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# LIFESTYLE PORTFOLIOS

Terms and Conditions  
Lloyds Bank International Limited

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**LLOYDS BANK**

# Lifestyle Portfolios

## Terms and Conditions Lloyds Bank International Limited

### 1. Your rights

- 1.1 We will use reasonable care and skill in performing our obligations under this Agreement.
- 1.2 For your protection, the Securities in your Portfolio are kept separately from our own assets and held strictly in accordance with the Regulations and as described in clause 8.
- 1.3 If you are not satisfied with the Service provided by us, we have a complaints procedure which you can use to voice your concerns. Please see clause 24.4 for more details.
- 1.4 You may terminate this Agreement at any time by giving us written notice in accordance with clauses 19.2 and 19.3.
- 1.5 While this Agreement continues, you may withdraw money from the Portfolio at any time on reasonable notice and upon giving us sufficient information in accordance with clause 3.8, subject to any minimum withdrawal amount or minimum Portfolio balance referred to in clause 3.9. If the Portfolio balance falls below the minimum then we may terminate this Agreement in accordance with clause 19.4.

### 2. Definitions

In these Terms and Conditions, unless otherwise indicated, the following words have the following meanings:

- 2.1 **'Account'**, the bank account (being a combined capital and income account) or bank accounts (where you have nominated in the Application Form or subsequently agreed with us in writing that any capital and income should be separated) which will be opened to facilitate the administration of your Portfolio;
- 2.2 **'Agreement'**, the agreement between you and us in respect of the Service, which commences on either the date of our welcome letter notifying you that all Portfolio opening formalities have been satisfactorily completed, or the date on which we receive monies from you for investment in a Portfolio, whichever is the latter, and which is made up of:
  - a. these Terms and Conditions;
  - b. the Application Form;
  - c. the Guide to Fees and any other fees and charges that we inform you apply to the Service from time to time; and
  - d. any additional documents which we, from time to time, have agreed with you apply to the Service and form part of this Agreement;
- 2.3 **'Application Form'**, the application form submitted by you to us in relation to the Service;
- 2.4 **'Approved Bank'**, an approved bank, as defined in the Regulations;
- 2.5 **'Assets'**, the assets held in the Portfolio from time to time, including cash and Securities;
- 2.6 **'Associate'**, a company in the Lloyds Banking Group, or any other person who we have informed you in writing has been engaged in relation to investment management and asset allocation within your Portfolio;
- 2.7 **'CREST'**, the electronic settlement system for UK and Irish securities operated by Euroclear UK & Ireland Limited, or any successor system;
- 2.8 **'Guide to Fees'**, means the leaflet entitled "Guide to Fees" which sets out fees and charges which apply to the Service and the method we use to calculate our charges (as amended from time to time);
- 2.9 **'Insolvency Event'**, means that: (i) you or your assets become subject to bankruptcy proceedings; (ii) your affairs have been declared to be in a state of *désastre* at a meeting of arresting creditors held before a Commissioner; (iii) you have been declared "bankrupt" as defined in Article 8 of the Interpretation (Jersey) Law 1954; (iv) you are deemed by statutory provision to be insolvent and/or unable to pay your debts as they fall due; or (v) any analogous event occurs, or proceeding is taken in any jurisdiction;
- 2.10 **'Investment Objectives'**, the aims with regard to investment stated in your Application Form as one of "Income", "Shelter", "Build" or "Aspire", or as otherwise agreed between you and us in writing;
- 2.11 **'Lloyds Banking Group'**, means us and a number of other companies using brands including Lloyds Bank, Halifax and Bank of Scotland and their associated companies. More information on the Lloyds Banking Group can be found at [lloydsbankinggroup.com](http://lloydsbankinggroup.com);
- 2.12 **'Nominee'**, means one or more of the nominee companies whom we or a custodian may appoint to hold Securities on your behalf;
- 2.13 **'Portfolio'**, the Securities, Accounts and/or monies for the time being held by us or a Nominee or a custodian for the purpose of investment management under the Service;
- 2.14 **'Regulations'**, the legislation and any amendment or re-enactment of such legislation in relation to the conduct of investment business as defined in the Financial Services (Jersey) Law 1998, or any regulation, code or industry guidance that applies to us (including a requirement of a court, ombudsman or similar body or an undertaking given to a regulator);
- 2.15 **'Securities'**, units in collective investment schemes as further described in clause 3.6;
- 2.16 **'Service'**, the Lifestyle Portfolios discretionary investment management service which we provide to you pursuant to this Agreement in accordance with your selected Investment Objectives;
- 2.17 **'Terms and Conditions'**, means these Lifestyle Portfolio terms and conditions, as amended from time to time;
- 2.18 **'We'/ 'us'/ 'our'**, is Lloyds Bank International Limited, a company incorporated in Jersey with our Registered Office at PO Box 160, 25 New Street, St. Helier, Jersey, company No. 4029 and trading as Lloyds Bank;
- 2.19 **'Website'**, means [international.lloydsbank.com/products-and-services/international/investments](http://international.lloydsbank.com/products-and-services/international/investments); and
- 2.20 **'You'**, the applicant(s) named in the Application form.

### 3. Your Portfolio

- 3.1 In providing the Service, we will act as your agent to invest your money in collective investment schemes.
- 3.2 We will write to you to confirm that your Portfolio has been opened and invested and the initial value and composition of your Portfolio.
- 3.3 By placing your assets under our management you confirm that:
  - a. you have the power and capacity to enter into and perform your obligations under this Agreement; and
  - b. except as disclosed to us otherwise in writing by you, the monies introduced into the Portfolio are your own monies and monies over which you have control free from any mortgage, charge, security interest, pledge, lien (a lien may exist where a third party withholds your assets until a debt owed to them by you is discharged) or other instrument or mode of security.
- 3.4 We may, at our discretion, accept further monies from you to add to your Portfolio, subject to any minimum amount set by us. This minimum amount may change from time to time. Please ask your relationship manager if you wish to know the current minimum amount for additions. We may also, at our discretion, accept securities to add to your Portfolio. You must agree the addition of any securities with us before transferring them to us, as we may not be able to accept or hold them. If we decline to accept any further monies and/or securities from you then we will confirm this to you.
- 3.5 You confirm that, unless you obtain our prior consent, you will not dispose of or give any person legal rights over any of the Assets in the Portfolio before the relevant Asset has been withdrawn from the Portfolio.
- 3.6 Your portfolio will be invested in bonds, equities, cash and alternatives (including commodities, international property and absolute return). These investments can be made using funds and exchange traded funds. Please refer to your Investment Objectives and also the Lifestyle brochure, statement of financial affairs and factsheets, which provide a detailed breakdown of the Assets held in your Portfolio. Any cash held can also be held directly in your Account (being your combined capital and income Account or, where you have nominated in the Application Form or subsequently agreed with us that any capital and income should be separated, in your capital Account).

- 3.7 Your Portfolio could be invested in collective investment schemes:
- the price of which may be affected by currency fluctuations;
  - which are exposed to leverage;
  - the price of which may be being stabilised;
  - on which performance fees may be payable;
  - which can include an element of derivatives; and/or
  - which may be provided by a company in the Lloyds Banking Group.



### Important Information

Please refer to the risk warnings in Appendix A.

