

Information for the Client  
on the characteristics of a  
**BCV Wealth Select**  
investment advisory agreement



# Contents

<b>1. Introduction</b>	<b>3</b>
<b>2. General principles of BCV's investment advisory agreements</b>	<b>3</b>
<b>3. Principles and positioning of the BCV Wealth Select service</b>	<b>3</b>
<b>4. Determining Client profiles and selecting an investment strategy</b>	<b>4</b>
4.1 BCV recommends an investment strategy	4
4.2 The Client selects an investment strategy	4
4.3 Investment strategies offered by BCV	5
4.4 Role of the Client's investment knowledge and experience in BCV's investment advice	6
4.5 Incorporating the Client's SRI preferences	6
<b>5. Implementing the investment advisory agreement</b>	<b>8</b>
5.1 Strategic allocation and tactical allocation ranges	8
5.2 Investment universe	8
5.3 Principles applied with regard to the market offering taken into account for indirect investments and to managing conflicts of interest	10
5.4 BCV's recommendations limited to its investment universe; Client responsible for the financial instruments selected at the Client's own initiative	11
5.5 Information on individual securities	11
<b>6. Checks, risk monitoring, and account reports</b>	<b>12</b>
6.1 Regular checks of the portfolio allocation	12
6.2 Checking portfolio suitability when executing transactions	13
6.3 Checking concentration risk	13
6.4 Annual portfolio review and performance report	14

## 1. Introduction

The purpose of this brochure is to describe for the Client the characteristics of an investment advisory agreement under the BCV Wealth Select service and how BCV implements the agreement with respect to the Client's securities account.

## 2. General principles of BCV's investment advisory agreements

This service considers the entire securities account when making investment recommendations and includes monitoring of the securities account. It makes recommendations from an investment universe that has been determined previously and provided to the Client. It also includes a review of recommended positions, the frequency of which depends on the type of advisory service selected by the Client.

## 3. Principles and positioning of the BCV Wealth Select service

BCV Wealth Select is one of BCV's comprehensive investment advisory services. It is set apart, in particular, by a broader investment universe and regular portfolio monitoring, investment recommendations, and reviews of recommended positions.

This service is particularly suited for clients who wish to receive extensive investment support while retaining the final responsibility for each investment; unlike with a discretionary management agreement, BCV has no power to make investments for the portfolio.

BCV Wealth Select agreements are implemented in three stages:

- determining the Client's investor profile, on the basis of which the Client selects, together with BCV, an investment strategy suitable for the Client's specific needs regarding the assets for which the Client wishes to receive investment advice from BCV. More information on this step is given in section 4 below.
- selecting products from the investment universe used in implementing the strategy selected by the Client. The selection process, which includes managing conflicts of interest, is described in section 5 below.
- controlling and monitoring risks and providing regular reports to the Client. This step is described in section 6, which also discusses BCV's duties and the Client's responsibility when the Client selects securities at their own initiative (without a prior recommendation from BCV).

This document supplements the other contractual documents relating to investment advisory services, including the master investment advisory agreement and the confirmation advice indicating the Client's selection of the BCV Wealth Select service. The Client is encouraged to carefully read the explanations in this document as well as the additional documents it refers to and to ask their advisor any questions the Client deems useful, particularly if the Client does not have proven financial knowledge and/or experience with this type of service.

## 4. Determining Client profiles and selecting an investment strategy

### 4.1 BCV recommends an investment strategy

This initial step is crucial to the subsequent success of this service. The Client must fill out an investor profile that assesses their objective capacity to take financial risks, based on their personal situation, their financial knowledge, and their subjective risk appetite (i.e., their tolerance for the fluctuations in value inherent in the financial markets, which can lower the value of their invested assets).

The Client also determines their investment profile by indicating the amount invested, their investment objectives (particularly with regard to returns), and the investment horizon (i.e., in how many years the Client wishes to use the invested capital).

The Client also determines their advisory scope by indicating the types of instruments for which they want to receive recommendations, in line with their investor profile.

