



MASTER OF SCIENCE IN FINANCE

MASTER FINAL WORK

PROJECT

Investment Policy Statement - Balanced Portfolio focused on ESG.

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ABSTRACT

This Investment Policy Statement serves as a guide to investment advice, portfolio structure and plan execution for Mr. and Ms. Souleres. MA Wealth Management acts as a fiduciary and selects and monitors asset allocations based on client risk tolerance and financial objectives. Transparency, client participation, and long-term wealth accumulation are prioritized. The portfolio excludes harmful industries and follows a balanced strategy. Marcela Jaramillo Murcia oversees the portfolio and keeps clients informed. ESG-focused investments are preferred, and all asset classes comply with Article 8 of the SFDR. The document covers scope, governance, objectives, constraints, and risk management. It provides an overview of the investment philosophy, asset allocation, composition, performance, risk analysis and rebalancing policy.

RESUMO

O Documento de Política de Investimento serve como guia para aconselhamento e recomendação de investimento, estrutura de portfólio e execução de planos para o Sr. e Sra. Souleres. A MA Wealth Management atua como fiduciária e seleciona e monitoriza as alocações de ativos com base na tolerância ao risco e nos objetivos financeiros do cliente. Prioriza-se a transparência, a participação do cliente e a acumulação de riqueza a longo prazo. O portfólio exclui indústrias prejudiciais e segue uma estratégia equilibrada. A Marcela Jaramillo Murcia supervisiona o portfólio e mantém os clientes informados. Dão-se preferência a investimentos centrados em critérios ambientais, sociais e de governance (ESG) e todas as classes de ativos cumprem o Artigo 8 do SFDR. O documento abrange o âmbito, a governance, os objetivos, as restrições e a gestão de riscos. Descreve uma visão geral da filosofia de investimento, alocação de ativos, composição, desempenho, análise de riscos e política de rebalanciamento.

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Words cannot express my gratitude to my family: mom, dad, and sister. Gracias por dejarme volar muy alto, y porque sin ustedes nunca nada sería posible.

1 EXECUTIVE SUMMARY

This Investment Policy Statement serves as a guide to investment advice, portfolio structure and plan execution for Mr. and Ms. Souleres, with an emphasis on long-term wealth accumulation for inheritance and retirement. MA Wealth Management acts as an advisory entity, acting as a fiduciary and adhering to professional standards of conduct. The document designates a team to select and monitor options for asset allocation based on the client's risk tolerance and financial goals. Clients are made aware of the investment principles, investment model, and associated risks. The document provides transparency and ensures that the client is familiar with the investment model and risk profile.

As well as it serves as a guide for portfolio development and implementation, provides clients with up-to-date information, and encourages client participation. MA Wealth Management strives to provide a comprehensive experience and collaboration based on preferences. The portfolio aims for consistent returns, diversification, and risk management. Marcela Jaramillo Murcia oversees the portfolio, keeps clients informed and monitors the markets.

Mr. and Ms. Souleres, a married couple in their 40s, want to fund their daughters' education and retirement. They own real estate and have substantial savings. They want an initial investment of €400,000, liquidity of €5,000 per quarter, and prefer ESG-oriented investments. The portfolio excludes harmful industries and leverages positions. Market developments are incorporated into the portfolio construction, which follows a balanced strategy chosen by the clients.

The investment philosophy of this portfolio combines strategies to maximize client returns. The ETF and mutual fund portfolio are passively managed while the equity portfolio is actively managed. The portfolio incorporates the best-in-class approach to meet the client's ESG requirements across all asset classes. The selected funds and ETFs adhere to Article 8 of the SFDR. The portfolio follows a combination of philosophies outlined in the selection criteria and considers client preferences, risk profile, constraints, and policies with the goal of maximizing returns.

The structure of this IPS is as follows. In chapter 2 it is presented the scope and purpose, governance and investment return and objectives, relevant constraints, and risk management. Chapter 3 provides an overview of the investment philosophy, strategic asset allocation, portfolio composition, return performance and risk analysis. Chapter 4 presents the rebalancing policy of the portfolio.

2 INVESTMENT POLICY STATEMENT

2.1 SCOPE AND PURPOSE

The following Investment Policy Statement is intended to provide investment counsel as well as portfolio structure, and plan execution services with the purpose of generating long-term accumulation of inheritance wealth and retirement for Mr. and Ms Souleres.

The Investment Policy Statement (from now on referred as “this document”) created MA Wealth Management (from now on referred as the “advising entity”), acts as fiduciary document with capacity and intent to be used as an advisory model to Mr. and Ms. Souleres (from now on referred as the “clients” in this document), and acknowledges that all advice and decisions rendered must reflect first and foremost the best interests of its clients. MA Wealth Management also affirms its compliance as a firm with the CFA Institute Asset Manager Code of Professional Conduct.

The purpose of this document is to provide a vehicle to accumulate wealth to fund educational needs of the client’s current daughters and provide funds for retirement. The advising entity appoints the team consisting of professionals, like Marcela Jaramillo Murcia and other Directors and Partners of the entity, and delegates authority to the team to choose and monitor asset allocation alternatives. It is the intent of the team to provide a range of investment alternatives under this document, that will enable the clients to invest according to varying risk tolerances, time horizons and other financial goals. The investment assets offered under this document and team shall be administered solely in the interests of the clients plan and their beneficiaries. The team is responsible for maintaining a written record of its decisions and steps taken in connection with monitoring the performance of the proposed portfolio.

Once this document is read and an agreement is reached on the points covered, the clients will:

- Get a better understanding of some background on successful investing why certain investments are chosen over others when making financial decisions. This also gives clients greater insight into how the advice of the investment team is structured.
- Learn how the investment model fits together and what this means for long-term investment returns and the risks involved. Knowing how the advising entity asset models work and what that would have meant for overall investment returns gives insight into the associated risks.
- Establish guidelines about the periodicity of communication and regular meetings between the team and the clients.

The advising entity will provide custody services and is responsible for rendering a quarterly financial report for the clients, or upon request from the clients. The advising entity report shall be considered the official record for the clients account and shall be the basis for the risk review to be performed by the team as adviser to the clients.

The contents on this document will be explored alongside the clients to guarantee that they feel comfortable with the asset model and the risk profile suggested. Besides, the concept of expected returns depending on the relevant risks and possible investment losses will be explained in detail to the clients.

2.2 GOVERNANCE

The Investment Policy Statement is a structured document for all stages of development and implementation of the portfolio for the clients, delivering the clients updated information, as well as help encouraging clients to take a role in establishing further cooperation regarding preferences, education, and information so that they can make informed decisions about their investments, and create a more immersive experience with the consulting entity, MA Wealth Management.

The client's portfolio structure will be selected to:

- Provide consistent returns comparable to the appropriate benchmark for the asset categories in the selected time spectrum.
- Provide opportunities to diversify across the risk return spectrum with a range of investment choices within European equity assets.
- Provide necessary risk management methods based on the risk level profile of the clients.

2.2.1 Team Roles

The supervising activities fall under, Marcela Jaramillo Murcia, who will provide regular updates on the Portfolio and any necessary changes of the Investment Policy Statement due to client updated request or concerns.

Because the time horizon for the investment period is between 10 and 15 years, the consulting entity understands the necessity of the clients to be updated at least each annual period in order to review results and discuss possible changes. Thus, due to the complexity of the markets, Marcela is also responsible of following market and economic movements that would compromise portfolio returns & constraints and report them when needed to the clients.

Based on the Asset Allocation Framework, the Portfolio Manager is responsible for the changes of the investment structure due to market developments and investor preference changes. The Portfolio Manager will also oversee ESG analysis and guidance for the companies that will be components of the portfolio. He has the authority to act and execute optimization policies in respect of the portfolio conditions stated in this document. ESG analysis will be provided by consultants in this area and that are experts in these matters.

Assessing risk and employing risk management methods falls under the responsibility the Risk Manager. The team member is accountable for assessing the clients risk profile and offering a corresponding strategy that meets their risk levels through the time horizon. Also, the team member is responsible for the reporting on any portfolio risk changes and in the process reporting it to the clients at necessary periods in the format agreed upon.

