

Investment Regulations

Liberty Foundation for Vested Pension Benefits

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Investment Regulations

Relying on Article 9 of its Charter, Liberty Foundation for Vested Pension Benefits (the "Foundation" or "Liberty") has adopted the following Investment Regulations:

Art. 1 Purpose

- 1 These Regulations set out the rules governing the investment of pension assets. The Foundation shall comply with the following rules at all times.
- 2 These Regulations shall be reviewed at least once a year and adapted as necessary.

Art. 2 Principles

- 1 The Foundation is responsible for the proper administration of the pension assets in compliance with the BVG/LPP, BVV2/OPP2, LFLP/FZG and FZV/OLP. It invests the pension assets with financial intermediaries such as banks, securities brokers, fund managers or investment funds and ensures that the assets are managed only by asset managers subject to FINMA regulatory oversight.
- 2 The Foundation offers its own BVG/LPP-compliant investment products or those developed in collaboration with contractual partners.
- 3 The Foundation offers a choice of custodian banks and asset managers which it may change at any time for just cause.
- 4 At their express request, clients may manage their own assets.
- 5 The Foundation delegates the exercise of shareholder rights to the custodian bank.
- 6 The Foundation shall require all partners entrusted with the management of client assets to deliver a written confirmation of compliance with ethics in asset management once a year.
- 7 Asset management and administration costs and remuneration shall be stipulated in the account opening documentation and/or Fee Schedule.

Art. 3 Asset management guidelines

- 1 *Liquidity*: the Foundation must at all times be capable of punctually disbursing promised benefits.
- 2 *Security*: in consultation with the Foundation or the contractual partner, the client decides on an investment strategy which is based on his risk check and risk profile and is consistent with his capacity and tolerance for risk.
- 3 *Diversification*: risk diversification rules shall be observed at all times and compliance shall be conclusively documented and demonstrated.

- 4 *Investment risk and profitability*: the client alone is responsible for the growth in asset value of his investments. Investing in securities may produce losses. Therefore, the Foundation shall only recommend investing in securities to clients with the corresponding risk profile and a medium to long-term investment horizon. The Foundation assumes no liability for the risk profile submitted by the client.

Art. 4 Investments in general

- 1 The Foundation Board shall ascertain that the investment options offered to the client are consistent with the investment guidelines stipulated in Article 71(1) BVG/LPP, Articles 49 to 58 BVV2/OPP2 and Article 19 to 19a FZV/OLP.
- 2 Lending – on a secured or unsecured basis – to the Foundation, which qualifies as an employer within the meaning of Article 57 BVV2/OPP2, or to its employees is not allowed.
- 3 In the case of units or shares of collective investments, the debtor risk is in principle the risk of the base values underlying the collective investment and not the domicile of the collective investment.
- 4 Relying on Article 50(4) BVV2/OPP2 and subject to Articles 5 to 7 of these Regulations, the Foundation offers clients extended investment possibilities.

Art. 5 Extended investments

- 1 The principles for extended investments will be defined by the Foundation, in agreement with the client, consultant or asset manager, within the limits of the client's chosen investment strategy.
- 2 If a client avails himself of extended investment possibilities in accordance with Article 4.4, the Foundation, consultant or asset manager shall make him aware of the specific risks inherent in the extended investments and shall provide advice and guidance.
- 3 In its financial statements prepared in accordance with Article 50(4) BVV2/OPP2, the Foundation shall show compliance with the security and risk diversification requirements under Article 50(1) to (3) BVV2/OPP2.

Art. 6 Authorised extended investments

The following extended investments are available, subject to the relevant diversification principles, provided that the client's investment strategy and capacity for risk has been established in writing and is secured and that an agreement has been concluded between the Foundation and the consultant or asset manager:

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1 Investments in foreign currency claims

Investments are allowed in euros, US dollars, Japanese yen, British pounds, Canadian dollars, Australian dollars, New Zealand dollars and Swedish or Danish krona if the client is relocating abroad, the assets are invested in gilt-edged fixed-rate claims or investment funds with fixed-rate claims and the borrower has at least an average A-rating from a recognised rating agency or the assets are invested with a bank under FINMA regulatory oversight.

2 Investments in diversified foreign currencies:

Up to max. 30% per currency is allowed in euros, US dollars, Japanese yen, British pounds, Canadian dollars, Australian dollars, New Zealand dollars and Swedish or Danish krona.

3 Equity investments (shares, similar securities and other participations)**4 Real estate investments:**

Investment in real estate is restricted to collective funds or listed investment companies with a regularly calculated NAV (net asset value).

5 Alternative investments without additional payment obligations

Alternative investments include hedge funds, futures funds, commodities, private equity placements and similar investments. Alternative investments are restricted to collective funds or listed investment companies with a regularly calculated NAV (net asset value).