**Based on the information provided by the Client, BCV recommends a suitable investment strategy, i.e., one that is reasonable and consistent with the Client's needs.**

Over the long term, higher-risk investment strategies are generally associated with higher potential returns as well as greater value fluctuations over time, although BCV cannot guarantee these outcomes. If the Client has a relatively short investment horizon, depends to a significant extent on the assets under the agreement to maintain their lifestyle, or is emotionally unable to cope with losses in value due to market fluctuations, BCV will recommend an investment strategy with lower potential long-term returns but less risk.

### 4.2 The Client selects an investment strategy

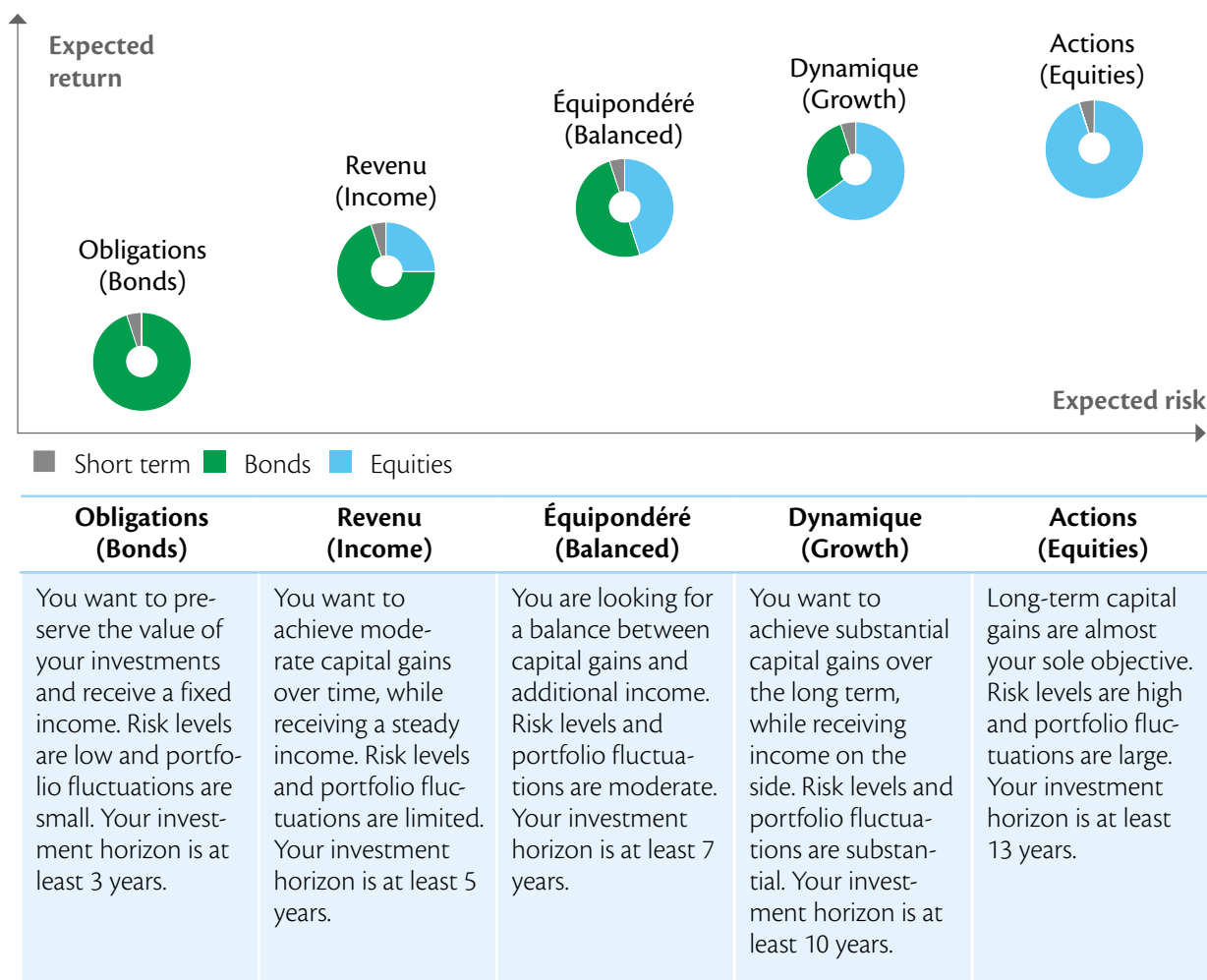
Following this initial phase, the Client approves the investment strategy to be applied to their securities account by signing the investment profile. The Client can either accept the strategy recommended by BCV or select another strategy at their own initiative.