The responsibility of firing and hiring team members for the client's wealth management will be delivered to their financial advisor, represented by the Human Resources Director, and any changes on this subject will be reported to the clients before any action takes place. The portfolio shall be managed exclusively by Ms. Jaramillo Murcia. As stated previously, MA Wealth Management will provide custody services and will be responsible for rendering a quarterly, and annual financial report for the clients. The consulting entity's report shall be considered the official record for the clients' accounts and shall be the basis for the risk review to be performed by the Risk Manager as risk management adviser to the Trust.

MA Wealth Management will establish the portfolio asset allocation structure based on multiple methods that include: a) Mean Variance Portfolio, b) Risk Analysis, c) Top and Bottom Line Approach, d) Value Investing to determine the optimal and well diversified asset allocation, considering an initial wealth of 400,000€, that best meets our client's preferences.

The Investment Policy Statement will be reviewed every four months in a date specified by the supervisor, through a formal meeting that will take place either through electronic conference calls or physical meet in the consulting entity offices. The purpose of the meetings is to make sure every procedure and ongoing events converge with the client's requirements and expectations.

In the case of a request from the client that an external entity is set forth to be a part of the investment and asset management process of their accounts the following responsibilities fall under the external entity:

- Following this investment policy statement
- Proposing investment alternatives according to established criteria in this investment policy statement
- Reporting and reviewing investment options' performance according to frequencies required (quarterly, semi-annually, or annually) by this investment policy statement against established peer groups and benchmarks.

2.3 INVESTMENT, RETURN AND RISK OBJECTIVES

2.3.1 Investment Objective

Mr. Souleres is a 40-year-old man who works at a real estate investment fund in Luxembourg; Ms. Souleres is a 38-year-old woman who works in M&A at a French energy company. Both are looking for ways to finance at least 30% of their two daughters' education: Helena and Marie, who are 10 and 12 years old, respectively; they also want to finance part of their retirement. The couple owns an apartment in Luxembourg, which is their actual home, and a house in the Swiss Alps, which they rent out on a short-term basis. Mr. and Ms. Souleres have worked in high-level positions for over 10 years, so the family has a substantial amount of savings. Currently, the savings are in the pension funds of the companies they both work for and in an ongoing investment with a bank in Luxembourg.

The clients indicated a desired initial investment of approximately € 400,000. It is also expected that there will be no major liquidity needs during the customers' investment horizon (10 to 15 years). However, the clients indicate that the desired strategy should include a liquid position of €5,000 per quarter (this is to be used for unexpected events; the couple cannot afford to live luxuriously solely on their salary).

The family prefers and limits international diversification to positions in these currencies: EUR; GBP; CHF, SEK, DKK, NOK. In addition, stocks, mutual funds, private funds, and exchange-traded funds (ETFs) that follow high ESG standards and invest in funds classified as Article 8 must be included in the portfolio.

In addition, the position must not be leveraged. Portfolio covered by this IPS is the one entered with the advising institution on behalf of clients with joint rights of survivorship of their heirs.

2.3.2 Investment Guidelines

The investment portfolio shall not consist of companies which significantly harm the environment, social stability, or governance practices. Any company which is found to have ties with human right abuse, animal, cruelty, pornography, or tobacco production shall be immediately excluded. As well as should not include funds that are not classify according to the EU Taxonomy as Article 8.

The investment portfolio shall be constructed by implementing the assessment of the most recent national and international market developments, to the date up until the presentation of this document to the client.

The investment portfolio shall be constructed constraint to the balanced investment strategy, chosen by the client, that will be optimized and adjusted by the Portfolio Manager.

2.3.3 Return Objective

The investment program governed by this IPS aims to supplement clients' savings to maximize returns and fund their daughters' education. Clients have a broad understanding of financial knowledge and perspectives. Clients generally expect higher returns than the market. Therefore, efforts are made in wealth management to achieve returns that are consistent with and/or better than the market benchmark fund or index. For this reason, MA Wealth Management has created a Balanced Portfolio that matches both the clients' risk profile and maximum return expectations. The approach used was mean-variance optimization. Mean variance is a tool that investors use to diversify their portfolio risk. In this process, investors measure the risk of an asset, expressed as "variance," and then compare it to the asset's likely return. The goal of mean-variance optimization is to maximize returns based on risk. Mean-variance optimization is used to create risk-return data sets for different assets, and managers invest considering the results. This analysis can help investors diversify their portfolios across different risk levels and select their investments based on prioritized returns.

These are the expected results of the average Return and Risk of the Mean Variance portfolio:

Table 1: Results of the Portfolio

Total Portfolio	
Variance of Portfolio	2.12%
St.Deviation /Volatility	14.55%
Expected Return	7.35%

Asset Class	Weight	Volume	Average Y Return
Equities	61.25%	EUR 245,006	10.16%
Funds and ETF's	33.75%	EUR 134,994	2.99%
Cash and equivalents	5.00%	EUR 20,000	2.33%
Total	100.00%	EUR 400,000	7.35%

The objective of the portfolio selected is outperform the benchmark. But the future is unexpectable. So, we performed a test called "Back-up" test, which analyses the performance of our portfolio in

the last 5 years compared with a similar fund to observe how our asset allocation would have behaved in the past.

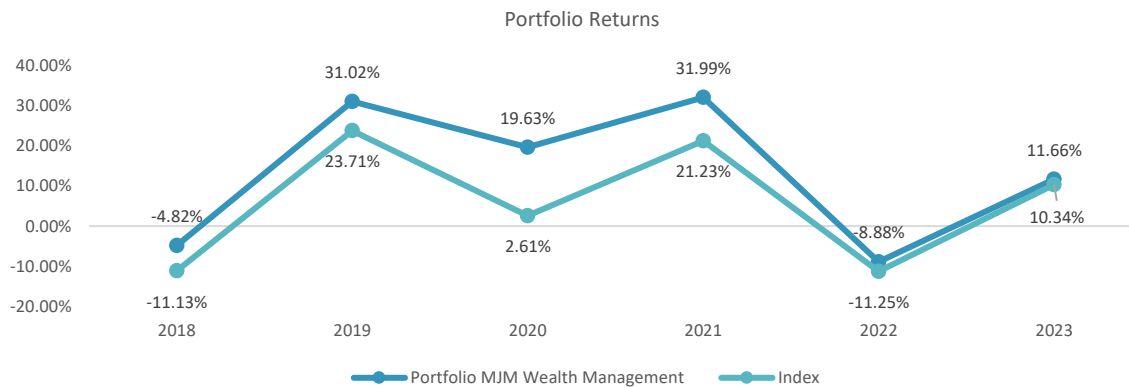


Figure 1: Portfolio Returns vs Benchmark.

2.3.4 Risk Tolerance

This IPS was developed based on the constraints and concerns of the clients. Since these concerns and constraints sometimes do not coincide, an optimal solution was found, a kind of average value.

Based on the information provided, the clients' risk tolerance can be considered moderate. Here are the main factors that support this assessment:

- Financial stability: with stable employment and substantial savings, customers exhibit a level of financial stability that allows for moderate risk tolerance.
- Investment horizon: their 15-year investment horizon provides the ability to weather short-term market fluctuations and recover from potential losses, suggesting a higher tolerance for risk.
- Desired initial investment: the substantial initial investment of €400,000 indicates a willingness to take moderate risk to potentially achieve higher returns.
- Liquidity needs: The customer wants a liquid position of €5,000 per quarter for unexpected events.
- Liquidity needs: The client's desire for a liquid position of €5,000 per quarter for unexpected events indicates a conservative approach to managing liquidity needs.
- Currency and asset preferences: Clients prefer European diversification and investments in specific currencies within European countries. They also prefer investments that meet high ESG standards. These preferences indicate a conservative and focused approach to their investment strategy.

Considering these factors, the overall risk tolerance can be described as moderate with a conservative bias. See Appendix B - Risk Profile Questionnaire for more details of the survey used to understand the clients' risk profile.

2.4 RELEVANT CONSTRAINTS

2.4.1.1 Asset Class

The assets classes that should be part of the portfolio are Equity, Investment Funds, Mutual Funds and Exchanged Traded Funds – ETF's.

2.4.1.2 Liquidity Needs

The portfolio will focus on capital appreciation rather than dividend distribution because the clients can afford to cover their daily living expenditures with their salaries, so there are no relevant liquidity constraints. Nevertheless, the asset allocation takes into consideration the overall liquidity and availability of each asset, to allow for simple measurements in restructuring the portfolio of uncertainty and client specific needs. Each of the equity assets and their likes suggested in the IPS, are available on the major exchanges and, show high trade volume throughout the past months as measured by the trailing 12-month average.

