DISCRETIONARY PORTFOLIO MANAGEMENT

Our commitment to **Portfolio Suitability**

How we ensure your portfolio remains aligned with your risk profile at all times

1. Suitability: principles and rationale

Suitability is the legal and fiduciary obligation — set out in Article 25 of MiFID II (Directive 2014/65/EU) — requiring investment firms to ensure that investment services and financial instruments recommended or decided upon are suitable for each client, taking into account their investment objectives, financial situation, and knowledge and experience.

This requirement flows directly from the European MiFID II regulatory framework. Beyond mere compliance, it reflects our deep conviction: a portfolio can only truly perform over time if it is structured in coherence with its owner's actual circumstances.

This document explains, in a transparent and detailed manner, the methods and tools we use to guarantee this suitability at every point in time.

In brief: the three pillars of suitability

1. Know your profile — gather and keep up to date your financial situation, knowledge, experience and objectives.
2. Measure risk — objectively assess the risk of your portfolio as a whole.
3. Monitor continuously — verify daily that your portfolio remains within the limits of your risk profile.

2. Your risk profile

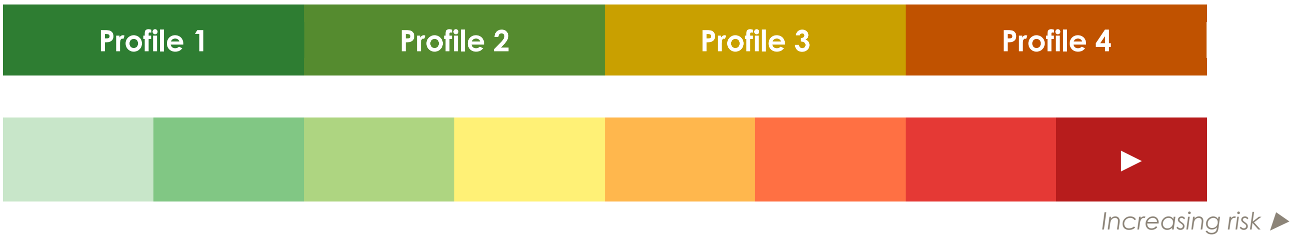
2.1 What is a risk profile?

Your risk profile is a synthesis of several dimensions we assess at onboarding and review on a regular basis — the suitability assessment — in accordance with MiFID II Article 25(2). It determines the maximum risk level your portfolio is authorised to take.

Dimension	What we assess
Financial situation	Overall wealth, income, liabilities, available liquidity, investment time horizon.
Knowledge and experience	Your familiarity with different types of financial instruments and investment services.
Investment objectives	Priority between capital preservation, income generation, growth, and risk tolerance.
Ability to bear losses	Capacity to sustain financial losses and tolerance for risk in line with investment objectives.

2.2 The risk profile scale: levels 1 to 4

Based on this suitability assessment, your profile is positioned on a scale of 1 to 4. This profile defines the maximum investment strategy accessible to you, and therefore the maximum risk level of your portfolio.



3. Investment strategies

3.1 Strategic Asset Allocation (SAA)

For each profile level, we define a Strategic Asset Allocation (SAA). This is a composition of major asset classes (equities, fixed income, cash, alternative assets), representing the long-term target independent of market fluctuations.

The SAA is built to optimise the risk/return trade-off over a long-term horizon. It forms the backbone of your portfolio — the compass to which we always return.

3.2 Tactical Asset Allocation (TAA) and its reference Expected Shortfall

Our Investment Committee adjusts the reference allocation based on short-term market conditions: this is the Tactical Asset Allocation (TAA). These adjustments reflect our current macroeconomic, thematic or sectoral convictions.

Key regulatory constraint on TAA

The risk introduced by tactical adjustments can never exceed 50% of the risk of the reference strategic allocation.

In other words: short-term views may modulate your portfolio, but they cannot fundamentally alter its nature.

The Expected Shortfall as the benchmark of each strategy

At the heart of our control framework lies a fundamental principle: each TAA strategy is associated with a target Expected Shortfall (ES), calculated independently. This reference ES translates into quantitative terms the level of risk the strategy is designed to represent.

The most conservative strategy — TAA 1 — is associated with a reference ES of 1.5%. This is the absolute floor of our range: no portfolio managed under this strategy may present a risk level that materially exceeds this target. Each subsequent strategy carries a higher reference ES: approximately 4% for TAA 2, 8% for TAA 3 and 14% for TAA 4.

This ES-based calibration ensures that the hierarchy of strategies is coherent, objective and measurable. It is not a mere qualitative label ('conservative', 'dynamic'), but a quantified commitment, recalculated on an ongoing basis.