BCV cannot and has no legal obligation to prevent the Client from selecting a strategy that is riskier than the one that corresponds to the Client's recommended profile. However, BCV strongly discourages its clients from selecting investment strategies that are not aligned with their objective risk capacity, subjective risk tolerance, or investment horizon. Such situations often result in greater short- and medium-term losses than the Client can or wishes to bear. The Client is therefore responsible for selecting an investment strategy in line with their situation and needs.

### 4.3 Investment strategies offered by BCV

BCV offers five investment strategies. The table below presents these strategies from the lowest to the highest level of risk, indicating the strategy name, objectives, and investment horizon, as well as the asset classes used and their portfolio weightings (if the Client follows BCV's investment advice).



#### **4.4 Role of the Client's investment knowledge and experience in BCV's investment advice**

As noted above, the Client's investor profile contains a section in which the Client indicates their investment knowledge and experience.

That level of knowledge and experience is determined at the beginning of the contractual relationship and may change as a result of additional information provided by BCV during the relationship.

BCV uses information about the Client's knowledge and experience for two purposes under an investment advisory agreement:

1. to recommend an investment strategy or check its suitability with respect to the Client's knowledge and experience (see section 4.1 above)
2. to check whether financial instruments are appropriate, i.e., whether the Client is able to understand and appreciate the related risks.

The impact of the appropriateness of the instruments for the Client depends on the type of financial instrument. The Client must have a sufficient level of knowledge and experience to receive recommendations from BCV involving categories of financial instruments in their advisory scope that are more sophisticated than traditional financial instruments, for example because they combine several asset classes to generate a specific return; financial instruments can also be classified as sophisticated based on other criteria, such as their specific risks (e.g., liquidity risk, which refers to the difficulty of selling an investment without incurring costs or losses).

#### **4.5 Incorporating the Client's SRI preferences**

The Client's investor profile contains a section in which the Client indicates their expectations regarding socially responsible investing (SRI).

SRI refers to any investment approach that incorporates environmental, social, and governance (ESG) criteria into the process of investment selection and management.

The Client's advisor will explain to the Client beforehand the various approaches to and objectives for integrating ESG criteria into their investments: some approaches are designed to protect the value of their investments against ESG risks, while others aim to promote sustainable development in addition to pursuing their financial objectives.

ESG risks are events or conditions of an environmental, social, or governance nature that are likely to have a negative impact on a company's profitability, costs, or reputation either now or in the future, thus affecting its value and the price of related financial instruments. More information on this topic can be found in the SwissBanking brochure on the risks involved in trading financial instruments.

Any sustainability objectives are determined based on a well-defined reference framework and on specific indicators that can be used to measure and track such objectives.

BCV has defined three levels of SRI expectations for its investment advisory services:

- The Client is seeking investment solutions guided by financial objectives and criteria (*"I do not have any particular SRI expectations; neutral"*).
- The Client is seeking investment solutions that incorporate ESG criteria in order to reduce ESG risks in pursuit of financial goals. The Client is not seeking to achieve any sustainability objectives through their investments (*"I have some SRI expectations"*).
- The Client is seeking investment solutions that, in addition to incorporating ESG criteria in order to reduce ESG risks in pursuit of financial goals, have one or more sustainability objectives. These sustainability objectives are determined based on a reference framework and tracking indicators (*"I have high SRI expectations"*).

If the Client selects the option *"I have some SRI expectations,"* they will receive recommendations consistent with a minimum portfolio threshold for investments that take ESG risks into account. However, BCV will prioritize the portfolio's alignment with the strategy selected by the Client. BCV will inform the Client if any of its recommendations do not align with the Client's SRI expectations.