As the advising entity acts as an independent Asset Management company, all clients are offered the ability to implement attractive investments from the corporate bond market sector which is more difficult to access for private individual investors. Moreover, through its strong business partnerships, the advising entity is pleased to allow the distribution of limited attractive corporate fixed income products to its investors.

Nevertheless, for disclosure and transparency, advising entity does not take guarantee of immediate liquidation of those products due to market availability constraints.

2.4.1.3 Tax Implications

Luxembourg has a favourable tax environment for portfolio management, with a low corporate tax rate and a wide network of tax treaties. Some of the main tax implications to consider are:

- **Withholding tax:** dividends and interest paid by Luxembourg companies to foreign investors may be subject to withholding tax, but the rate is generally low (15% for dividends and 1% for interest) and can be reduced or waived under tax treaties.
- **Tax transparency:** Luxembourg has taken various measures to increase tax transparency, including the automatic exchange of information with other countries.

For individuals who are tax residents of Luxembourg, dividends from domestic companies are taxed at a rate of 20%, while dividends from foreign companies are taxed at a rate of 30%. However, the tax rate may be reduced or waived under a double taxation treaty between Luxembourg and the country in which the foreign company is resident.

For individuals who are not tax residents of Luxembourg, dividends from Luxembourg companies may be subject to a withholding tax. The standard rate is 15%, but it may be reduced under a double taxation treaty between Luxembourg and the country in which the shareholder is resident for tax purposes.

2.4.1.4 Legal Constraints

The management of the portfolio of the clients is subject to all the rules and standards developed by the Financial Conduct Authority (FCA) – regulate financial services markets, including exchanges and the issuers of securities in Luxembourg. Moreover, the advising entity is required to communicate any wrongdoing of criminal activity to the authorities. Regarding data sensibility information, the advising entity shall be held accountable to manage legally and ethically client information, which implies the safe storage of records for at least 10 years. Compliance policies shall be reviewed annually by the advising entity. The clients are held accountable to present any change of documents or other relevant proof that is subject to the onboarding and management of the clients' wealth by the company and its employees and subject to financial authorities.

2.4.1.5 Leverage Policies

No leveraged positions will be taken.

2.4.1.6 Investment in Foreign Assets

The clients have been made aware of the advantages and disadvantages of international investments. For disclosure, the clients, and Ms. Jaramillo Murcia, have agreed on the strategical orientation fitted according to the clients' interests and desires. The strategic allocation of assets is allowed to be made in the major currencies EUR, GBP, CHF, SEK, DKK, NOK. The client is aware of currency risks but does not wish to use other technical financial instruments to limit the exposed risk of currencies. Rather, the client suggested a well-diversified portfolio allowing for repositioning in more risky times in those currencies but not limited to it.

2.5 RISK MANAGEMENT

The Modern Portfolio Theory is one key concept related to constructing a portfolio under the consideration of maximization in returns and minimization of volatility. The portfolio structure is composed by using the mean-variance to find the optimum structuring of the investment decisions made before. Hence, the portfolio shown is for simple reasons that the optimum portfolio is composed of the clients' constraints and investment goals. This portfolio was constructed through two major pillars considered as Funds and ETF's portfolio and the equity portfolio. As the risk is proven to be greater in equities than in other asset class, the client has chosen the balanced strategy of limiting the exposure in equities and maximize the expected returns in the other portfolio.

Presenting the optimum portfolio, with the lowest volatility exposed on the equity side in the portfolio.

As mentioned, our investment committee regularly holds so-called market update meetings, to assess current market trends and risks. Those are assessed on all company invested assets, which are maintained in the so-named company portfolio. Based on the overall portfolio and individual asset assessment, the committee issues recommendations to the portfolio manager.

Besides the implementation of experience measurements from our committee and managing partners in the clients' portfolios, MA Wealth Management runs and follows some risk analysis that allows to give the client's a better understanding of their risk profile, show some scenarios and a risk matrix to know what the risk are associated with the investment and how will the company mitigate that exposure.

The risk analysis is presented in the chapter 3.6 Risk Analysis.

3 INVESTMENT DESIGN

3.1 INVESTMENT PHILOSOPHY

This IPS outlined the total investment returns, risk, and objectives of the balanced portfolio. It is worthwhile to present the main investment strategies of modern portfolio theory and the different approaches that exist, in addition to explaining the philosophy behind the balanced portfolio.

Traditional Portfolio Management:

3.1.1 Passive Management

Investment strategy that aims to replicate the performance of a specific market index or benchmark. In contrast to active portfolio management, which seeks to outperform the market through frequent purchases and sales of securities, passive portfolio management takes a more passive and less costly approach.

According to (Edwin J. Elton) the passive strategy can have 3 different approaches to building the portfolio:

- Holding each stock in proportion to its share in the index.
- Mathematically building a portfolio from a certain number of stocks that have historically tracked the index well.
- Finding a smaller number of stocks that match the index based on predefined characteristics, such as sector, industry, quality, or capitalization.

Passive portfolio management is based on the efficient market hypothesis, which states that it is difficult to outperform the market over the long term. Proponents of passive investing argue that, on average, active management is unable to beat the market after fees and expenses are taken into account. Therefore, passive investing offers a cost-effective way for investors to gain broad market exposure and participate in market returns.

The main instrument of passive portfolio management is index funds or exchange-traded funds (ETFs).

3.1.2 Active Management

Portfolio managers actively make investment decisions with the goal of outperforming the market or a specific benchmark. They also seek to generate excess returns by making strategic asset allocation, security selection, and timing decisions.

According to (Edwin J. Elton) the active strategy can have 3 different approaches to construct the portfolio:

- Market timers: adjust portfolio beta based on market forecasts, either by changing the beta of the equity portfolio or by adjusting investments in short-term bonds.
- Security Selectors: focus on finding undervalued securities and build optimized portfolios based on their analysis.

- **Sector Selectors:** bet positively or negatively on sectors or industries based on their analysis. They select specific sectors or industries to overweight or underweight in the portfolio. This can be based on broad industry classification, major product classification, perceived characteristics, or sensitivity to economic factors.

Overall, active management is about making strategic decisions to deviate from passive portfolios, either through market timing, security selection, or sector/industry selection, with the goal of generating excess returns relative to the benchmark. The success of active management depends on accurate forecasting, effective research and analysis, and skilful execution of investment strategies.

Approach for sustainability:

3.1.3 Strategies for Sustainable Investments

In addition to these two main investment strategies, there is another strategy that should be implemented depending on the preferences of the clients. This is the classification and approaches for sustainable investments. Following on (Timo Busch, 2022), the investment strategies for sustainable investments can be divided into:

- **Exclusions:** Potential investments or asset classes such as industries, companies or countries are excluded from the possible investment spectrum. This usually refers to the exclusion of products or controversial practises. This approach is driven by ethical or financial risk considerations.
- **Standards-based screening:** potential investments are screened for compliance with various frameworks and regulations such as the Paris Agreement, OECD Guidelines, and others.
- **ESG integration:** strategy that explicitly and systematically incorporates ESG risk and opportunity considerations into company analyses.
- **Best in class:** potential investments are selected based on their positive ESG impacts or performance relative to other companies. Investments may be selected based on their improvement against specific sustainability criteria or overall ESG/SDG rating over time.
- **Sustainability Issues:** Potential investments may be selected based on themes linked to ESG issues or environmental or social outcomes, such as climate change, sustainable agriculture, eco-efficiency, green buildings, gender equality, health, and others.

3.1.4 EU Sustainable Finance Disclosure Regulation (SFDR)

In the context of sustainable investment-focused strategies, it is very important to explain the EU Sustainable Financial Disclosure Regulation (SFDR). This is a set of rules that will apply in the European Union and aims to make sustainability comparable and easier for investors to understand. It is also part of the EU's sustainable finance agenda and aims to promote transparency and sustainability in the financial sector.

This regulation defines the metrics for assessing the environmental, social and governance (ESG) criteria of the investment process. The regulation of Article 8 of the Sustainable Finance Disclosure Regulation (SFDR) was introduced in March 2021. This article specifically addresses the promotion of environmental or social features in financial products and requires disclosure of how these features are met.