- 3.8 Subject to any minimum withdrawal amount or minimum Portfolio balance referred to in clause 3.9, you can give us instructions to withdraw money (including both capital and, if applicable, income) from your Portfolio at any time on reasonable notice (to allow us sufficient time to process the trades) and on giving us such information as we may require. Once the trades have been settled, withdrawals will be made from your Account (being your combined capital and income Account or, where you have nominated in the Application Form or subsequently agreed with us that any capital and income should be separated, from your capital Account or income Account, as specified by you), and will be paid to the account nominated in your Application Form, or as agreed with us from time to time.
- 3.9 There are no dealing charges for withdrawing money from your Portfolio, however, at any point withdrawals are made, market movements may have resulted in a reduction in the value of your Portfolio (see attached risk warnings in Appendix A) and local taxes may be applied, or certain investments within your Portfolio may be subject to charges imposed by the fund managers. Withdrawals will be subject to the minimum withdrawal amount and/or Portfolio balance set by us, which may be amended from time to time. This is necessary, for example, because of the administrative costs involved in arranging partial withdrawals and because your Portfolio needs to be of at least a certain value for it to be effectively managed in accordance with the Investment Objectives. Please refer to the current Lifestyle Factsheet (as amended from time to time) for further details.
- 3.10 You will earn interest (if payable) on credit balances which are in your Account and available for investment or withdrawal. Interest (if payable) will be calculated daily and applied monthly for Sterling Accounts and quarterly for Accounts in other currencies. The relevant interest rates will be determined by us and will vary from time to time in accordance with clause 23. Details of our current interest rates are available on request from your relationship manager.
- 3.11 If you elect to have any income generated by your Portfolio paid to you (rather than reinvested within the Portfolio), the income generated will initially be credited to the income Account within the Portfolio and then transferred on a daily basis to you in accordance with your instructions as detailed in the Application Form (or as otherwise agreed with us in writing from time to time).
- 3.12 If you elect to have any income generated by the Portfolio reinvested within the Portfolio, the income generated will be credited to the combined capital and income Account within the Portfolio for reinvestment into the Portfolio. Please speak to your relationship manager if you have agreed with us that capital and income should be separated but still wish to reinvest any income generated by the Portfolio within the Portfolio.
- 3.13 In managing the Portfolio we may at our discretion, enter into sale and purchase contracts of currency (whether on a spot, forward or other basis) on your behalf.
- 3.14 In the event of you having a liability in one currency which is to be matched by an Asset in a different currency, or where an Asset under management is denominated in a currency other than the agreed base currency of the Portfolio, any movement of exchange rates may have an independent effect (which may be favourable or unfavourable) on the gain or loss otherwise experienced on the Asset.
- 3.15 The value of each Security in your Portfolio as well as the value of your whole Portfolio may go down as well as up as a result of market or currency movements. Income from the Portfolio may be similarly affected.

- 3.16 We are under no obligation to arrange for you to receive copies of unitholders' annual reports and accounts, circulars to shareholders or notices.
- 3.17 We have no responsibility to arrange for you to attend shareholders' or unitholders' meetings or to direct how we or a Nominee should vote on your behalf at such meetings.
- 3.18 We will not become involved in or have any responsibility for any shareholder, class or similar actions in respect of Securities registered in the name of a Nominee or custodian, including where such action involves a company in the Lloyds Banking Group.

## 4. The Service



### Important Information

In providing the Service, we rely on the information you give us in your Application Form, and any additional information you disclose to us. We may require you to confirm certain information in writing.

We may, from time to time, request information about your personal and financial circumstances and your Investment Objectives. It is important that you inform us at any time if there are or have been any material changes that may affect your Investment Objectives, or attitude to risk for your Portfolio, so that we can discuss with you how best to meet your future needs and objectives.

If you refuse or fail to provide information about your circumstances and investment objectives, the lack of such information may adversely affect the Service that we provide to you.

- 4.1 Under the Service, we will provide management and administration of the Portfolio on a fully discretionary basis in accordance with the Investment Objectives. This means that we will make purchases and sales for the Portfolio without reference to you.
- 4.2 We are responsible on a continuing basis for managing the Securities within your Portfolio, in accordance with the Investment Objectives, unless the Service is suspended in accordance with clause 18, until this Agreement is terminated in accordance with clause 19 or until we receive notice of your death in accordance with clause 20.
- 4.3 We do not monitor assets you hold outside the Portfolio or keep them under continuous review. You should therefore consider any changes to such assets and how they might impact on the Investment Objectives that you have chosen for your Portfolio. You may discuss this with us and amend your Investment Objectives at any time.
- 4.4 We will exercise our discretion, in accordance with your Investment Objectives, as to whether to receive income or accumulation units or shares for any collective investment schemes in your Portfolio.
- 4.5 We will credit the account nominated in your Application Form, or such other account as agreed with us in writing, with dividends, interest and other payments (such as equalisation payments) arising from your Portfolio as soon as practicable following receipt by us. We are not responsible for losses caused by the wrongdoing of another party which is not our Associate, including for unpaid or late dividends and interest payments. Unless agreed otherwise, sums which we receive in a foreign currency will be converted into the base currency of your Portfolio in accordance with the Guide to Fees, normally within one business day of receipt. We are not responsible for the effect of any currency movements between the date the payment becomes due and its receipt and conversion into the base currency of your Portfolio, unless we have been at fault in relation to the conversion.
- 4.6 Cancellation rights do not apply to the Service. The Service will remain in effect until this Agreement is terminated in accordance with clause 19.
- 4.7 We will determine, in our discretion, whether to receive dividends in cash or in new shares.
- 4.8 If after acting for you and other clients we are left with fractions of shares, you authorise us to deal with them in the way which we consider will have the fairest effect on the treatment of fractional entitlements of all registered holders concerned.
- 4.9 We will send all communications to you at the latest address you have given us and will not be under any further duty in respect of service of notices on you.

## 5. Borrowing

- 5.1 In order to cover settlement and fees and charges obligations, you agree that we may create an overdraft on an Account within your Portfolio, which will be repayable by you on demand. We will not create an overdraft for any other purpose or otherwise commit you to supplement the funds in the Portfolio. If an overdraft is created on an Account within your Portfolio, we will not charge debit interest in respect of that overdraft. For further information on overdrafts, please ask your relationship manager.

## 6. Accounts

- 6.1 You authorise us to:
- open, operate, make transfers between and close any Accounts required for the Portfolio;
  - take any necessary action to ensure that the Regulations are complied with where your money is held with an Approved Bank;
  - withdraw our fees from your Portfolio;
  - settle purchases as your agent using your money; and
  - credit you on settlement day with the relevant sale proceeds.
- 6.2 Any debit balances are repayable by you on demand. Termination of this Agreement will always constitute such a demand, but is subject to any sums you may be entitled to offset against such debit balances.
- 6.3 Where we pay or receive on your behalf amounts denominated in other currencies, we may arrange for the necessary currency conversions in accordance with the Guide to Fees. Such conversions are not necessarily made at the time of the underlying transaction and your exposure to foreign currencies will, for this reason, not immediately change to reflect the transactions which have been undertaken.
- 6.4 You agree that, if we hold foreign currency for you, we may, with your consent, use a client bank account with an Approved Bank outside of Jersey notwithstanding that money in such an account may not be protected as well as if it was in Jersey. If that entity becomes insolvent or otherwise defaults in its obligations, you may only be able to recover the foreign currency to the extent possible as an unsecured creditor of that entity. Provided that we take reasonable care in the selection of such an Approved Bank, we will not be liable for its defaults.

## 7. Set off and Security Interest

- 7.1 We will have a security interest in your Accounts held with us and all sums credited to your Accounts from time to time (the **Security Interest**) for all monies (whether presently payable or not) due to us including, without limitation:
- any of our fees or charges arising from the provision of services to you (including the Service);
  - any resulting from any commitment we enter into for you or credit which we extend to you;
  - any of our costs and charges paid or incurred in obtaining or attempting to obtain payment or performance from you; and
  - any of our reasonable costs and charges paid or incurred in enforcing the Security Interest (together the **Secured Liabilities**),
- and if any of the Secured Liabilities are not paid or performed when due, or if we consider that you have not performed or that you are unlikely to perform your obligations to us, we may serve written notice on you specifying such default and, without affecting any other rights of lien (a lien may exist where we withhold your assets until any debt owed to us by you is discharged), set-off or combination of accounts we may have, we may:
- retain for our benefit all or any monies standing to the credit of your Accounts (this is referred to as appropriation);
  - enter into any other transaction or do anything which would or could have the effect of reducing or eliminating any of your liabilities and obligations to us or of reducing or eliminating liability under any transactions, positions or commitments entered into for you; and
  - apply any proceeds of any appropriation in or towards discharge of, firstly, the costs incurred in such appropriation and then the Secured Liabilities.

- 7.2 Within 14 days after the day on which any of your monies are appropriated, we will give, to you and any other person entitled to receive it, a written statement of account.
- 7.3 If the value of the appropriation of your monies is insufficient to discharge the Secured Liabilities in full, you will remain liable to us for any shortfall.