If the Client selects the option *"I have high SRI expectations,"* they will receive recommendations consistent with their sustainability objectives and with a minimum portfolio threshold for investments that take ESG risks into account. However, BCV will prioritize the portfolio's alignment with the strategy selected by the Client. BCV will inform the Client if any of its recommendations do not align with the Client's SRI expectations.

The ESG criteria and thresholds applied by BCV are subject to change and the documentation on this topic may be unilaterally updated by BCV; BCV will nevertheless communicate any such changes to clients with an investment advisory agreement who have indicated that they have "some SRI expectations" or "high SRI expectations."

## 5. Implementing the investment advisory agreement

### 5.1 Strategic allocation and tactical allocation ranges

The strategic asset allocation defines the optimal breakdown between asset classes (equities, bonds, cash, and other investments, such as commodities, real estate, and alternative investments) for each of the investment strategies and currencies offered by BCV (see section 4.3 above). An “optimal” breakdown means that there is a high likelihood of achieving the Client’s objectives over the recommended investment horizon.

The strategic allocation is the result of numerous analyses of past economic cycles based on a methodology developed by BCV.

This research also determines the fluctuation ranges within which tactical adjustments can be made.

These ranges are used to guide the investment advisory service and to monitor the portfolio’s alignment with the investment strategy (see section 4.2 above).

The strategic allocation and its fluctuation ranges have a significant impact on the portfolio’s long-term performance. They therefore play a key role in the investment advisory service.

### 5.2 Investment universe

#### 5.2.1 BCV’s investment universe for the BCV Wealth Select service

The investment universe corresponds to the financial instruments recommended as part of BCV’s investment advice and monitored by BCV over time. It is specific to each type of investment advisory service.

The universe used for the BCV Wealth Select service consists of a large group of financial instruments, which enables the Client to build a customized portfolio in line with their needs. It includes investment funds (such as ETFs) and structured products, including tracker certificates, which replicate the performance of a basket of indices or securities (e.g., from a business sector or investment theme).

BCV’s investment advisory agreements take specific account of the Client’s individual needs and goals and of their knowledge and experience concerning each type of financial instrument. As a result, each portfolio may differ in terms of its composition and performance.



### 5.2.2 Categories of financial instruments in the BCV Wealth Select universe

The financial instruments in this universe consist exclusively of indirect investments (i.e., investment funds and structured products).

The investment funds (e.g., ETFs) in the universe are mainly Swiss- or Luxembourg-registered investment vehicles, which are subject to government supervision and strict rules regarding fund organization and investment diversification.

Structured products (including tracker certificates) are investment vehicles that serve a similar purpose to investment funds, namely providing diversified exposure to numerous financial assets. Since they are not subject to prior authorization by a government authority, they can be issued and redeemed more quickly and easily than investment funds, which makes them more suitable for tactical themes than for long-term investments. The main difference lies in their counterparty risk with respect to the issuer, which is nonexistent for investment funds.

Additional information on the various types of instruments in the universe can be found in the abovementioned SwissBanking brochure on the risks involved in trading financial instruments.

### 5.2.3 Qualified investor status

If the Client signs a BCV Wealth Select investment advisory agreement, they are considered to have qualified investor status within the meaning of the Swiss Collective Investment Schemes Act (CISA).

Qualified investor status gives the Client access to a broader range of investment funds approved in Switzerland than that available to non-qualified investors; it also allows BCV to recommend those products that are best suited for the strategy selected by the Client. The Client acknowledges that the regulations governing investment funds reserved for qualified investors may be less strict in terms of investor protection. In particular, FINMA may not require these products to comply with the obligations to publish a half-yearly report, to allow investors to terminate the contract at any time, to issue or redeem units in cash, or to diversify their risks.

When making its investment recommendations, BCV is free to recommend to the Client, or not, financial instruments that are available to all categories of investors or reserved for qualified investors. The Client has this same freedom when selecting financial instruments at their own initiative.

The Client may opt out of qualified investor status at any time by submitting a written statement to BCV. Relinquishing qualified investor status will limit the range of financial instruments the Client can access and may either alter or end the investment advisory agreement and require the Client to sell securities that are reserved for qualified investors. This option is not available to clients who are considered professional clients within the meaning of the Swiss Financial Services Act (FinSA).