Expected Shortfall in plain language

Imagine simulating 1,000 possible market scenarios over 30 days. You rank them from best to worst. The Expected Shortfall tells you: 'In the 100 worst scenarios (the bottom 10%), what is the average loss?'

It is a more prudent and informative measure than the simple Value-at-Risk (VaR), because it accounts for the magnitude of extreme losses, not just their probability.

The link between TAA and client portfolio monitoring

The ES calculated for each TAA is the benchmark against which the client portfolio's ES is compared.

A client whose profile corresponds to TAA 1 must hold a portfolio whose calculated ES is aligned with the ~1.5% target.

If the portfolio's ES deviates significantly from its reference TAA's ES — upwards or downwards — an alert is triggered and the manager must intervene.

This logic applies uniformly to all strategies: each TAA has its target ES, and each portfolio is assessed against it.

3.3 Our investment management principles

Our investment philosophy rests on four core convictions that guide every decision made within your portfolio:

- **Diversification.** We attach paramount importance to diversification across asset classes, sectors, and geographies, enabling us to maximise opportunities across varying market environments while maintaining prudent risk management.
- **Active management.** We apply rigorous valuation methodologies to identify the most attractive investment opportunities. Our dedicated team continuously monitors and adjusts portfolios.
- **Long-term perspective.** While remaining attentive to short-term developments, we adopt a long-term investment horizon, convinced of its structural benefits.
- **Risk discipline.** We accept a certain level of risk in pursuit of superior returns, but reject highly speculative approaches in favour of a balanced strategy that preserves long-term value.

4. How do we measure risk?

Our approach rests on a rigorous and independent portfolio-level risk measure: the Portfolio Risk Grade (PRG). It captures diversification effects, correlations between positions and foreign exchange risk, and forms the central reference of our suitability framework.

4.1 The Portfolio Risk Grade (PRG)

What is the PRG?

The Portfolio Risk Grade (PRG) is the reference risk measure for your portfolio as a whole. It aggregates the individual instrument risks, accounting for diversification effects, correlations between positions, and foreign exchange risk.

It is expressed on a decimal scale (e.g. 3.47), enabling far more precise monitoring than a simple integer scale. The integer part determines the risk class (3.47 → class 3), while the decimal value allows anticipation of a potential threshold breach before it occurs.

How is it calculated?

The PRG is calculated daily by our independent risk engine (Edgelab), in three steps:

- **Position aggregation.** All portfolio positions are consolidated in EUR, incorporating actual exchange rates. Foreign exchange risk is therefore fully captured.
- **Portfolio risk calculation.** The portfolio's Expected Shortfall is calculated incorporating correlations between instruments. A well-diversified portfolio will have a lower aggregate risk than a simple summation of individual instrument risks would suggest.
- **Comparison to the TAA reference ES.** The portfolio's ES is benchmarked against the target ES of the client's assigned TAA strategy. This gap — not an abstract limit — determines whether the portfolio is suitable. A linear interpolation over the reference portfolios produces the decimal PRG.

The decimal PRG: an anticipation tool

Your portfolio has a PRG of 3.85. Its risk class is 3.

But 3.85 is close to the threshold of 4. We are alerted before any breach occurs, enabling preventive adjustment.

Without decimal granularity, we would only act after a breach. The decimal PRG gives us advance notice.

Why is the PRG more relevant than instrument-by-instrument risk measurement?

The PRG construction integrates three realities that any instrument-level metric necessarily ignores:

- **Diversification has value.** Two risky but poorly correlated instruments together produce a less risky portfolio than each taken individually. Correlation reduces aggregate risk — a reality that any instrument-by-instrument metric ignores.
- **Foreign exchange risk is decisive.** A US Treasury bond in a EUR-denominated portfolio introduces significant USD/EUR exchange rate risk. Only the PRG, calculated in the portfolio's reference currency, captures this.
- **Hedging strategies matter.** A partially hedged portfolio has a different risk profile from an unhedged one, even with identical positions. Only the PRG reflects this reality.

5. The complete suitability process

Suitability is not a one-off check. It is a continuous process running from the initial suitability assessment through to periodic suitability reports, in accordance with MiFID II Article 25(6).

01	02	03	04	05	06
Client profile	**Strategy**	**Construction**	**PRG measurement**	**Monitoring**	**Suitability report**
Suitability assessment: financial situation, knowledge, objectives	Assignment of a SAA/TAA strategy aligned with the profile	Selection of instruments coherent with the TAA strategy	Daily calculation of aggregate portfolio risk	Automatic ES/PRG threshold alerts	Periodic reporting to the client (Art. 25(6) MiFID II)

5.1 Portfolio construction

At each investment decision, the portfolio manager verifies that the resulting portfolio remains in line with your risk profile. The central criterion is as follows:

- **Portfolio level (PRG / ES).** Following any addition or removal, the recalculated portfolio ES must remain aligned with the target ES of the assigned TAA. The PRG must stay within the range authorised by the client's risk profile.