Under the SFDR, Article 8 applies to financial products that:

- Promote environmental or social features: These products aim to invest in companies or projects that contribute to specific environmental or social objectives. This may include funds that focus on renewable energy, clean technology, social impact initiatives, or other sustainable sectors.
- They have a sustainable investment objective: these products explicitly state that they are intended to have a positive impact on the environment or society. They strive to achieve sustainable investment objectives by considering ESG factors in the investment process and incorporating sustainability criteria into investment decisions.

3.1.5 Investment Philosophies

According to (Damodaran) **“an investment philosophy is a coherent way of think about the markets, how they work and the and the types of mistakes that you believe consistently underlie investor behaviour”**. The following lines describe the different types of philosophies that were analysed to define the approach for this portfolio.

- Value Investing: Value investors look for undervalued securities that are trading below their intrinsic value. They focus on fundamental analysis and look for opportunities to buy stocks or assets that are priced below their perceived value. Value investing is supported by empirical evidence from financial theorists and by other evidence such as Warren Buffet, but it is not appropriate for all investors.
- Growth investing: Growth investors focus on seeking out companies or sectors with strong growth potential. They look for stocks of companies that are expected to have above-average earnings growth. Growth investors are usually willing to pay a higher price for stocks because they expect them to increase in value in the future.
- Information investing: Investors who focus their investment decisions on analysing market information such as stock prices, company news, acquisitions, and company- specific announcements.
- Momentum investing: Momentum investors focus on trends and price movements in the market. They assume that stocks or assets that have performed well recently will continue to do so in the near future. Momentum investors try to ride the wave of positive price momentum and may actively enter and exit positions based on short-term trends.
- Index investing: index investors attempt to replicate the performance of a specific market index. They believe in the efficient market hypothesis, which states that it is difficult to consistently outperform the overall market. Rather than actively selecting individual stocks, index investors prefer to invest in low-cost index funds or exchange-traded funds (ETFs) that track the performance of an index.
- Market Timer investing: investors who actively seek to predict the direction and timing of market movements in order to make strategic decisions about buying or selling assets. Market timers believe they can identify periods of market upswings (bull markets) or downswings (bear markets) and adjust their investment positions accordingly to take advantage of these trends.

- Income-oriented investors: income-oriented investors focus on generating a steady stream of income from their investments. They typically invest in assets that generate a regular income, such as high-dividend stocks, bonds, or real estate investment trusts (REITs).

3.1.6 Investment Philosophy Behind the Portfolio

In summary, the investment philosophy of this portfolio is to use a combination of strategies to maximize returns for the client. The design of the strategy focuses on the use of passive management for the ETF and mutual fund portfolio and active management for the equity portfolio. To address the ESG factor required for the client, it was decided to adopt the best-in-class approach, which can be applied to all asset classes considered in this analysis. In addition, the funds and ETFs selected must comply with the provisions of Article 8 of the SFDR.

In addition, the portfolio has a combination of the philosophies detailed in the selection criteria in Section 3.3.

This investment philosophy aims to maximize returns while considering client preferences, risk profile, constraints and policies.

3.2 STRATEGIC ASSET ALLOCATION

Strategic asset allocation involves setting target allocations for various asset classes and rebalancing the multi-asset portfolio on a regular basis to ensure a tight and balanced allocation in all market conditions. In order to have a diversified portfolio and achieve the highest return at a given level of risk for clients, it is necessary to select a universe of companies to serve as a benchmark for the portfolio.

In this case, the selected benchmark is the MSCI Europe ESG Leaders Index (EUR). This index is a capitalization-weighted index that provides exposure to companies with high ESG standards relative to their industry peers. It consists of 206 large-cap and mid-cap companies in 15 countries. The rationale for choosing this index as a benchmark is the clients' objective and mandate to invest in diversified and sustainable companies. In terms of ESG, the index selects companies based on the best-in-class approach, which is coherent with the strategic asset allocation approach for this portfolio.

3.3 SECURITY SELECTION

The security selection follows a criterion that will be presented in the following tables. The information that was used to do the analysis was extracted from Bloomberg, Refinitiv Data Stream, and Morning Star. As well as knowledge of financial analysis of Ms. Jaramillo Murcia.

3.3.1 Equities Selection

The criteria to select the equities, was built under the bottom-up approach. In order to select the best possible assets for the portfolio and based in some bibliography like Investment Philosophies of Damodaran (also exposed in the chapter 3.1) and important investments funds the matrix for the criteria includes different metrics and ratios like:

Growth criteria:

Ratio	Definition and Importance
Earnings per share – EPS: Financial ratio which divides net earnings available to common shareholder by the average outstanding shares over a certain period.	For this analysis it was considered the EPS of 2022, the average EPS over the last 5 years and the compounded annual growth rate – CAGR in 5 years of the EPS. It indicates the company profitability and is a common metric to analyse the possible growth of a company in the long term.
Price to earnings – P/E: Relationship between the price of the company and earnings per share.	For this analysis it was considered the P/E of the year 2022. It helps to determine a companies' relative valuation.
Dividend yield: Ratio that calculates how much a company has paid out in dividends over the course of a year.	For this analysis it was considered the dividend yield of April 2023. It shows the company is retaining more earnings toward developing the business plan instead of paying investors.

Value criteria:

Ratio	Definition and Importance
Market Capitalization: Total value of a company's shares of stock.	For this analysis it was considered the market capitalization of April 2023 in million euros. Allows investors to evaluate a company based on how valuable the market perceives it to be.
Price to book value	Indicates if a company is valued properly or not, based on the market price and the reasonable value on its balance sheet.

Risk criteria:

Ratio	Definition and Importance
Unlevered beta: Measures the market risk of the company without the impact of leverage	For this analysis it was considered the unlevered beta of the companies calculated in Bloomberg for April 2023. Is essentially to give investors some clarity on the composition of the risk they would assume if they bought the stock.

Quality criteria:

Ratio	Definition and Importance
<p>Return on invested capital – ROIC: Rate of return of a company from reinvesting the funds.</p>	<p>For this analysis it was considered the ROIC of 2022, the average ROIC over the last 5 years and the compounded annual growth rate – CAGR in 5 years of the ROIC.</p> <p>It determines the efficiency at which the capital of a company is allocated that is reflected in the long-term performance and profitability.</p>
<p>Return on assets – ROA: Measures the efficiency of the use of assets to generate profits.</p>	<p>For this analysis it was considered the ROA of April 2023.</p> <p>It shows investors how the company is behaving in terms of converting their own assets into net capital.</p>
<p>Return on equity – ROE_ Measures the efficiency of the net income over the shareholders equity</p>	<p>For this analysis it was considered the ROE of April 2023.</p> <p>Is key because it helps to understand how efficiently the capital of the company is to generate profit.</p>
<p>Leverage: Debt / Equity</p>	<p>For this analysis it was considered the leverage ratio of April 2023, using the total financial debt over shareholders equity.</p> <p>It represents the amount of risk associated with the capital structure of the company.</p>
<p>Sales</p>	<p>For this analysis it was considered the compounded annual growth rate – CAGR in 5 years of the revenues.</p> <p>This variable allows the model to capture the size of the companies and the evolution of the business among the years of analysis.</p>

ESG score:

Ratio	Definition and Importance
<p>MSCI Rating: Measure a company’s resilience to long-term financially relevant ESG risks.</p>	<p>The methodology of MSCI to obtain the ESG rating comes from an analysis on the 3 pillars and 33 total key issues. The rating goes from AAA to CCC.</p> <p>As disclosed in the methodology of MSCI ESG Rating, “the assessment is based on the</p>

	company's ability to manage its exposure in 3 different categories: capacity and level of commitment to address risks and opportunities; the strength and scope of the initiatives and company's track record on managing specific risks and opportunities." ¹
S&P Global ESG rank: Measure companies' exposure and performance on key ESG risks and opportunities	S&P does an annual assessment of a company sustainability performance, as well as a internal screening of controversies that will provide an understanding on each of the issues. The rating goes from 100 to 0, where 100 represents the maximum score a company can get.

Market feeling:

Ratio	Definition and Importance
Analyst recommendations ESG criteria	Recommended list of investments based on equity research from some analysts using ESG as the most important criteria. This information comes from Bloomberg.
Analyst recommendations returns criteria	Recommended list of investments based on equity research from some analysts using expected returns as the most important criteria. This information comes from Bloomberg.