- 7.4 If the power of appropriation is exercised when any of the Secured Liabilities are contingent or future, we may pay the proceeds of enforcement into an interest bearing suspense account selected by us while the Secured Liabilities remain contingent or future.
- 7.5 The Security Interest is continuing security for, and will extend to the ultimate balance of, the Secured Liabilities regardless of any intermediate payment or discharge in whole or in part. While all or part of a payment made or other value given by you or by another on your behalf to us is liable to avoidance (which means that a risk remains that the payment may be reclaimed by another) it will not be effective to extinguish or reduce the Secured Liabilities.
- 7.6 You irrevocably and unconditionally waive your right to (i) receive notice of appropriation of any monies held in your accounts; and (ii) reinstate the security interest referred to in this clause 7.
- 7.7 We, or another company in the Lloyds Banking Group, may, where permitted by Regulations, retain, transfer or sell any of your Assets so far as is reasonably necessary to:
- settle any transactions entered into on your behalf; or
  - pay any of your outstanding liabilities arising in relation to transactions arising under this Agreement, or any other agreement that you have with us or them.
- 7.8 If you owe us money under this Agreement or under any other agreement that you have with us, we may, subject to Regulations, set off any money we owe you including on a capital, income or other account under this Agreement or any other agreement that you have with us to reduce or repay the amount you owe us.

## 8. Custody

- 8.1 Our obligations in this clause 8 are subject to having received the Securities concerned. We will acknowledge receipt of those Securities and you should let us know if you do not receive that acknowledgement.
- 8.2 All Securities will be held by us, by a custodian selected by us or by a Nominee (each such custodian or Nominee may or may not be a company in the Lloyds Banking Group).
- 8.3 Your Securities may be registered collectively with Securities belonging to our other clients or clients of other parties, in our name or the agreed name of a custodian or a Nominee. Your individual Securities may not be identifiable from those of third parties by separate documents of title, certificates or equivalent electronic records although the amount of your holding is recorded and separately identified by us.
- 8.4 If any Securities are held by a Nominee or custodian outside of Jersey, additional settlement, legal and regulatory requirements may apply in such overseas jurisdictions, together with different practices for the separate identification of your Securities.
- 8.5 We will exercise reasonable care in selecting and supervising those Nominees and custodians appointed by us which are not companies in the Lloyds Banking Group, but we do not accept responsibility for the performance of their obligations.
- 8.6 If any Assets are held by a custodian or a Nominee appointed by us, in order to show that the Assets are not available to the Nominee or custodian's creditors, we will take reasonable steps to ensure that their records show that the Assets are held for you and that they do not belong to us or the Nominee or custodian.
- 8.7 In some jurisdictions, local law might not allow your Assets to be held on trust for you or separately from our Assets or those of the Nominee or custodian. You might be at greater risk of loss if the Nominee or custodian enters administration, liquidation or a similar procedure.
- 8.8 Unless both of us agree in writing and we enter in to a separate agreement, we will not lend to, or deposit by way of collateral with a third party, the documents of title relating to your Securities, nor will we borrow any money on the security of them on your behalf.
- 8.9 Securities in your Portfolio may be deposited with or held by us or a Nominee or custodian within CREST or another appropriate clearance system. You authorise the holding of your Securities in this way and agree that we may adopt such form of membership within that system for ourselves and our Associates and take advantage of such other functions and services offered by the operators of such systems as we consider appropriate or desirable in each case.
- 8.10 You agree that:
- the holding of your Securities in a clearance system and all dealings in those Securities and in the accounts in which they are held will be subject to all the terms of participation in or membership of that clearance system (including its rules and requirements); and
  - all necessary steps may be taken to fully observe those terms.

## 9. Instructions

- 9.1 We may accept instructions which we reasonably believe have been given to us in accordance with the instruction mandate in your Application Form, or such other instruction mandate or form of instruction as notified to us in writing and agreed by us.
- 9.2 Where you give us an instruction, you are responsible for checking that the details are correct. Where we are given an instruction to make a withdrawal, for example, we will not be liable if the withdrawal is delayed, deferred, refused or sent to the wrong person because we have been given the wrong details.
- 9.3 Please send all communications to Lloyds Bank International Limited at PO Box 195, 11-12 The Esplanade, St. Helier, Jersey JE4 8RS. No notice or instruction will be treated as having been given to us until we have actually received it.
- 9.4 We may at our discretion, and subject to completion of such authority forms as we may request, accept instructions other than in original written form (which includes telephone and facsimile).
- 9.5 If you wish us to accept instructions from a third party, please complete our standard third party authority form, which is available upon request from your relationship manager. So long as we have not acted negligently, we will not be liable for accepting instructions from that third party unless you ask us to stop doing so. We will always treat you, and not the third party, as our client.
- 9.6 We will accept instructions from an attorney or other person recognised under the law of Jersey as being able to provide instructions on your behalf. For as long as that person's authority to act on your behalf remains effective or we have not been informed that it has ceased to be effective, we are not liable for accepting instructions from that person so long as we have not acted negligently. We will always treat you, and not that person, as our client.

## 10. Delegation or assignment

- 10.1 We may, where considered appropriate, use outsourced agents (which may be our Associates) in the course of providing the Service. Use of an outsourced agent will not diminish our liability to you in accordance with this Agreement (regardless of whether the outsourced agent we choose is our Associate) and will not result in further obligations on your part. We may also delegate any part of the Service to another party in a way which makes that other party responsible to you. If we delegate any part of the Services in this way, we will not be liable for the defaults of that other party in connection with the part of the Service for which they are responsible (provided that we have exercised reasonable care in selecting them and subject to the Regulations). However, where we delegate any part of the Services to our Associates, we will remain responsible in cases of their wilful default or gross negligence in accordance with clause 16.1.
- 10.2 We may at any time on written notice to you transfer all or any of our rights, powers and duties hereunder to any person, whereupon references to us in this Agreement should where appropriate be read as references to that person.
- 10.3 You cannot transfer your rights or obligations, benefits or interests under this Agreement or your Portfolio or create any security interest in favour of someone else or give any personal legal rights over your Portfolio without first obtaining our consent in writing.

## 11. Compliance



### Important Information

You must, as required for your circumstances, obtain all necessary exchange control or other official or regulatory approvals for any handling of the Portfolio or the Accounts linked to the Service.

You are responsible for ensuring that any tax liability in relation to the Portfolio is accounted for by you to your appropriate tax authorities. You are responsible for making tax returns to revenue authorities in jurisdictions where you are accountable. We will provide you with supporting documentation on request.

We recommend that you seek independent tax advice prior to establishing your Portfolio and thereafter.

You must notify us if you are or become a US Person as defined in the US Securities Act 1933 (as amended or re-enacted).

- 11.1 You confirm that the money which you have introduced to the Portfolio has been and will continue to be lawfully introduced and is not and will not be derived from or otherwise connected with any activity which is illegal or unlawful in its country of origin or in Jersey.
- 11.2 We will not be required to act in such a way as, in our opinion, might infringe any Regulations or give rise to the risk of criticism for impropriety or departure from good market practice.
- 11.3 We are not liable for any tax liability suffered by you as a result of decisions made in the course of management or administration of the Portfolio, or where this Agreement is terminated in accordance with clause 19.
- 11.4 We will treat you as a retail client unless agreed otherwise by both you and us.