### **5.3 Principles applied with regard to the market offering taken into account for indirect investments and to managing conflicts of interest**

In implementing BCV Wealth Select agreements, BCV uses an investment universe that includes both indirect in-house financial instruments (i.e., products for which BCV is the manager and/or the issuer) and third-party products. Like numerous other financial institutions, BCV thus takes a hybrid approach to selecting indirect financial products.

The selection process for third-party products consists of three steps.

The first step is to identify, from among funds approved for distribution in Switzerland, those with the best long-term performance, based in particular on the following criteria:

- a track record long enough (at least three years) to ensure that the investment strategy has been tested through various market cycles
- returns higher than those of comparable funds
- risk levels consistent with the product's objectives and management approach.

The second step is to conduct a qualitative analysis of the structure and the management teams of the funds under consideration. The goal is to identify those funds with proven expertise and management processes.

The third and final step is to conduct a monthly review of the financial and non-financial performance of the selected third-party funds. Any fund that no longer meets the core selection criteria is first subjected to more stringent review; if necessary, the fund will be excluded from the universe of recommended products.

Including in-house products alongside third-party ones has a number of advantages, such as greater transparency with regard to the investments that make up the products and easier alignment of portfolios with the strategic decisions of BCV's investment committee. However, there are also potential drawbacks, such as an increased risk of conflicts of interest given that BCV receives compensation both under the investment advisory agreement and for its activity in relation to the financial products.

In order to professionally and responsibly address the risk of conflicts of interest related to recommending in-house products, BCV applies the following principles:

- It does not seek any indirect compensation (e.g., retrocessions) for including financial products in the Client's portfolio. This principle applies to both third-party and in-house financial products. Any indirect compensation received by BCV should in principle come from products selected directly by the Client without a prior recommendation from BCV.

- It recommends low-fee share classes of in-house investment funds. At the Client's request, BCV will provide the Client with information on the fees deducted by BCV on all products selected by the Client based on BCV's recommendation; however, information on the costs associated with each investment fund is already available in the public documentation for those investments.
- It recommends BCV-issued structured products under conditions that are in line with market standards.
- It follows a rigorous monitoring process for in-house products similar to the one used for third-party products (see above).
- Financial products are selected for the investment universe by centralized teams that are specialized in this area and completely independent of client-facing teams.
- In its internal policies, BCV does not apply any incentives that would encourage the Client to select in-house products over third-party products for reasons other than the careful selection of suitable investments for the Client. Since it is the Client that ultimately selects the investments to be made and their weighting in the portfolio, BCV cannot set any limit in terms of a maximum percentage of in-house products versus third-party products.
- The Client may request BCV to disclose the annual total compensation received by BCV for its management and distribution services under the investment advisory agreement.

#### **5.4 BCV's recommendations limited to its investment universe; Client responsible for the financial instruments selected at the Client's own initiative**

For the BCV Wealth Select service, BCV provides recommendations on transactions relating only to instruments in the investment universe.

**If the Client selects a financial instrument at their own initiative that is not in the investment universe, the Client bears full responsibility for carrying out the transaction and does so at their own risk.** BCV will not make any recommendation concerning such transactions as part of its review of portfolio positions. BCV can but has no obligation to warn the Client of the risks of such transactions.

BCV may, however, discourage the Client from making such investments if it is obvious to BCV that they are neither suitable nor appropriate.

#### **5.5 Information on individual securities**

The financial instruments in the BCV Wealth Select universe include only indirect investments (investment funds and structured products), as described above.

However, this service does give the Client access to financial analyses on individual securities, thereby enabling the Client, if they so wish, to invest at their own initiative in those securities in addition to instruments in the investment universe; these analyses concern up to 130 Swiss stocks and up to 50 international stocks selected from among the main securities on the corresponding markets, as long as this type of instrument is within the advisory scope defined by the Client.

This selection may vary slightly from year to year owing to corporate actions (mergers and acquisitions), new opportunities, an interest in new securities, or a declining interest or lack of opportunity for certain monitored securities.

