the Discretionary Mandate, the Client's portfolio is managed by a team of highly experienced portfolio managers, who follow an in-house investment process and conduct periodic reviews of asset allocation.

By choosing to delegate their portfolio management to the Bank, Clients enjoy the following benefits:
- They do not need to get involved in the day-to-day management of their portfolio (high level of delegation).
- The management of the portfolio is performed by professionals in EFG Asset Management.
- The portfolio is managed according to a holistic approach, with the continuous monitoring of the portfolio and with investment decisions being taken on an ongoing basis.
- The Bank provides regular reporting on the mandate, including performance updates.

Key risks
Discretionary Mandates entail risks, like any other type of financial service involving investments in financial instruments: Whichever risk profile is selected, there is no guarantee of investment returns and performance. Further, depending on the strategy selected, there may be a risk of a lack of investment diversification within the mandate.

Several key risks, as described below, are to be taken into account when entering into a Discretionary Mandate.

Market risk
Financial markets are volatile and hard to predict. The value of the portfolio partly depends on non-predictable variables such as price fluctuations, or investment

[1] The masculine form shall include the feminine, and the singular shall include the plural and vice versa.

decisions, which lead to gains and, in some cases, to losses. Interest rates, exchange rates and the economic situation are further uncontrollable variables that depend on macroeconomic indicators.
In addition, past performance is no guarantee of future returns.

Liquidity risk

The Bank may not be able to sell the financial instruments/products held in the portfolio without having to reduce their price to a significant degree within a reasonable period of time, which might result in significant losses. This risk exists in particular with unlisted and small-cap companies, investments in emerging markets, investments with sales restrictions, selected structured products and alternative investments.

Counterparty risk

This risk arises if one of the parties involved in a Discretionary Mandate transaction – such as the buyer, seller, dealer or issuer – cannot meet their obligations at the agreed time. The weaker the financial and economic situation of a counterparty, the greater the risk that the investor may not be repaid the capital invested, either in part or in full.

Cross-border risk

In general, client information transmitted abroad and cross-border transactions are no longer protected under Swiss law in terms of banking secrecy or data protection. Pursuant to Art. 42c of the Financial Market Supervision Act (FINMASA), banks in Switzerland are expressly authorised to transmit non-public information to certain foreign entities. They may also be obliged to disclose client information in accordance with applicable regulations or in response to a request for information from the authorities.
Consequently, this risk is triggered by the restrictions on and conditions for investments that apply in each country, which may not offer the same level of protection. The Client must provide the Bank with complete and accurate data about his situation to allow for an accurate assessment.

Tax risk

Dividends, coupons and other forms of distribution as well as changes in the value of securities (capital gains) may be subject to taxes in various jurisdictions. This may significantly impact overall portfolio returns. Tax suitability is not taken into account in the case of portfolios managed on a discretionary basis. In addition, investors should consider how gains or losses resulting from their investments will affect their tax position.

Currency risk

Discretionary Mandates may partly invest in assets denominated in a currency other than the investor’s reference currency. This currency mismatch may result in value fluctuations that could impact overall portfolio returns. The convertibility risk must be considered, especially in the case of weaker currencies subject to volatility. The weaker the non-reference currency, the lower the overall value of the portfolio.

Non-hedging risk

Non-hedging increases the risk exposure of invested portfolios over time and the overall volatility of foreign investment, either at asset class or portfolio level. This risk arises because when dealing with another currency than the reference currency, the applicable exchange rate may change between the time of purchase and the sale of the asset.
Where part or all of the portfolio is not hedged, the Client assumes the risk of the currency fluctuations between the currency of the investment(s) and the portfolio reference currency, whereas hedging helps to reduce the risk of non-reference currency exposure. The larger an investor's portfolio, the more important it is to protect it against currency risks when dealing with different currencies.

and accounting consequences. Investment products may be subject to investment risks involving, but not limited to, possible loss of all or part of the principal invested. This document is not intended to be exhaustive on all risks related to financial instruments. Therefore, the recipient should consult the specific product documentation and the November 2019 "Risks Involved in Trading Financial Instruments" brochure released by the Swiss Bankers Association and available on the Swiss Bankers Association website: https://www.swissbanking.org/en/services/library/guidelines or free of charge from EFG.

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