## 12. Tax reporting and withholding for clients who are subject to the tax regime of certain other countries (including UK and US)

- 12.1 We (or other companies in the Lloyds Banking Group) may be required by legislation or by agreement with tax authorities to report certain information about you and your relationship with us, including information about your Portfolio, including any Account within your Portfolio, and you consent and agree to such reporting:
  - a. to the tax authorities in Jersey, Guernsey and/or the Isle of Man, which may then pass that information to the tax authorities in another country where you may be subject to tax; or
  - b. directly to the tax authorities in other countries (such as UK and US) where we reasonably think or are required to presume you are subject to tax.
- 12.2 Where we are required to report information about you and/or your relationship with us, including information about your Portfolio or any Account within the Portfolio, this information includes (but is not limited to) the Account number, the amount of interest paid or credited to the account, the account balance or value, your name, address, date and place of birth, country of residence and social security number or taxpayer identification number. In addition, we may need you to provide us with further information, documents or certifications about your identity, tax residence, nationality and status.
- 12.3 If we are required to report information about your Portfolio or any Account within your Portfolio, you agree that:
  - a. you will provide additional information or documents we need from you and that confidentiality rights under applicable data protection, bank secrecy or similar laws will not apply to information we report or obtain from you to comply with our obligations;
  - b. if you do not provide us with information or documents we need, we may be required by certain jurisdictions to:
    - i. apply a withholding tax to amounts, including interest, we pay to you; or
    - ii. close your Portfolio; or
    - iii. transfer the Portfolio to an affiliate in another jurisdiction; and
  - c. we will not be liable to you for any loss you may suffer as a result of our complying with legislation or agreements with tax authorities in accordance with this condition, unless that loss is caused directly by our negligence, intentional default or fraud.

## 13. Reporting

- 13.1 You will not receive a written record of every transaction executed within your Portfolio as part of the Service immediately following each such transaction, unless you request this in writing. Details of every transaction will however, be included with your periodic statement of financial affairs.
- 13.2 We will provide, at least every six months, a periodic statement of financial affairs, which will include a valuation of your Portfolio, details of any transactions carried out in the preceding period, any cash positions held and a suitable comparison indicator of the performance of the Portfolio with the movement of the market.



- 13.3 The values of any Securities (wherever possible market values) provided by outside sources, will be taken as appropriate for such Securities. Where we have not been at fault, we will not be responsible for any errors or omissions in information obtained from outside sources or delays in providing a value where it has not been possible for us to obtain information from such sources.

#### 14. Fees and Charges

- 14.1 You agree to pay the fees and charges under this Agreement. The fees and charges which we apply are set out in the Guide to Fees, and may be subject to amendment from time to time. We may change the Guide to Fees at any time in accordance with clause 22.
- 14.2 You will be told about any fees or charges charged by us which are not covered by the Guide to Fees before those charges are incurred. You can also find out about our fees and charges by contacting your relationship manager.
- 14.3 You should be aware that in addition to the fees and charges mentioned above, for collective investment scheme investments, the fund managers controlling those investments will impose further charges which affect the price of those holdings. These include dilution levies (please refer to Appendix A), charges made on the purchase (such as stamp duty), annual charges for investment management and certain other charges that may be charged to the fund in which the investment is made. You should also be aware that Securities may be purchased at the buying, or offer, price and sold at the selling, or bid price. The net cost of purchases and sales will be shown on your periodic statement of financial affairs.
- 14.4 You agree that in the event of your death, unless you comprise more than one person and the survivor or survivors of you are entitled to the whole of the Portfolio upon the death of one of you, all such fees, charges (including additional charges under clause 14.3 above), interest, expenses and liabilities remaining unpaid at the date of your death will be withdrawn from your Portfolio, upon our giving at least 14 days' notice of our intention to do so to your personal representative (upon receipt of such evidence as to status and on completion of such formalities as we require including grant of probate or other letters of administration or equivalent).
- 14.5 You authorise us to withdraw all such fees, charges (including additional charges under clause 14.3 above), interest, expenses and liabilities from your Portfolio, without any necessity for us to give notice to you. We may sell Securities from the Portfolio in order to meet such sums in whole or in part.
- 14.6 You should be aware of the possibility that other taxes or costs may exist that are not paid through or imposed by us (such as foreign taxes, for example).

#### 15. Material Interest



##### Important Information

If you wish to have further information on the Conflicts Policy, or on any specific conflict of interest that you think might affect you, please contact us.

- 15.1 Lloyds Banking Group has established and implemented a Conflicts Policy (which may be revised and updated from time to time) under the Regulations, which sets out how we must seek to identify and manage all material conflicts of interest. Such conflicts of interest can occur in our day to day business activities, for example, where one of our clients could make a gain at the direct expense of another client, or we might be faced with an opportunity to make a gain but this would be to the direct disadvantage of one or more of our clients. A copy of the policy is available on request.
- 15.2 In most instances, our objective will be to eliminate the conflict of interest entirely. However, in some situations, depending on the exact nature of the conflict involved, this may not be possible. We will, in such cases, take the necessary actions in accordance with the Conflicts Policy to mitigate the potential impact of the conflict, to monitor the outcome and to ensure that we are being as fair as possible to all our clients.
- 15.3 This may involve putting in place controls between the opposing sides of the conflict, which may control or prevent the exchange of information, and/or involve the appropriate management of staff activities and segregation of duties. Where such controls would be insufficient to eliminate all the risk from specific conflicts of interest,

then we will disclose the general nature and/or source of conflicts to you prior to us undertaking business.

- 15.4 We may carry out transactions on your behalf with product providers and other companies who pay us fees, commissions and/or provide us with other non-monetary benefits such as training, research reports, access to information terminals, hospitality, marketing materials, sales documentation, travel and accommodation expenses and other similar items. We may also pay or receive fees or commissions, or provide or receive non-monetary benefits, to or from other third parties in connection with the business that we carry on with you.
- 15.5 We will not pay or accept any fee, commission or other non-monetary benefit if it is likely to impair our ability to act in your best interests. We will also follow the Regulations in checking that in certain cases the relevant fee, commission or other non-monetary benefit is designed to enhance the quality of the Service that is provided to you.
- 15.6 We will provide details of any such fees or commission that we may pay or receive before we do the relevant business with you. We will provide you with further details of these fees or commissions received or provided by us, on request.
- 15.7 We may acquire or dispose for your Portfolio units or shares in a collective investment scheme for which we or an Associate may be adviser or custodian, or which is operated by an Associate.
- 15.8 The Portfolio may contain Securities in which an issue or offer for sale was underwritten, managed or arranged by an Associate during the last twelve months or, where we consider that it is in your best interests, Securities issued by an Associate, notwithstanding that this may involve a potential conflict with our duties to you under these Terms and Conditions.
- 15.9 We may carry out transactions relating to units or shares in a collective investment scheme where commission is payable to us or an Associate by the product company in accordance with the percentage figures set out in respect of each asset class in the document entitled 'Your Financial Plan', or as otherwise notified to you in writing from time to time.
- 15.10 Neither we nor any Associate will be liable to account to you for, or (save in respect of fees or commission charged and subject to the Regulations) to disclose, any profit obtained by reason of any transaction with or for you. Commission may be payable by us to an Associate out of fees received from you. We may receive a share of commission payable to an Associate by you. You consent to the retention by us of any such profit, commission or fees.
- 15.11 We may, when dealing for you, deal at the same time with similar securities or monies for other clients or in other capacities. If it is in the overall best interests of you and all the other clients concerned, we may aggregate, mix or net off such trades so that the proportion of such securities or monies dealt with for the account of your Portfolio will be attributed to your Portfolio. Aggregation may result in a number of transactions at different prices and we may then average out such transactions so that all clients involved pay or receive the same average price.
- 15.12 The Service provided to you will not impose any duty on us or an Associate which would prevent us or it from acting as principal, agent, counterparty or dealing with or for Associates or other clients and generally carrying out transactions in accordance with this Agreement.

#### 16. Limits of responsibility

- 16.1 We cannot guarantee the performance or profitability of any Securities or monies held or acquired in connection with the Service. We are not responsible for any decrease in, or loss of opportunity to increase, its value except in cases of our negligence, intentional default or fraud. We accept responsibility for loss incurred by you to the extent such loss arises directly from our or an Associate's negligence, intentional default or fraud. Neither we nor any other company in the Lloyds Banking Group will be liable for any loss to you if it is not reasonably foreseeable. However, this clause will not exclude or restrict any duty or liability which we may have or owe to you under the law or Regulations.
- 16.2 We do not accept responsibility for losses arising from industrial action or any cause beyond our reasonable control including, but not limited to, market conditions, inability to communicate with any relevant person or any insolvency, breakdown, failure or degradation of any settlement or transmission system or market or the providers of custody services or of any computer hardware or software used by an operator or any participant in any such system or market or, in the case of securities held within such systems, the failure by any settlement bank to make, receive, credit or debit any payment.
- 16.3 You accept that settlement may be postponed, or a transaction may be reversed, due to market turbulence.