For each of the criteria there is a score from 1 to 5 that will change for every ratio, and it is set according to the Portfolio Manager criteria and knowledge of the market. Afterwards this score is weighted as it follows:

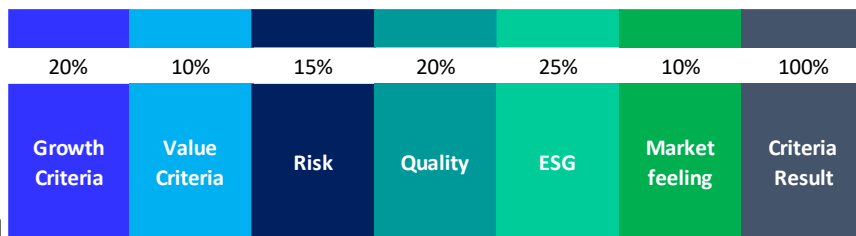


Figure 2: Distribution of the Criteria

¹ (MSCI , 2023)

The 30 companies with the highest score, are the ones included in the final asset allocation in the portfolio of equities.

The description and composition of the portfolio of equities will be presented in the chapter 3.4 Portfolio Composition.

3.3.2 Funds and ETF’s Selection

The selected assets were searched in the Screener of Morning Star website. The principal criteria to select them was to be part of Screener funds with Article 8 in EU Taxonomy, 4 stars at least in the morning star rating and they must be in currency and geography constraints of the Clients desires.

The description and composition of the portfolio of funds and ETF’s will be presented in the chapter 3.4 Portfolio Composition.

3.4 PORTFOLIO COMPOSITION

The balance portfolio was the result of two portfolios: equities portfolio and other assets portfolio. In the following pages, a detailed description of the portfolio composition is presented. In total the portfolio has 38 assets in 6 different currencies. The asset class considered are the ones that the client has remarked in the constraints.

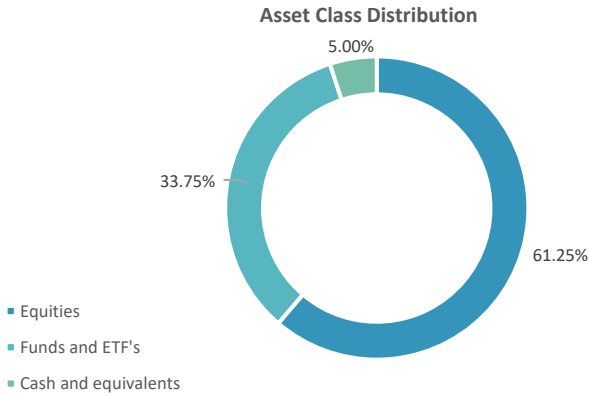


Figure 3:Asset Class Distribution

For the equities portfolio, the sectors where the companies operate are aligned with the European Central Bank assessment on high climate risk sectors, meaning the portfolio is not including sectors such as Fossil-fuel energy, transportation, agriculture and food production, insurance companies, real estate, or tourism.

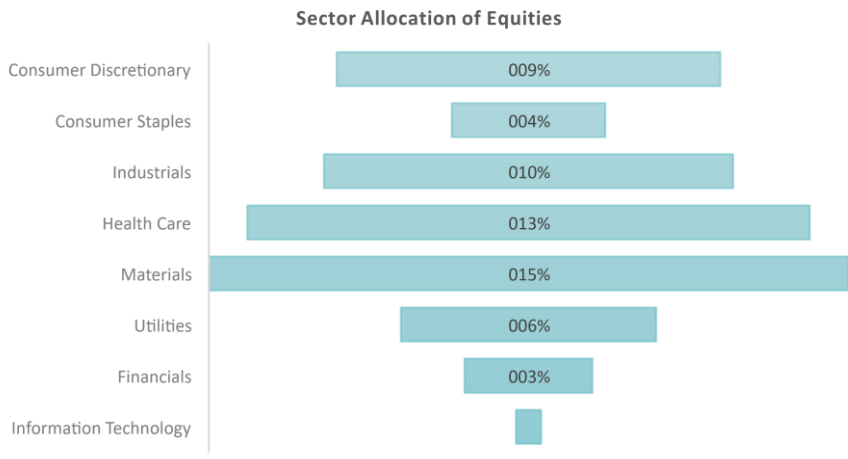


Figure 4: Sector Allocation of Equities

The geographic and currency distribution of the equity's portfolio is given by the final criteria explained in the previous chapter.

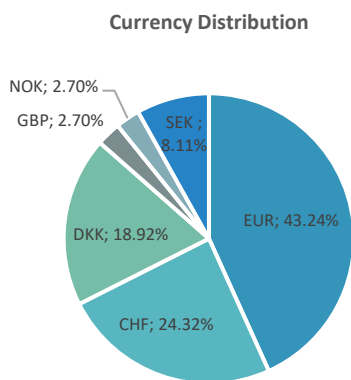


Figure 5: Currency Distribution

In terms of geographic allocation, there is a tendency to have more companies located in the North of Europe. This allocation is consistent with actual context of these countries: stronger environmental regulations, more commitment to invest and convert in renewable energy, stronger social welfare systems and high working conditions, as well as a better reputation in terms of corporate governance and transparency.

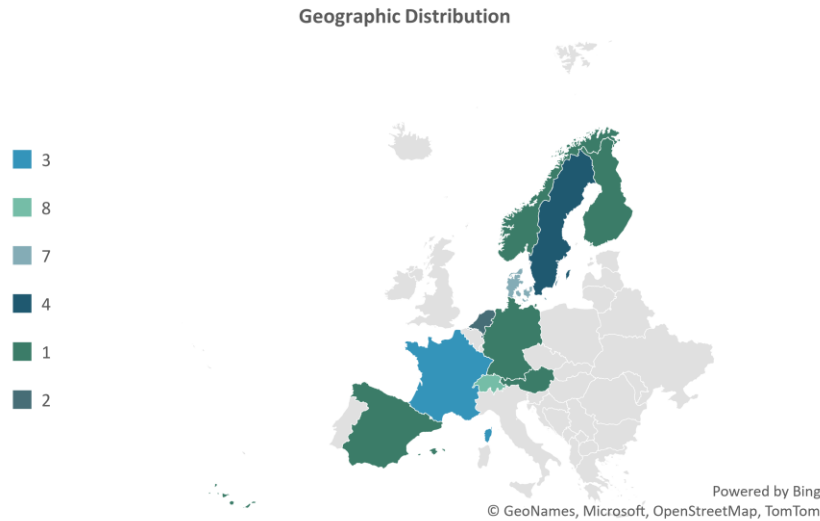


Figure 6: Geographical Distribution

Regarding the other assets portfolio, since these are funds and ETF's the geographic constraint is based on Europe.

For further information of the assets that are part of the portfolio, refer to the Appendix C.

3.5 EXPECTED PERFORMANCE

To understand the expected performance of the portfolio presented in the previous chapters, it is necessary to apply different statistical methods to model the probability of different outcomes of a variable.

The method chosen is called Monte Carlo simulation. This statistical method is used in finance when understanding the effects of uncertainty and randomness in forecasting models. In the simulation, random numbers are used to represent the value of the portfolio, and the sample of numbers is repeatedly calculated to determine the behaviour of the portfolio value. Monte Carlo simulation is a very useful and common tool for modelling the range of possible outcomes and evaluating portfolio performance.

The following assumptions were in this analysis:

Table 2: Assumptions of the Expected Performance of Portfolio

Portfolio Value	400,000 €
Average Return of Portfolio	7.35%
Standard Deviation of Portfolio	14.55%
Years of Investment	10
Simulations Performed	10,000
Random Variable	Normal cumulative distribution of the random variable

After performing the simulation, the result of this analysis gives some ranges of future values of the portfolio and some metrics like the average future value in 10 years is 812,914 € and the compounded annual growth rate of this investment in 10 years is 7.34%. Besides these results, the simulation allows the Portfolio Manager to identify and support the expected performance of the Balanced Portfolio based on an analysis of the percentiles of the sample, such as:

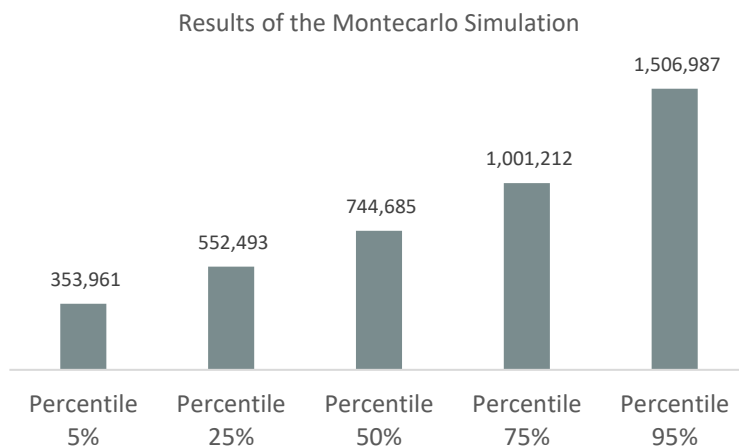


Figure 7: Results of Monte Carlo Simulation for Expected Returns

- There is a 5% of probability that the future value of the Balanced Portfolio in 10 years is lower than 353,961 euros.
- There is a 50% of probability that the future value of the Balanced Portfolio in 10 years is lower than 744,685 euros.
- There is a 95% of probability that the future value of the Balanced Portfolio in 10 years is lower than 1,506,987 euros.