The financial analyses are carried out by external companies that specialize in such services. The analyses are updated on a regular basis and following any event directly related to the companies concerned.

They are provided to the Client either by their advisor upon request or in BCV-net if the Client has access to their securities account on that platform.

The service providers that carry out the analyses certify that their research fully and accurately reflects their opinion on the analyzed company and that they have not received any direct or indirect compensation for the specific assessments or opinions in their analyses.

Additional information on these service providers and on managing conflicts of interest is available at the end of each factsheet.

**The BCV Wealth Select service therefore includes access to information on individual securities, but these securities are not part of the universe of recommended and monitored securities.**

## 6. Checks, risk monitoring, and account reports

### 6.1 Regular checks of the portfolio allocation

With BCV Wealth Select investment advisory agreements, BCV actively (at least weekly) checks whether the Client's portfolio is aligned with the investment strategy selected by the Client. This involves checking whether the asset allocation is in line with the permitted tactical fluctuation ranges (see section 5.1 above).

BCV will inform the Client either orally or by electronic communication if the allocation ranges are significantly exceeded (i.e., not because of short-term market fluctuations), particularly if the portfolio's risk level is higher than that of the investment strategy selected by the Client. If such is the case, BCV will make investment recommendations either at its own initiative or at the Client's request.

If the Client's portfolio remains within the allocation ranges for the investment strategy selected by the Client, BCV has no obligation to recommend portfolio adjustments that take into account the Client's evolving tactical preferences. However, BCV is free to make recommendations that will result in a portfolio adjustment.

**BCV can only make recommendations to the Client regarding strategic or tactical adjustments to the Client's portfolio; BCV cannot carry out any transaction at its own initiative. If the Client does not follow BCV's recommendations, the Client bears sole responsibility for that decision, particularly if it leads to subsequent portfolio losses.**

## **6.2 Checking portfolio suitability when executing transactions**

Whenever the Client wishes to carry out a transaction, BCV will conduct a suitability check before it is executed, regardless of whether the transaction was recommended by BCV or is undertaken at the Client's own initiative. BCV will check that the intended transaction will not result in a change in the portfolio's risk profile that is incompatible with the investment strategy selected by the Client, and that the Client has knowledge and experience with regard to the risks associated with the instruments concerned.

If the transaction is not suitable (owing to the type of financial instrument or the intended portfolio weighting), BCV will discourage the Client from carrying it out as intended. If the Client nevertheless wishes to carry out the transaction, they are free to do so under their sole responsibility.

**BCV can only make recommendations to the Client regarding tactical adjustments to the Client's portfolio; BCV cannot carry out any transaction at its own initiative. If the Client does not follow BCV's recommendations or act proactively after they are informed that their portfolio is not aligned with the strategy they have selected, the Client does so under their sole responsibility, particularly if their decision leads to subsequent portfolio losses.**

## **6.3 Checking concentration risk**

According to current regulations, concentration risk is considered to be unusually high if the Client's portfolio contains direct investments exceeding 10% of the portfolio's value, or if the Client's portfolio has issuer risk exceeding 20%. Given the diversification inherent in investment funds, such vehicles do not fall within the scope of these provisions. Because BCV mainly recommends investment funds, the risk of excessive concentration in one issuer is limited and primarily concerns BCV itself with regard to structured products (including certificates) issued by BCV. BCV will inform the Client of any concentration risk in the portfolio when making a recommendation and at the portfolio review.



#### **6.4 Annual portfolio review and performance report**

Clients with a BCV Wealth Select investment advisory agreement will have an annual portfolio review. The portfolio review will cover all transactions carried out, any positions held as a result of recommendations from BCV and their alignment with the investment strategy selected by the Client, and portfolio performance.

The Client may request additional information (particularly regarding indirect fees – see section 5.3 above).

If the Client has a BCV-net login, they will have ongoing access to their portfolio overview and detailed reports.

This document is a translation of the French text entitled "Informations au Client sur les spécificités d'un contrat de conseil en placement BCV Wealth Select"; only the French text is authoritative.



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