- 16.4 You are responsible for paying our reasonable costs and/or expenses (and those of our respective Nominees, custodians and Associates) incurred as a result of the Service being provided to you or which would not have been incurred otherwise. This clause will not apply if these costs and/or expenses were caused by our (or our respective Nominees, custodians or Associates) intentional default or negligence. Any sums properly claimed by us in respect of such costs and/or expenses will be notified to you in writing and may be recovered by us in accordance with clause 14.5 above.
- 16.5 We may withhold payment of monies held for you where there is, in our reasonable opinion, a legal or regulatory duty or requirement or it is otherwise deemed necessary or appropriate as we may determine in our own discretion. Circumstances may arise where for legal or regulatory reasons we cannot provide an explanation to you for us doing so. Where we have acted reasonably or in accordance with our legal or regulatory obligations we will not be liable to you for any loss or loss of profit suffered directly or indirectly by you as a result of or in connection with the withholding of payment in these circumstances.
- 16.6 You confirm, even where this Agreement has been terminated, to ratify everything done by us under your authority.

## 17. Communications

- 17.1 We may contact you by post, telephone or electronically using the details which you have given us. You must tell us if your name or contact details change. If you do not tell us, we will continue to use the details you last gave us. We will not be responsible if we fail to contact you or if we send confidential information to the wrong address using out-of-date details in these circumstances and you will be deemed to have received any communication sent by us to you using the details which you last gave us.
- 17.2 You may contact us by post, telephone, facsimile, in our branches, or by any other methods we tell you are available. We strongly recommend that you do not email us confidential information or instructions. Please remember that it may be more appropriate to use other means of communication in these circumstances.
- 17.3 Telephone calls and electronic communications may be recorded and monitored to:
- check we have carried out your instructions correctly and are meeting our regulatory obligations;
  - help detect or prevent fraud or any other crime; and
  - help us maintain and improve the quality of our service.

## 18. Suspension and partial suspension of the Service

- 18.1 We may suspend the Service:
- if you die, until such time as we receive official notification from your personal representatives;
  - if we have reasonable cause to believe that you are or are becoming mentally incapable and this affects your ability to understand and take decisions in relation to your financial affairs. In such circumstances we may suspend the service until we reasonably consider that you have capacity to understand and take decisions in relation to your financial affairs (for example, due to a change in your circumstances or we receive a medical opinion on your mental capacity) or a legal representative is appointed and authorised to act on your behalf;
  - if we are required to do so in order to comply with any applicable laws or orders of any competent court or authority; or
  - if failing to suspend the Service could cause us (or another company in the Lloyds Banking Group) to breach a legal requirement or expose us to action, prosecution or civil liability in any jurisdiction by any government, regulator or other authority in any jurisdiction.

Whilst the Service is suspended we will not actively manage your Portfolio or accept instructions, for example, in relation to any additions or withdrawals.

- 18.2 We may partially suspend the Service if we know or have reasonable grounds to believe that:
- there is any dispute over the ownership of any of the Assets in the Portfolio;
  - there is any dispute between the joint owners of the Portfolio, for example, they have separated or divorced;
  - we are required to do so in order to comply with any applicable laws or orders of any competent court or authority; or

- failing to partially suspend the Service could cause us (or another company in the Lloyds Banking Group) to breach a legal requirement or expose us to action, prosecution or civil liability in any jurisdiction by any government, regulator or other authority in any jurisdiction.

If we partially suspend the Service, we will continue discretionary management of the Portfolio but we may not allow any withdrawal of Assets from your Portfolio, additional monies to be introduced to the Portfolio or other transactions to be carried out in relation to your Portfolio until the matter that caused us to partially suspend the Service has been resolved. We may permit at our discretion withdrawals from or additions to the Portfolio in the dispute scenario referred to in (b) above where these are instructed by all parties to the Portfolio.

- 18.3 We may reverse or recall any payment into or payment from your Portfolio if we have reasonable grounds to believe that such payment has been made fraudulently or illegally or otherwise in breach of these Terms and Conditions.
- 18.4 We may delay or defer accepting a payment into your Portfolio or making a payment from your Portfolio whilst we undertake such investigations as we, in our discretion, deem necessary for any reason.
- 18.5 We will not be liable for any loss, damage, cost or expense suffered by you as a result of us suspending or partially suspending the Service, reversing or recalling a payment into or from your Portfolio, or delaying or deferring acceptance of a payment into or from your Portfolio.

## 19. Termination

- 19.1 This Agreement will continue until you or we terminate it.

### Termination of this Agreement by you



### Important Information

Please ensure you provide all the necessary information requested in clause 19.3 if you wish to terminate this Agreement. Failure to specify this information will mean that you have not given us a valid termination notice and this Agreement will continue.

- 19.2 You may terminate this Agreement at any time by giving us notice in writing. Notice of termination will be effective upon receipt by us or, if specified and later, upon the date specified in your notice to us.
- 19.3 A termination notice must tell us whether you want the Portfolio to be:
- transferred to another custodian to hold on your behalf, in which case, you must specify the name of the custodian; or
  - registered in your own name, with any monies transferred to a deposit account in your name, in which case, you must specify the account bank, the bank's Sort Code and the Account number; or
  - sold and the balance transferred to a deposit account in your name, in which case, you must specify the account bank, the bank's Sort Code and the Account number.

### Termination of this Agreement by us

- 19.4 We may terminate this Agreement:
- by sending you personal notice dated at least 30 calendar days before the termination date which we specify in that termination notice, if:
    - we receive information regarding your circumstances that, had we received such information prior to your application, we would not have accepted your application, for example in relation to criminal or similar behaviour;
    - you are no longer eligible for the Service; or
    - it is impracticable for us to continue providing the Service to you, so long as we have acted reasonably in coming to that decision; or
  - by sending you personal notice specifying a termination date which is less than 30 days from the date of that termination notice (and which may be immediate) if we know or reasonably suspect that:
    - you or someone else is, or we reasonably consider you or someone else may be:
      - using or obtaining, or allowing someone else to use or obtain, a service or money illegally;
      - acting fraudulently;

- c. behaving improperly (for example, in a threatening or abusive manner towards our staff);
- ii. we reasonably consider that by continuing this Agreement:
  - A. we (or another company in the Lloyds Banking Group) may break a legal requirement or a court order or other authority (in any jurisdiction);
  - B. we (or another company in the Lloyds Banking Group) may be exposed to action or prosecution from any government or regulator or other authority (wherever situated);
- iii. you breach any term of this Agreement in a serious or repeated way;
- iv. you suffer an Insolvency Event; or
- v. you have given us false information.

19.5 When we send you a termination notice, you must reply within 30 days of the date of the notice to tell us how you want us to deal with the Assets in your Portfolio.

#### Consequences of a termination notice

- 19.6 If you have instructed us in your valid termination notice, or have instructed us in response to our termination notice, that your Portfolio is to be transferred to another custodian or into your own name, subject to all necessary documentation being completed to the satisfaction of the collective investment scheme provider or new custodian (as appropriate), we will arrange for your Portfolio to be re-registered in the name of such custodian or your own name, as appropriate. There may be a cost involved in this, which will be notified to you.
- 19.7 On the termination date our power and authority to manage the Portfolio on a discretionary basis in accordance with your Investment Objectives will cease.
- 19.8 If you do not respond to our termination notice within 30 days of the date of the notice, to provide the information required by clause 19.5, or your instructions cannot be effected for any reason, we may sell the Securities in your Portfolio and send the proceeds to you in the form of a cheque or by direct transfer to any account held in your name. If for any reason, it is not possible for us to liquidate some or all of the Securities in your Portfolio and transfer the proceeds to you, any Securities remaining will be held on a nominee basis only and there may be a charge for holding such Securities this way. In such circumstances, we will be under no duty to manage your Portfolio and under no liability for any loss resulting, except where this arises due to our intentional default, negligence or fraud.
- 19.9 If it is necessary to sell any Securities as part of the termination process, there may be some delay in selling holdings in Securities which are not readily realisable: see the risk warnings in Appendix A.
- 19.10 If there are any possible outstanding liabilities or commitments affecting your Portfolio, we may either require you or an acceptable nominee of yours to assume them or we may retain Securities (with a power of sale) or cash sufficient in our opinion to meet those liabilities.
- 19.11 Termination is without prejudice to the completion of instructions already initiated by us prior to the termination date.
- 19.12 Upon termination, we will charge the fee due from the last charges date prior to the date on which we receive your instruction to terminate this Agreement, or (where we have terminated this Agreement) the last charges date prior to the termination date set out in the termination notice we have given to you, until our final confirmation that your Portfolio closure is complete.
- 19.13 We may make an additional charge for the work involved in discharging our full responsibilities to you. We will confirm any charges before they are incurred.