Taking this into consideration, it is possible to say that the range of the future value of the Balanced Portfolio is expected to be between the values on the Percentile 50% and 75%. This is supported by the fact that the probability distribution of the sample follows a normal distribution, indicating that the values near the mean occur more frequently than the values that are farther away of the mean.

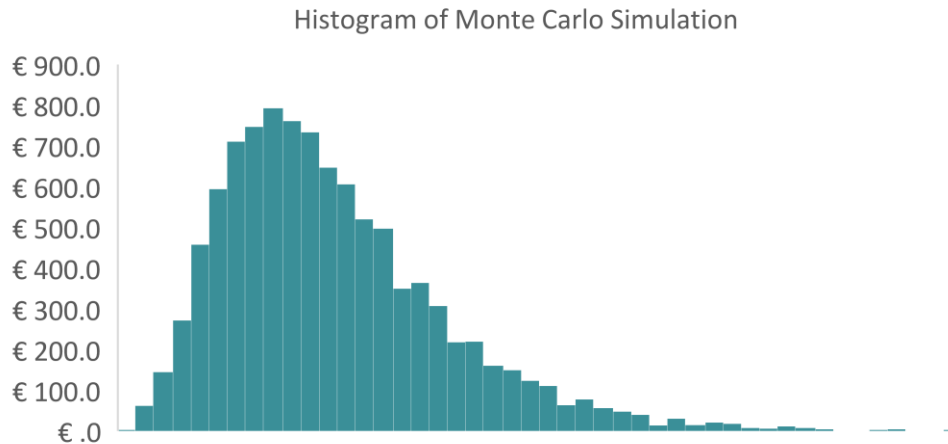


Figure 8: Histogram of Monte Carlo Simulation

It is important to remark that the Monte Carlo simulation has some limitations that should be considered when assessing the expected performance of the Balanced Portfolio. It relies on the assumptions made about the Portfolio, if one of the assumptions is not accurate the results of the simulation may not reflect the reality; in parallel this model assumes a rational behaviour on the market and does not capture fully important patterns/events on the market. However, this statistical model is a sensitivity analysis which helps to identify the key drivers that impact the variables as well as it is a way to quantify and assess the uncertainty in the expected results.

3.6 RISK ANALYSIS

Risk management is an essential aspect in Portfolio construction. Evaluate the risk tolerance and different scenarios is very important to enable the clients to make informed decisions, optimize the performance of the portfolio and give the Portfolio Manager another way to adapt to changes in market conditions. The following indicators were calculated at Portfolio level to assess the risk:

3.6.1 Value at Risk – VaR

It is a risk measurement that quantifies the potential loss of an investment over a specified period at a given confidence level. Estimates the maximum potential loss that a portfolio could experience under the normal market conditions. This measure considers the historical volatility and correlations of the assets to estimate the potential downside risk.

To calculate this measure, it was applied the Monte Carlo Simulation because it is a flexible model that can handle a multi asset portfolio and it generates many random scenarios so it will be possible to analyse and capture the uncertainties of the expected performance of the portfolio. As well as the importance of having a robustness test to avoid outliers or extreme events in order to provide an accurate risk assessment.

For a **one-year period**, the **maximum potential loss of the Balanced Portfolio at 95% level of confidence is 78,770 €**. This means that there is a 5% of probability that the Balanced Portfolio, with all the assumptions described in the previous chapters, experiences a loss of more than 78,770 € in a one-year period.

In the following histogram it is presented the results of the Monte Carlo Simulation. The probability distribution of the sample follows a normal distribution, indicating that the values near the mean occur more frequently than the values that are farther away of the mean.

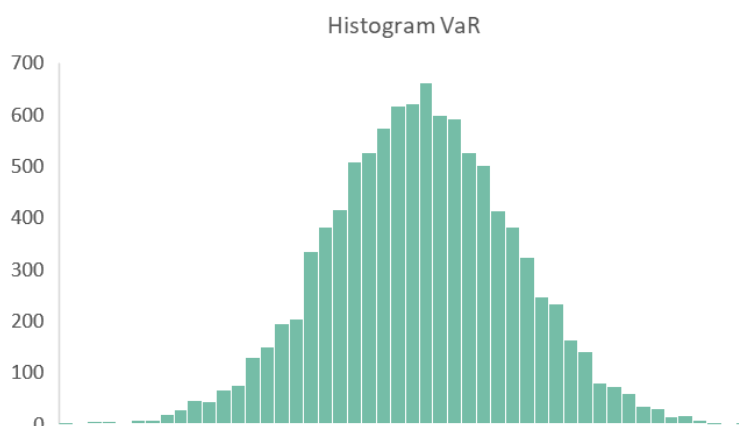


Figure 9: Histogram Value at Risk - VaR

Value at Risk – VaR has some limitation because it assumes that past behaviour of the market will remain and does not capture tail risk or extreme events that may occur in the future; and it is a variable very sensitive to the chosen time horizon that is why in this case it was calculated the VaR for only one year period.

3.6.2 Sharpe Ratio

The Sharpe ratio normalizes the return for a given level of risk. This allows one to compare investments made and determine the return made on a monetary unit (the euro for the most part in this IPS).

$$\text{Sharpe Ratio} = \frac{\text{Return of the Portfolio} - \text{Risk Free Asset}}{\text{Standard Deviation of the Portfolio}}$$

Equation 1: Sharpe Ratio

The Sharpe ratio for the Balanced Portfolio is 0.35. A Sharpe ratio of 0.35 is generally considered favourable, as it indicates that the investment or portfolio has achieved a relatively attractive return compared to the level of risk assumed. It suggests that the investment or portfolio has generated a reasonable amount of excess return per unit of risk.

Nevertheless, the Sharpe ratio is backwards looking, and does not take future risk and performance under consideration. But it is part of the fundamental analysis made on each position shown in the portfolio.

3.6.3 Sortino Ratio

It is a risk adjusted performance measure that focuses on the downside volatility of the portfolio. This is derived from the concept of Sharpe Ratio, but it refines it considering the measure of the volatility of negative returns.

$$\text{Sortino Ratio} = \frac{\text{Return of the Portfolio} - \text{Risk Free Asset}}{\text{Downside Deviation}}$$

Equation 2: Sortino Ratio

The Sortino Ratio for the Balanced Portfolio is 0.24, it suggests that the portfolio has generated a positive excess return relative to the minimum acceptable return (risk free asset). The portfolio has been exposed to a relatively lower downside risk compared to the average return.

3.6.4 Tracking Error:

It is a risk measure that quantifies the dispersion of the excess returns of the portfolio relative to its benchmark over a specific period of time.

$$\text{Tracking Error} = \text{Standard Deviation} * (\text{Portfolio Returns} - \text{Benchmark Returns})$$

Equation 3: Tracking Error

The tracking error of the portfolio is 1.42% which means that the portfolio closely mirrors the benchmark's performance, and it suggests that the portfolio follows a balanced strategy.

3.6.5 Information Ratio

This measure it is commonly used to assess the value added by the Balanced Portfolio relative to the chosen benchmark. It focuses on the active returns generated above the benchmark, while considering the risk of these excess returns.

$$\text{Information Ratio} = \frac{\text{Portfolio Return} - \text{Benchmark Return}}{\text{Tracking Error}}$$

Equation 4: Information Ratio

In this case, the information ratio of the portfolio is 0.21 indicates that the Portfolio Manager has generated returns above the benchmark, considering the level of active risk taken. A positive Information Ratio suggests that the Portfolio manager's strategies and decisions have contributed to outperforming the benchmark.

