Advisory Contract

Information on the financial services

Definition of the Advisory Contract

The Advisory Contract is an agreement whereby EFG Bank European Financial Group SA (the **Bank** or **EFG**) regularly provides the Client[1] with investment advice, either at his own request or at the Bank's initiative[2]. With an Advisory Contract, investors can reach their own investment decisions and have full access to the analyses, market assessments and recommendations of EFG experts for a range of assets and/or financial investments. This may include products issued and/or managed by an entity of EFG Group.
The Bank will take into account the market offer of own as well as of third-party financial instruments and products when providing advice.

Advice on investments is provided by the Bank based on the Client Risk Profile and the Client's Knowledge & Experience Questionnaire (collectively **Client Profile**).
For *Portfolio Based Advisory Contracts*, the Bank assesses whether the Client's current portfolio is aligned with the Client Profile when providing advice.
For *Transaction Based Advisory Contracts*, advice on the investments is provided by the Bank based on the Client's Knowledge & Experience Questionnaire.

Types of Advisory Contracts

The Bank offers:

- A **Portfolio Based Advisory Contract** with various advisory service models and a range of investment strategies with different risk levels. The models offer different levels of interaction with the Client Relationship Officer (**CRO**) and may include interaction with the Bank's investment experts (investment counsellors, asset class specialists). Certain models include additional features related to the personalisation of investment advice, portfolio monitoring and reporting;
- A **Transaction Based Advisory Contract**[3] where the CRO provides single investment recommendations on financial instruments/asset classes based on the Client's Knowledge & Experience Questionnaire.

The CRO can draw on the expertise of the Bank's investment units in order to provide specific investment proposals.

Key benefits

The Advisory Contract represents an efficient and flexible way for the Client to have full access to EFG's investment expertise, financial instruments and product selection (financial instruments and product due diligence) and investment proposals while retaining control over his portfolio.
Under the Portfolio Based Advisory Contract, the Bank advises the Client on the appropriate strategy to reach his financial goals based on the defined risk level and regularly monitors the composition of the portfolio.

The Bank performs the following 'pre-trade' assessment on advised transactions:

- For the Portfolio Based Advisory Contract, it assesses whether the investment is suitable and appropriate for the Client in terms of his financial capacity, investment objectives and knowledge and experience, based on the Client Profile.
- For the Transaction Based Advisory Contract, it assesses whether the investment is in line with the Client's knowledge and experience.

Key risks

Suitability risk

The main risk of the Advisory Contract is that the Client performs an investment that is not suitable or appropriate, given his risk profile and/or his knowledge and experience.
The Suitability and Knowledge & Experience tests are designed to help minimise this risk. The Bank will not advise on any investments that are not suitable or appropriate for the Client.

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

[2] The Bank only provides investment advice at its own initiative to clients based in jurisdictions where it is authorised to do so.

[3] This service is dedicated to non-EEA (European Economic Area) clients who would like to receive Investment advice from the Bank on specific transactions but do not require the Bank to assess their whole portfolio.

Market risk

Financial markets are volatile and hard to predict. The value of financial instruments/products and of the overall portfolio partly depends on non-predictable variables such as price fluctuations or investment decisions, which lead to gains or, in some cases, to losses. Interest rates, exchange rates and the economic situation are further uncontrollable variables that depend on macroeconomic indicators. In addition, the Client needs to be aware that past performance is no guarantee of future returns.

Liquidity risk

With an Advisory Contract, the Client actively participates in the investment decisions. However, the Bank might 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 could 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 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 Client may not receive the agreed financial instrument/ product or amount, 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 are expressly authorised to transmit non-public information to certain foreign entities. They may also be obliged to reveal client information in accordance with the 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 is responsible for ensuring that the restrictions and conditions that apply to investments in each country are observed before placing orders.

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 consideration in the investment advice. In addition, investors should consider how gains or losses resulting from their investments will affect their tax position.

Currency risk

Investments in assets denominated in currencies other than the ‘reference’ currency of the contract could result in fluctuations in value that will impact overall portfolio returns.
The larger an investor's portfolio, the more important it is to protect against currency risks when dealing with different currencies.

Non-hedging risk

Non-hedging increases the risk exposure of invested portfolios over time and the overall volatility of foreign investments, either at asset class or portfolio level. This risk arises when dealing with a different currency to the reference currency because the applicable exchange rate may change between the time of purchase and the sale of the asset or portfolio.
Where part or all of the portfolio is not hedged, the Client assumes the risk of 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.