## 20. Treatment of the Portfolio following your death

- 20.1 Once we have received official notification of your death (for example, if we receive a death certificate):
- a. if you are a sole Portfolio holder, we will treat such notice as a termination notice and will deal with your personal representatives on behalf of your estate (once we have obtained grant of probate or other letters of administration, or equivalent formalities under Jersey law) to obtain the information required by us in accordance with clause 19.3 and the provisions of clause 19.6 to 19.13 will apply; and
  - b. if you are a joint Portfolio holder, we will accept instructions from the surviving Portfolio holder and will treat that surviving Portfolio holder as the only person(s) entitled to your Assets.

## 21. Joint cases

- 21.1 Where 'you' consist of two or more persons, the following provisions will apply:
- a. each of you is separately responsible for complying with the terms of this Agreement. If any of you does not comply with the terms of this Agreement we can take action against any or all of you alone or together;
  - b. notice to one or more of you will count as notice to all;
  - c. we will treat any request from you to accept instructions from one or some of you as valid and continuing until any one of you confirms otherwise. Meanwhile we will not be liable for acting on the ground that the person(s) nominated lacked or ceased to have authority;
  - d. instructions to terminate this Agreement must be provided by all of you;
  - e. we will not normally make enquiries about the purpose of any payment instruction or other instruction or confirm the instructions with the other joint parties, unless we are required to do so by law or a regulator. An exception to this arises where we become aware of a dispute leading to the service being partially suspended and the provisions of clause 18.2 then apply;
  - f. on the death of any of you, the survivor(s) may be treated as the only person(s) entitled to give instructions and receipts;
  - g. on the death of the last survivor, clause 20 above will then apply.

## 22. Changes to the Agreement (excluding interest rates, which are covered at clause 23)

- 22.1 We will need to change the terms of this Agreement from time to time. The circumstances in which we can make changes to this Agreement (excluding interest rates) are to:-
- a. comply with legal, fiscal or regulatory requirements;
  - b. rectify errors, inaccuracies or ambiguities;
  - c. take account of any corporate reorganisation in the Lloyds Banking Group of companies;
  - d. reflect a change in the cost of running the Service; or
  - e. reflect alterations in the scope and nature of the Service in accordance with our systems capabilities, routines and administration procedures and having regard to market practice and overall client demands.
- You can end this Agreement at any time if you do not want to accept any change that is made.
- 22.2 Where we make a change that we reasonably consider will be to your disadvantage, we will send you personal notice in writing at least 30 calendar days before we make the change. An exception to this is in the case of changes which are necessary to reflect changes in law, regulation or codes of practice which apply to us, in which case we will endeavour to provide you with at least 30 calendar days' personal notice in advance of the change, but may not always be able to do so.
- 22.3 We may make changes with less than 30 calendar days' notice, which may be immediate notice, if we reasonably consider that such changes will not be to your disadvantage. We will notify you of any such changes by writing to you (which may be by way of your periodic statement of financial affairs), or by putting notices on our Website. You can obtain a current copy of the Terms and Conditions and/or the Guide to Fees by contacting us.
- 22.4 For a change where we give you advance notice, you can contact us to tell us you do not want to accept the change. We will take this as notice that you wish to end the Agreement immediately. If we do not hear from you before the date on which the change comes into force, we will regard you as accepting the change on the date it comes into force.
- 22.5 For a change where we give you immediate notice, we will also regard you as accepting the change on the date that it comes into force. If you no longer want the change which has been made to apply to you, you can end this Agreement at any time. Please contact us for further details.

## 23. Changes to interest rates

- 23.1 We may change our interest rates up or down at any time.
- 23.2 If we make a change to our interest rates in a way that is to your advantage, we will tell you about the change either before the change comes into effect or as soon as reasonably practicable afterwards by putting notices on our Website, or by sending you personal notice in writing (for example, by including notice in your periodic statement of financial affairs).



23.3 In respect of all other changes which we make to our interest rates, we will tell you about the change as soon as reasonably practicable before it comes into effect by putting notices on our Website, or by sending you personal notice in writing.

## 24. General

- 24.1 For the avoidance of doubt, we confirm that any existing authority you have given to us or any other company connected with Lloyds Banking Group concerning matters unconnected with the Service is not overridden by this Agreement.
- 24.2 This Agreement is in English. You agree that we can communicate with you in English about this Agreement.
- 24.3 We will be permitted to telephone you in any circumstances without your express invitation and visit you by prior appointment.
- 24.4 If you feel that we have not met your expectations in any way, please contact us and request a copy of our complaints leaflet. Full details of our complaints procedures are detailed in our complaints leaflet.
- 24.5 Lloyds Bank International Limited is a participant in the Jersey Bank Depositors Compensation Scheme (the **Jersey Scheme**). The Jersey Scheme offers protection for eligible deposits of up to £50,000 but only applies in respect of "eligible depositors", which includes individual natural persons but does not, for example, include corporate clients or trustees. "Eligible deposits" mean cash deposits held with a bank in Jersey, so deposits held with Lloyds Bank International Limited outside Jersey, or any other investments held in Jersey or elsewhere will not be covered by the Jersey Scheme. The maximum total amount of compensation is capped at £100,000,000 in any 5 year period. Full details of the Jersey Scheme and banking groups covered are available on the States of Jersey website [www.gov.je/dcs](http://www.gov.je/dcs), or on request.
- 24.6 Please note that, in relation to banking services which we provide, you might not be eligible for compensation under a deposit protection scheme available in your country of residence. If in doubt, contact your local banking regulator, visit their website or seek independent advice.

24.7 The invalidity, unenforceability or illegality of any provision or part of a provision of this Agreement under the laws of any jurisdiction will not affect the validity, enforceability or legality of the other provisions of this Agreement.

24.8 If any invalid, unenforceable or illegal provision would be valid, enforceable and legal if some part of it were deleted, the provision will apply with the minimum modification necessary to make it legal, valid and enforceable.

24.9 We may not always strictly enforce our rights, benefits or interests under this Agreement. If we choose not to do so immediately we can still do so later.

24.10 We and other companies in the Lloyds Banking Group may be subject to legislation adopted to implement sanctions and embargos imposed by the international community including the United Kingdom, European Union, United Nations and United States of America. We may decline to accept payment instructions and may refuse to make any payment or take any action in connection with a payment instruction if it would result, or in our reasonable opinion is likely to result, in a breach by us or any other company in the Lloyds Banking Group or any of our or their employees of any sanction or embargo whether or not imposed in the United Kingdom, and we will not be liable for any loss (including loss of profit), damage, cost or expense for any such reason. We may disclose to the relevant authorities such information in relation to any instruction or payment as may be required.

24.11 The laws of Jersey apply to this Agreement. The Courts of Jersey will have non-exclusive jurisdiction over any proceedings in connection with any disputes in relation to this Agreement.

# Lifestyle Portfolios Appendix A – Risk Warnings

This Appendix contains an explanation of the investments within your Portfolio and the main associated investment risks.

It is split into 3 sections:

1. **General** – This section explains the general risks associated with investments.
2. **Collective investment schemes** – this section explains the risks specifically associated with CIS.
3. **Asset classes** – This section explains the traditional and alternative types of asset classes that may be held by the collective investment schemes in your Portfolio, as well as the risks that these asset classes present.