In the graph below, it is showed that the active returns of the Portfolio are very close to the returns of the benchmark which is aligned with the results of the previous risk measure.

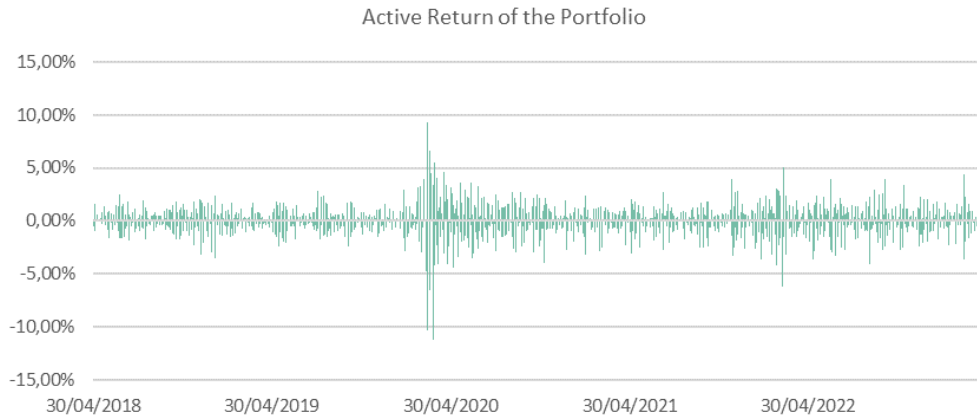


Figure 10: Active Returns of the Portfolio.

3.6.6 Beta:

The beta is a measure of systematic risk, indicating how the portfolio returns are expected to move in relation to the market. The beta is calculated through statistical methods like regression analysis.

The estimated beta for the Balanced Portfolio is 1.08, with a p value of 0, it means that the portfolio is expected to be 8% more volatile than the benchmark. Therefore, if the benchmark increases 8%, the portfolio will increase approximately 8%.

This indicator can provide an overall view on the portfolio's risk profile and the expected performance; however, it is very important to analyse other risk methodologies and indicators to obtain a more comprehensive view on the risk as it is presented in all this chapter.

3.6.7 Risk Matrix and Analysis

In addition to the ratios presented in the first part of the chapter, it was decided to present some qualitative analysis of the identified risks as well in the balanced portfolio. This analysis is illustrated by a risk matrix that complies with the identified risks and the respective mitigation.

Table 3: Risk Matrix

N°	Risk Matrix Analysis	Risk Severity	Risk Likelihood	Risk level	Mitigation Strategy
Market Risk Analysis					
1	Dramatic changes on the macroeconomic conditions	Tolerable	Possible	Medium	The portfolio is well diversified, and the period of analysis is 5 years which allows the expected return to consider one major event like the pandemic and the recovery period, as well as the start of the slight recession in the economies.
2	Changes in the foreign exchange rates in Europe	Acceptable	Improbable	Low	43% of the assets are invested in Euro currency, and other currencies that are part of the portfolio typically tends to move in the same direction as the Euro.
3	Changes in the economy of the Northern European Countries (Denmark, Sweden, Finland, Norway, Netherlands, etc...)	Undesirable	Possible	High	Usually, the economies of these countries are considered more stable than many other regions because these countries have strong and solid institutions, prudent macroeconomic policies and have well diversified economies.
4	Dramatic changes on the German Bond Yields	Undesirable	Possible	Medium	The Investment Policy statement is flexible, so it can adjust depending on the behaviour of the market. In case is needed the allocation for the cash and equivalents and the risk-free rate can be modified and adopted to other strong and solid economy, like United States.
ESG Risk Analysis					
5	Potential controversies, legal issues or reputational risk associated with the companies that are included in the portfolio	Tolerable	Possible	Medium	The companies included in the portfolio are the ones that has higher ESG scores according to MSCI and S&P.
6	Portfolio's alignment with regulations required to have ESG high standard scores	Tolerable	Improbable	Low	
7	Changes in the EU taxonomy and regulation for sustainable investments	Acceptable	Probable	High	
Concentration Risk Analysis					
8	Concentration of the portfolio on the North of Europe.	Acceptable	Probable	Low	The asset allocation and criteria selection of the portfolio came up with the best possible allocation of

9	Concentration of the portfolio on sectors that are classified on high climate risk sector	Undesirable	Improbable	Medium	the assets, meaning that the portfolio is balanced and well diversified.
10	Concentration of the portfolio on particular asset class	Undesirable	Possible	High	
Financial Risk Analysis					
11	Quality and liquidity of the assets on the Portfolio	Tolerable	Improbable	Medium	The asset allocation and criteria selection of the portfolio came up with the best possible allocation of the assets, meaning that the portfolio is balanced and well diversified.
12	Creditworthiness of the assets that are included in the Portfolio	Undesirable	Possible	High	
Rebalancing Risk Analysis					
13	Changes in the tax conditions, transaction costs and costs related to rebalance the portfolio	Tolerable	Improbable	Low	The Investment Policy statement is flexible, so it can adjust depending on the behaviour of the market.

HEAT MAP OF BALANCED PORTFOLIO'S RISKS

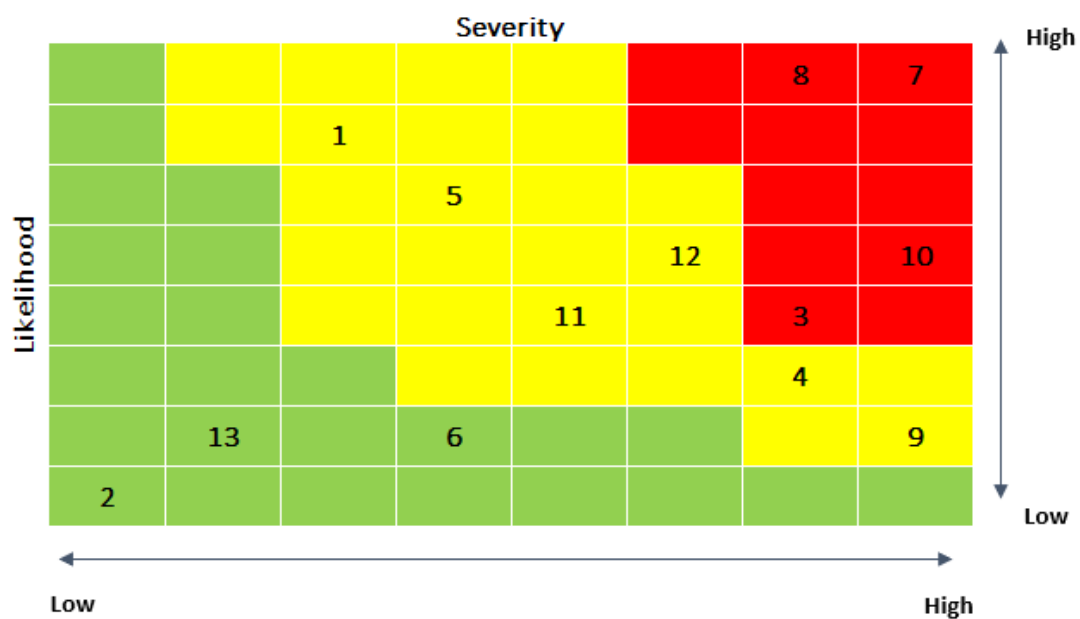


Figure 11: Heatmap of Portfolio's Risk

4 REBALANCING POLICY

As a rule, the portfolio will be evaluated for rebalancing decisions quarterly on the 5th working day of the month. This should prevent large unwanted deviations from the total portfolio in volatile situations. Given that current market conditions are very uncertain, a monthly change of +/- 10.0% or more in any asset weight will trigger immediate rebalancing. However, due care is taken to avoid unnecessary large transaction costs. If commissions paid would outweigh the benefits gained from rebalancing the portfolio, the portfolio manager will not undertake any rebalancing decisions. As time is a scarce resource, it is guaranteed that all rebalancing will be executed within one business day by the team specially allocated for making these trade decisions. To give more flexibility, it is also possible for the clients to order a specially mandated review of portfolio positions and ask for a rebalancing towards a safer portfolio at no extra cost. The investment adviser will then give his or her opinions and will proceed with the agreed decision following signed consent of the client.