Our internal policy provides that a portfolio manager may only deviate from these rules in exceptional circumstances, with prior approval from the Head of Investments, recorded in a formal derogation register reviewed annually.

5.2 Ongoing monitoring

Markets move every day. A portfolio perfectly calibrated at the start of the month may see its ES deteriorate following a volatility spike or an adverse currency movement. This is why our system calculates the ES and PRG of each client portfolio every 24 hours, systematically comparing them against the target ES of the reference TAA.

Should the authorised threshold be breached, an alert is automatically sent to the portfolio manager, who has a defined timeframe within which to bring the portfolio back into compliance.

What happens if your ES breaches the TAA threshold?

1. An automatic alert is generated in our portfolio management system.
2. The manager analyses the causes (market movement, specific position, FX effect).
3. A realignment plan is defined in the best interest of the client.
4. The portfolio is brought back into alignment with the TAA target ES within an appropriate timeframe.
5. The incident is logged and may be included in the periodic suitability report.

5.3 Additional construction rules

Beyond PRG and TAA ES monitoring, our investment policy includes additional rules that reinforce the robustness of portfolio construction:

- Issuer concentration is capped at 20% of the portfolio (except sovereign or sovereign-like issuers within the tactical allocation framework).
- The investment universe is restricted to instruments validated by our Financial Research team.
- Derivatives are permitted solely for hedging purposes, or without leverage, provided the underlying instruments belong to the approved investment universe.
- Direct investment in high-yield bonds is not permitted in standard discretionary mandates.
- For portfolios below EUR 1 million, management is carried out via diversified collective investment vehicles (funds, ETFs, AMCs).
- Loan positions (Lombard credit) are segregated from the managed portfolio so as not to distort its performance or risk profile.

6. Governance and controls

6.1 Separation of functions

Our organisational model is built on a strict separation of functions, consistent with MiFID II organisational requirements (Article 16), guaranteeing objectivity and mutual oversight:

Actor	Role in the suitability process
Relationship Manager (RM)	Collects and maintains up-to-date client suitability information. Takes no investment decisions.
Portfolio Manager (PM)	Constructs and manages the portfolio. Solely authorised to place orders. Responsible for PRG and TAA ES compliance.
Investment Committee	Defines policy, SAA/TAA strategies and target ES levels.
Financial Research	Defines the investment universe: selection and validation of instruments eligible for inclusion in portfolios.
Control Department	Independently monitors compliance with internal procedures: maintains the derogation register, conducts annual practice audits and tracks ES and PRG breaches.

6.2 Independence of the risk engine

The measurement of PRG and ES is carried out by a specialised, independent third-party provider (Edgelab), whose methodology is audited and documented. This independence eliminates any commercial bias in risk assessment.

The methodology is fully transparent and auditable. Calculations are performed daily, with automatic consistency checks.

6.3 Updating your risk profile

Your risk profile is not static. It must be updated whenever your personal circumstances change significantly: changes in financial situation, investment objectives, knowledge or experience. We review suitability information at least annually in accordance with MiFID II guidelines.

We encourage you to inform us of any material change so that we can update your suitability assessment and, if necessary, the orientation of your portfolio.

7. Your rights and our commitments

Your rights	Our commitments
✓ Know your current PRG and the target ES of your TAA strategy. ✓ Receive a periodic suitability report (Art. 25(6) MiFID II). ✓ Request a review of your risk profile at any time. ✓ Access your PRG and ES history upon request.	✓ Calculate and monitor your ES and PRG on a daily basis. ✓ Act immediately in the event of a TAA target ES breach. ✓ Never recommend or decide upon an investment outside your risk profile. ✓ Update your risk profile whenever your circumstances change.

- ✓ Obtain a detailed explanation of the PRG calculation methodology.
- ✓ Provide transparent periodic suitability reporting on your portfolio's risk.

8. Conclusion

Suitability is at the heart of our mission. It is not a regulatory constraint we merely tolerate, but a commitment we fully embrace on behalf of each of our clients.

Through the combination of a rigorous risk measurement methodology (PRG and TAA ES), clear governance aligned with MiFID II, and daily monitoring, we guarantee that your portfolio is, at every moment, constructed in accordance with your risk profile, your strategy and your objectives.

Should you wish to explore any aspect of this document further — your current risk profile or the target ES of your strategy — your relationship manager is at your disposal.

Questions? Contact your Relationship Manager

Your dedicated point of contact for all questions relating to the management of your wealth.

This document is provided for general information purposes only. It does not constitute personalised investment advice. Suitability assessments are conducted in accordance with MiFID II Article 25 and may be updated in line with regulatory developments or changes in your personal circumstances.