## 1. General

Past performance of investments is not a reliable indicator of future performance. The value of investments and the income from them can go down as well as up. You might not get back the amount originally invested.

You should only invest if you are prepared to hold your Portfolio for a minimum of five years, ideally longer.

You should be aware that, in addition to the individual risks highlighted, situations may arise when combinations of risks have an effect which is greater than the sum of the individual risks.

The investments used as examples in the brochure and illustration may not be those selected for investment within your Portfolio.

### Counterparty Risk

Counterparty risk is the risk that the other party in an agreement, for example the provider of an investment product, will default.

Investments within your Portfolio will only be transacted through approved brokers or directly with the underlying fund manager. However, certain transactions may expose your Portfolio to the risk that the counter-party will not deliver the investment (for a purchase) or cash (for a sale) after the cash or investment from your Portfolio has been provided to them.

### Market Risk

This is the risk of investment in specific markets, such as the property market or stock market. Events that often cannot be predicted can cause prices to fall suddenly in a particular market and significantly affect the value of your investment.

### Inflation Risk

The risk that inflation reduces the purchasing power of your capital and/or income. If the return on your investment is less than the inflation rate over the term of your investment, the value of your investment will have fallen in real terms. This may be particularly relevant for fixed interest securities held within the underlying funds.

### Liquidity Risk

Liquidity risk is the risk of not being able to cash in an investment as quickly as would be desired or at the price expected.

Ordinarily the investments within your Portfolio are considered to be readily realisable. However, on certain occasions this may not be possible such as at times of high volatility of world stock markets or where a stock exchange is closed or has suspended trading. Additionally, market liquidity or the liquidity in the underlying investments could delay transactions being carried out for your Portfolio. Dilution levies can be imposed (see below)

### Currency/Exchange Rate Risk

Since foreign exchange rates fluctuate, exchange rate risk exists whenever investments are held in a foreign currency. The essential factors affecting a country's foreign exchange rate include a country's inflation rate, the gap between domestic and foreign interest rates, the assessment of economic trends, geo-political events and the political situation. Changes in exchange rates may cause the value of an investment, and the return from it, to fall as well as rise.

A fund within your Portfolio may purchase investments denominated in a currency other than the base currency, and as a result the fund's total return can be significantly affected by currency movements.

Derivative instruments may be used to help reduce foreign currency risk. The use of derivatives may at times lead to increased price volatility.

There are also implications of investing in a Portfolio with a base currency which is different to your own reference currency. Even if your Portfolio performs well, you could see the value fall when it is converted back into your own reference currency.

## Portfolio Diversification Risk

Diversification can help reduce risk by spreading investments across a variety of asset types. A potential downside to this is that above average performance in one asset can be diluted by poorer performance in another.

## Stock Specific Risk

This is the converse of diversification risk, where extra risk may arise due to investments being concentrated in a small number of investments, which may be influenced by specific conditions that don't affect the market in general.

## 2. Collective Investment Schemes

Collective investment schemes (referred to as "funds") pool your money with other investors enabling the fund managers to invest in a broader range of securities for you than would be possible on your own.

There are risks associated with investment in funds, these are explained below:

### Diversification Risk

The wide spread of investments held in a fund can help reduce the overall risk to the fund but may also mean that the growth is less. This is because if one investment within the fund performs particularly badly or well, the effect may be offset by the rest of the investments within the fund.

### Income Risk

Each fund may receive income from its various underlying investments. The income received by each fund is not fixed and may vary from time to time.

### Interest Rate Risk

This is the risk that your investment will lose money because interest rates move up or down and is most relevant where bonds and cash deposits are held within the fund.

### Liquidity Risk

As explained further in Section 1, liquidity risk is the risk of not being able to cash in an investment as quickly as would be desired or at the price expected.

### Currency/Exchange Rate Risk

As explained further in section 1, this is the risk that the funds within your Portfolio are affected by movements in exchange rates. Even if an investment performs well, the value could fall when it is converted back into the base currency.

### Exchange Traded Funds

An Exchange Traded Fund (ETF) is an open ended collective investment, which is composed of a basket of securities that are grouped together and trade as one individual security, tracking a particular benchmark or index.

The market price will generally be directly related to the value of the underlying assets. This is referred to as the Net Asset Value (NAV). If new investors wish to participate then further shares are created. Unlike a traditional fund, the NAV is calculated continuously and although the share price of the ETF is based on supply and demand it rarely drifts much from the NAV.

Because an ETF is aligned to its constituent assets this reduces the opportunity for it to outperform.

The costs and charges associated with a fund will also mean that investing through an ETF introduces a performance lag over time.

Equity-based ETFs are subject to risks similar to those of the underlying assets in which they invest

### Dilution Levy

Some fund managers may impose a dilution levy in certain circumstances. A dilution levy is a pricing mechanism to protect existing and potential shareholders' interests. High levels of buying and selling by investors in shares may lead to an increase in the underlying dealing costs borne by a fund. The effect of this is that the value of a fund may be reduced (or diluted). In order to prevent this dilution effect, the fund manager has the discretion to charge a dilution levy on the creation, sale, redemption or repurchase of shares (including conversions between different classes of shares).

When charged, the dilution levy will be paid into the relevant fund in order to mitigate the effect of the dilution. When applied the dilution levy will be added to the purchase cost or deducted from the redemption proceeds, as appropriate.

For example, the fund manager may impose a dilution levy on a fund in circumstances where:

- a fund experiences large levels of net purchases (i.e. purchases less redemptions) relative to its size;
- where the underlying investments are illiquid (such as real estate)
- a fund experiences large levels of net redemptions (i.e. redemptions less purchases) relative to its size; or
- the fund manager believes that the imposition of a dilution levy is required to safeguard the interests of existing and potential shareholders.

#### Derivatives

Derivatives will only be used within the funds in your Portfolio where they fit with the fund's investment objectives and policy.

Some funds will only use derivatives for efficient portfolio management, which means that they are not used independently of investment strategy or for purely speculative purposes. In other funds, such as absolute return funds, derivatives may be used for the purpose of gearing or leveraging (i.e. borrowing to generate greater potential for additional investment returns) or for the purpose of producing, enhancing or generating income.

The use of derivatives may at times lead to increased price volatility. Therefore, investors should be prepared to accept the associated risks associated with these investments and be aware that their capital is not guaranteed.

#### Inflation Risk

This is the risk that the value of your capital falls in real terms. This can be particularly relevant for investments in fixed interest securities where, for example, the aim is to provide a good level of income compared to the Bank of England base rate. However, this aim may result in the investment losing value in real terms as the return may not keep up with inflation.

#### Fund Management

You have no ability to influence the fund manager and the investment choices they make for their fund. The fund manager will oversee all investment and management decisions for their fund and the resultant performance of the fund will depend upon their judgement and ability. If the fund manager leaves the fund and a new fund manager is appointed, this can have a significant impact on the performance of the fund.

#### Launch of new Funds

When a new fund is launched, the fund may be seeded by or majority owned by the fund manager in order to enable the fund to be established.

#### Leverage

When a portfolio invests in a CIS which may be exposed to leverage. A CIS may at times employ strategies which make their units much more volatile than the underlying investments within the fund. For example, many CIS are permitted to borrow money to fund their investment policies. In extreme cases this could lead to the value of a CIS being wiped out if there was a sufficiently large fall in the underlying assets.

#### Performance Fees

A Portfolio manager may purchase for a portfolio a fund which is subject to performance fees. A performance fee is payable only on the performance of that component fund.

Performance fees may create an incentive for a fund manager to make investments that are riskier or more speculative than would be the case in the absence of such arrangements.

### 3. Asset Classes

The main asset classes contained within the funds in which your Portfolio will invest and the risks associated with such asset classes are as follows:

#### a. Traditional

##### i. Cash or cash funds

Deposit based investments, such as cash funds, can increase in value by the payment of interest although negative interest rates can erode the value and inflation may also pose a risk to maintaining value. The interest received can be at a fixed or variable rate.

Deposit based investments can include the placement of funds in bank and building society accounts, national savings accounts, other interest paying accounts, as well as cash equivalent investments such as short term commercial paper that may be issued by companies (i.e. short term debt instruments).