Art. 7 Kategoriebegrenzungen bei erweiterten Anlagen

For the individual categories of extended investments contemplated in Article 6, the following limits apply with regard to the available pension assets:

1 Investments in foreign currency claims:	80%
2 Investments in diversified foreign currencies:	60%, max. 30 % per foreign currency
3 Equity investments (shares, similar securities and other participations):	60%, max. 5% per company
4 Real estate investments of which no more than one third abroad:	50%
5 Alternative investments:	20%

Art. 8 Qualification criteria for asset managers, consultants and intermediaries as contractual partners

- To qualify for an asset management contract, asset managers must be financial intermediaries (i.e. banks, securities brokers, fund managers or KAG asset managers) under FINMA regulatory oversight.
- Contractual partners acting only as consultants or intermediaries must be members of a FINMA-approved SRO

(self-regulatory organisation) or be subject to FINMA direct oversight in the framework of the MLA (Money-Laundering Act)

The list of approved SROs is published on the FINMA homepage (www.finma.ch/e/regulierung/Pages/selbstregulierung.aspx). FINMA recognises the following SROs in particular:

- Verband Schweizerischer Vermögensverwalter (VSV)
- Swiss Association of Asset Managers (VSV/ASG)
- Financial Services Standards Association (VQF)
- Association romande des intermédiaires financiers (ARIF)
- Allg. Selbstregulierungs-Verein (SRO PolyReg)
- Organismo di Autodisciplina dei Fiduciari del Cantone Ticino (OAD FCT)
- SRO des Schweizerischen Anwalts- und Notarenverbandes (SRO SAV/SNV)

3 The contractual partner must in any event send the following documents with the agreement:

- Proof of membership in an SRO (self-regulating body) or FINMA authorisation (e.g. regulatory oversight of intermediaries).

4 Applications for exceptions must be submitted by the applicant to the Foundation Board in writing.**Art. 9 Accounting Principles**

Cash, time deposits and claims are stated at nominal values; all other investments are stated at market value. Exceptions are subject to Foundation Board approval.

Art. 10 Responsibilities and powers

- For assets under individual asset management, the Foundation shall ensure that clients communicate their investment strategy, any changes therein and all subsequent stock orders in writing.
- If investment limits are overstepped, the executive management of the Foundation may correct the client's investments.

Art. 11 Choice of investments and investment strategy

- Clients whose pension assets are individually managed shall be required to submit their investment strategy and changes in investment strategy in writing.
- Based on each client's individual capacity for risk, the Foundation or the external asset manager shall decide if the proposed investments or changes can be fully executed or not.
- For assets managed individually, the Foundation shall keep an individual deposit and an account for each client with the relevant custodian bank.
- If an external asset manager asks to have a collective account and securities deposit for several clients with a custodian bank, the clients' individual accounts and securities deposits will be held with the Foundation.

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Art. 12 Stock orders

- 1 Orders for the purchase or sale of securities shall always be given in writing.
- 2 Securities cannot be bought before the vested pension benefit has been conclusively (after receipt of the complete documentation) received and allocated to the client.
- 3 The cash balance on the client's account must always be sufficient to cover the charges debited to the account.
- 4 Securities purchased will be charged to the relevant account and credited to the client's vested benefit security deposit. Execution prices are determined by the custodian banks on the relevant stock exchanges or in accordance with the NAV published elsewhere. The proceeds from the sale of securities are credited to the client's corresponding account.
- 5 Execution of stock orders is subject to cantonal bank holidays at the main office of the Foundation and the custodian banks, and to the trading days and trading hours on the relevant stock exchanges. Orders will be executed at market. Stop-loss orders and orders with limits cannot be accepted. The Foundation declines any liability whatsoever for orders executed belatedly or not at all.

Art. 13 Asset manager selection procedure

- 1 The client shall sign an authority empowering the asset manager in respect of the Foundation.
- 2 The Foundation shall sign a corresponding authority empowering the asset manager in respect of the custodian bank chosen by the client.
- 3 The asset manager issues stock orders directly to the custodian bank and receives the statements from that bank. The Foundation does not prepare any statements.
- 4 The cash balance on the client's account must always be sufficient to cover the charges debited to the account.
- 5 In the case of aggregated orders (e.g. stock orders for several clients whose assets are managed by the same asset manager), the allocation to the individual accounts must imperatively be sent to the Foundation, by fax or email, simultaneously with the stock order. Statements are prepared by the Foundation and sent to the asset manager by post.

Art. 14 Change in strategy

- 1 In the framework of the proposed securities solutions, the investment strategy may be changed at any time with the Foundation's consent. In that case, the consultant or asset manager shall check and take into account the client's personal risk check, risk profile and investment strategy and communicate them to the Foundation.

- 2 For securities solutions, changes in investment strategy must be notified to the Foundation using the relevant form.
- 3 The desired change in strategy will be implemented once the written notification is received.
- 4 Changing from a securities solution to an account solution is possible at any time; in that case, the Foundation will execute the corresponding instructions in a timely manner once it receives the written order.

Art. 15 Reporting and controlling

- 1 The Foundation shall inform clients at least once a year about the status of their pension assets.
- 2 The Foundation Board acting through the Foundation's chief executive officer shall ensure that the investment strategies agreed with the client are complied with and that the corresponding investment limits are periodically monitored. Moreover, the Foundation shall regularly review the performance, in terms of results, costs and quality of service, of the persons and institutions entrusted with asset management mandates.
- 3 The Foundation decides on the price, rate and NAV providers (e.g. Telekurs, Fides, Market Map or other) for evaluating the securities deposit and for the BVV2/OPP3 evaluation of the client's portfolio.

Art. 16 External partners

The fee schedules of the Foundation's external partners (e.g. banks, investment funds, etc.) are applicable with regard to securities transactions, fees and commissions.

Art. 17 Omissions

If these Regulations have omissions on any specific point, the Foundation Board shall adopt an appropriate rule.

Art. 18 Amendments

The Foundation Board may decide to amend these Investment Regulations at any time. The current version of these Regulations is freely available to clients on www.liberty-pension.ch.

Art. 19 Validity

These Regulations, as amended on 14 September 2005, 1 June 2007 and 1 June 2009, are effective from 1 January 2011.

Schwyz, 16 March 2011

Foundation Board of Liberty Foundation for Vested Pension Benefits