Deposit based investments generally provide a low risk with easy access. Some accounts will require a notice period to be observed before funds can be withdrawn. Deposit based investments will generally give lower returns than investments in the other asset classes.

Cash funds held within the Portfolio are unlikely to be covered by depositor compensation schemes.

Your Portfolio may invest in cash funds or cash can be kept within the capital account and any monies held in the capital and or Income account within the portfolios will be covered by the applicable Compensation Scheme.

#### Risk Factors

1. Counterparty risk – the financial stability of the deposit provider will influence the level of risk.
2. Inflation risk – the effects of inflation can reduce the buying power of your money.
3. Interest rate risk – interest returns can vary or even be negative.

#### ii. Bonds

Bonds are essentially securitised loans (i.e. an agreement between a borrower and a lender) that can be bought and sold by investors.

Bonds are issued by companies and governments to borrow money directly from the public and usually have a fixed term. The issuer of the bond (the company or government) agrees to make interest payments to the bondholder (the investor) at agreed intervals during the term of the bond. These payments are called coupon payments. At the end of the term, the issuer of the bond repays the face value borrowed to the bondholder; this value is known as the par or nominal value.

In some ways, these can be similar to cash deposit investments in that you are paid interest on your capital, but there are some significant differences:

- The interest rate is fixed;
- Bonds are traded by being bought and sold both on and outside the stock market and as such Bonds prices depend on investor demand and supply;
- There is no guarantee that you will receive the agreed coupon or get your initial investment back.

Governments or companies that issue bonds are assessed by independent agencies as to their financial standing and given a credit rating. The ratings are issued by institutions such as Standard & Poor's and are split into Investment Grade Bonds and Sub-Investment Grade bonds.

#### Risk Factors

The Main risks that affect Bond Investments are as follows:

1. Credit Risk – the interest or coupon rate paid by a bond varies according to the stability of the issuer. If the bond issuer is stable and financially secure, there is a low risk of them not being able to repay the bond, so the interest paid will be expected to be relatively low with the bond price relatively high. Conversely, if the bond issuer is considered higher risk, then the interest is likely to be higher to reflect the additional risk being taken.
2. Interest Rate Risk – the value of bond funds can alter depending on changes in interest rates. For example when the Bank of England changes interest rates in the UK, bonds may be more or less valuable depending on the direction of the interest rate changes. Often, and depending on market forecasts, shorter maturity bonds can move in a different direction to longer dated bonds and by a different magnitude. Long dated bonds typically display the most volatile prices.

#### iii. Equities

Equities (shares/stocks) are investments in a company which may be listed on a Stock Exchange. Once you invest in a company's shares, you become a shareholder.

Equities offer the potential to share in any distributed profits of the company. This payment is called a dividend. The greater the company's net profit, the larger the dividend is likely to be. Conversely, if the company under achieves or makes a loss, the dividend may be small or not paid at all.

Whilst the equity funds within the Portfolio may invest globally the highest exposure will be in the base currency of your Portfolio.

The Portfolio may also invest in funds which hold emerging market equities. Emerging markets are developing countries, often with anticipated superior growth prospects characterized as being vulnerable to political and economic instability, having low average per-capita income, and of being in the process of building its industrial and commercial base. Please see the emerging markets risk factors below.

## Risk Factors

1. Income risk – income paid by equities is variable and is not guaranteed. If the company does not perform well, it may stop paying dividends
2. Stock specific risk – if the company produces or is expected to produce lower profits than expected, the share value may fall. Directly investing in a single company carries a higher risk than investing in an equity fund as funds provide a greater level of diversification
3. Market risk – Equity investment returns are linked to economic growth as well as many other issues including political change/uncertainty and company mergers. If economic conditions are poor or there is increased market uncertainty, the outlook for equity returns will also be negatively impacted
4. Liquidity risk – The performance and value of shares can fluctuate significantly in different sectors or types as can their liquidity.
5. Currency/Exchange rate risk – where a fund purchases investments denominated in a currency other than the base currency, the fund's total return can be significantly affected by currency movements.
6. Equities are amongst the riskiest asset class.

## Emerging Markets Risk Factors (Continued)

Investments in emerging market equities may be considered to be speculative and may have additional risks from those associated with developed market equities.

There may be limited publicly available information. Generally emerging market issuers are not subject to uniform accounting, auditing and financial standards and requirements like those required of developed market issuers.

The value of a fund's investments in emerging market equities may be adversely affected by changes in the political, economic or social conditions, expropriation, nationalization, limitation on the removal of funds or assets, controls, tax regulations and other foreign restrictions in emerging market countries. Emerging market equities trade with less frequency and volume than domestic securities and, therefore, may have greater price volatility and lack liquidity.

In some emerging market countries there is no legal structure governing private or foreign investment. This may adversely affect a fund's operations and the ability to obtain a judgement against an issuer in an emerging market country.

## b. Alternative

### i. Property

Real estate is regarded as a tangible asset and is anticipated to be a good inflation hedge over the long term. By investing through property funds and ETFs we are able to include low levels of exposure to property within the Portfolio.

Property funds are investment vehicles which may be used to invest either in real property or in units in property companies or other investment vehicles with a strategy which includes investing in property assets. Property funds usually have investment criteria which will limit investments to particular types of property such as residential or commercial and often limit such investments to particular geographic areas. This can include investment into Real Estate Investment Trusts (REITs), this is effectively an investment into shares which are invested into property.

## Risk Factors

Investing in property funds involves particular risks which are set out below:

1. The value of an investment in a property fund may depend on the performance of the underlying property and currency exchange rates where a fund invests overseas. The performance of a property fund may be adversely affected by the impact of general economic and political conditions in the UK and elsewhere, by conditions within the property markets generally or locally. It may also be affected by the particular financial condition of the tenants of the property fund's properties and of other parties doing business with the fund and by changes in interest rates to the extent that this affects any borrowings.
2. The selection of properties is a key factor in the success of a property fund and it is comparatively difficult to modify a property portfolio over the short term should circumstances change or the selection of properties prove to be unsatisfactory.

3. A property fund will normally assume all the risks associated with ownership of its property including environmental and third party liability risks. These may potentially give rise to substantial claims.
4. The value of a property is generally a matter of a valuer's opinion and the amount realised on the sale of the property may be less than the valuation given to the property by the valuer. This means that quoted prices of holdings in a property fund may not always be a reliable indication of what the investor will receive on redemption.
5. The manager of a property fund may be required to realise properties to fund redemption requests and this may entail disposals in unfavourable market conditions. Investments in property funds can be difficult to sell which means we may not be able to redeem investments when we would like to. (see dilution levy above) Property funds are not usually listed on a stock exchange and holdings in them can often only be redeemed at infrequent intervals (typically three months). In addition, the manager often has the right to defer redemptions for longer periods, which may exceed a year, in order for it to make property disposals. This means that you may not be able to realise your investment promptly.

### ii. Absolute return funds

Absolute return funds seek to achieve a positive return in both rising and falling market conditions. These funds invest in diversified portfolios where the underlying assets are commonly related to fixed income, equities, commodities, currencies or other asset classes. Exposure may be obtained through investment in securities or derivative instruments, through which the funds may gain long and/or short exposure to the underlying investments. The investment objective of these funds is to offer an investment return exceeding cash return, consistent with capital preservation and prudent investment management. Within the portfolios we invest in funds that have UCITS status with the aim of being lower risk and better regulated than a hedge fund would be.

## Risk Factors

Absolute return bond funds invest in cash and securities and absolute return equity funds invest mainly in equities with the aim of achieving a total positive return in all market conditions. However, this may not always be the case. The use of derivatives may at times lead to increased price volatility. Therefore, you should be prepared to accept the risks associated with these investments as described within this appendix and be aware that although they always seek to provide positive returns, your capital is not guaranteed.

### iii. Commodities

This can include investments into assets such as precious metals, energy and foods stuffs.

Investment is made in this category through the use of either an exchange traded or collective fund.

## Risk Factors

Some of the assets which may be purchased within this category may be less liquid, meaning that they could be more difficult to sell in volatile markets.

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