APPENDICES

Appendix A –Risk Profile Questionnaire

This risk profile questionnaire was taken from Rothschild & Co Bank AG.

1. Investment Knowledge & Experience

Please indicate your level of knowledge about and experience with the following services and assets:

	Knowledge			Experience		
	none	moderate	advanced	none 0 years 0 trades	moderate up to 3 years 1-9 trades	considerable above 3 years 10 or more trades
Discretionary Portfolio Mandate	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Investment and Portfolio Advisory	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
1. Fixed Income	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Single Stocks / Equities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. Mutual Investment Funds	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. Foreign Exchange (Spot & Forwards)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Gold & Precious Metals	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Other Commodities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Hedge Funds	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8. Structured Products & Convertible Bonds	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Real Estate (Real Estate Funds or similar)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Private Equity & Private Debt Funds	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Options	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Futures	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please indicate the source of your knowledge:

Comments, if any

Personal Wealth Management (e.g. investing for more than 3 years)	<input checked="" type="checkbox"/>	We have some investments in the bank in mutual funds
Profession (e.g. working in an investment related role)	<input checked="" type="checkbox"/>	Stefane works in Real Estate and Cristina works in M&A
Education (e.g. possessing a finance degree)	<input checked="" type="checkbox"/>	Both studied management and finance
Other (please specify)	<input type="checkbox"/>	

2. Risk Capacity

Current Assets and Liabilities

Reference Currency **EUR** ▾

	≤ 1'000'000	>1'000'000- 5'000'000	>5'000'000- 10'000'000	>10'000'000
Assets and Liabilities				
Financial wealth excluding real estate	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Real estate	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (art, insurance, business holdings, etc)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	≤ 200'000	>200'000- 1'000'000	>1'000'000- 2'000'000	>2'000'000
Annual Revenues and Expenses (gross)				
Revenues (salary, bonus, pension, etc)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Real estate income	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Planned spending	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In the event of a significant, urgent and unforeseen expense, which of these statements would be best suited to your situation?

- I have enough cash available to deal with such an expense. As a result, I will not have to sell all or portion of the investments placed with your institution.
- I would then be forced to sell some of the investments placed with your institution.
- I would then be forced to sell all investments placed with your institution, even at a loss. I am willing to accept any losses.

How do you see your financial situation evolve in 3 to 5 years, given your current personal situation?

- I am expecting an improvement in my financial situation (donation, sale, realization of assets, ...).
Additional information:
- I foresee a deterioration of my financial situation (increase of expenses, and / or decrease of income, ...).
- I do not anticipate any change in my financial situation.

3. Risk Tolerance

	<i>strongly disagree</i>	-	<i>neither agree nor disagree</i>	-	<i>strongly agree</i>
I am comfortable investing, despite the risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
It is more important for me to invest safely than take risks for the chance of higher returns	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am prepared to risk losing money as long as there is also a chance to gain	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am willing to put a significant part of my wealth in high-risk investments	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Which of the ranges of annual portfolio fluctuation below would you feel most comfortable?	A	B	C	D	E
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



Please notify the Bank immediately if any information provided in this form or your circumstances or your approach to investing changes.

Source: Rothschild & Co

This graph is based on historical data and is for illustration purpose only. Past performance is not indicative of future performance.

Investment horizon refers to the period you expect your money to remain invested. Please select one option:

≤ 5 years

5 to 10 years

> 10 years

Client Risk Profile (based on the Investment Questionnaire)

Name of the Investor: Stefane Souleres and Cristina Souleres

Your risk tolerance level

Considering your answers to our risk tolerance questionnaire, we assess your risk tolerance level to be:

3 - moderate

Your risk capacity level:

We understand your ability to take risks to be:

1 - low

This is based on the information you have provided to us concerning your investable assets in the context of your overall financial situation and your risk tolerance level.

Your calculated risk profile:

Your risk tolerance level and your risk capacity level at the current point in time result in an overall client risk profile of:

1 - low

Important note:

The client risk profile determines on a personal level the maximum ability to bear uncertainty in the financial markets. It is also therefore the maximum level of risk of the overall investment strategy. However, the investment objective for a single portfolio does not necessarily need to match with the overall client risk profile if the consolidated portfolios match with the overall client risk profile. In order to service you with the most suitable solutions we advise you to follow our recommendations. However, you may choose your individual risk profile which can deviate from the calculated risk profile by a maximum of one level.

Please select your personal risk profile:

1 – low	2 – moderate low	3 – moderate	4 – moderate high	5 – high
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note that for a joint account or a collective account the lowest client risk profile selection of the respective investor (being the account holder) will be considered for the business relationship.

Your knowledge of investment services and products:

Considering your answers to our knowledge and experience questions, your level of knowledge and experience of the services and various assets is as follows:

Discretionary Portfolio Mandate	Informed
Investment and Portfolio Advisory	Basic
1. Fixed Income	Basic
2. Single Stocks / Equities	Informed
3. Mutual Investment Funds	Informed
4. Foreign Exchange (Spot & Forwards)	Basic
5. Gold & Precious Metals	Basic
6. Other Commodities	Basic
7. Hedge Funds	Informed
8. Structured Products & Convertible Bonds	Basic
9. Real Estate (Real Estate Funds or similar)	
10. Private Equity & Private Debt Funds	Basic
11. Options	Basic
12. Futures	Basic

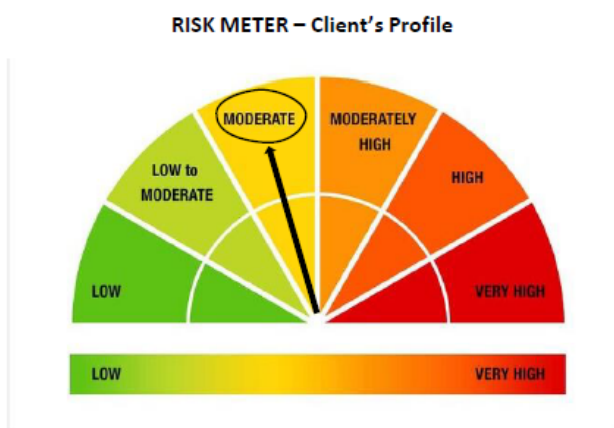
The Investor confirms that she/he understands that investments may go down as well as up and that past performance is not always a good indicator of future returns. She/he also confirms to understand that good investing requires commitment over time.

The Investor undertakes to notify the Bank immediately if any information provided in this form as well as circumstances or approach to investing change. By signing this form the Investor confirms that all statements made herein are, to the best of her/his knowledge and belief, true, correct and complete.

Place & Date

Signature of the Investor

Appendix B – Client’s Profile



Name: Stefane Souleres and Cristina Souleres

Risk Tolerance: Moderate

Investment Strategy: Balanced

Investment Horizon: 15 years

Risk meter Label	Investment Strategy	Definition of Investor
Low	Conservative	Investor’s top priority is the safety of capital. She/he is willing to accept relatively low returns against a low risk of principal.
Moderate to Low	Conservative Balanced	An investor is willing to accept a small level of risk in exchange for some potential returns over a medium to long-term.
Moderate	Balanced	An investor can tolerate a moderate level of risk in exchange for relatively higher potential returns over a medium to long-term.
Moderate - High	Growth	Investor is keen to accept a relatively higher risk to maximize potential returns over the medium to long-term.
High	Equity	Investor is willing to accept a significant risk to maximize potential returns over the long terms and is aware that she/he may lose a significant part of the capital.

Based on the questionnaire filled by the clients and the information provided regarding the overall financial situation, knowledge on financial markets the ability of the Clients to take risks is at moderate level.

This suggests that a balanced investment strategy aligns with their risk preferences and financial circumstances.

Appendix C – Composition of the Portfolio

Table 4: Description of Equities

Company	Description	Sector	Country	Market Size	ESG Rating - MSCI Classification
LVMH MOET HENNE	LVMH is a French multinational luxury goods conglomerate. It owns a wide range of luxury brands, including Louis Vuitton, Moët & Chandon, Hennessy, Dior, Fendi, and Givenchy. LVMH is known for its high-quality products and prestigious fashion, leather goods, wines and spirits, perfumes, cosmetics, and jewellery brands.	Consumer Discretionary	FRANCE	EUR 452.396	Low
L'OREAL	L'Oréal is a French multinational beauty and personal care company. It is one of the world's largest cosmetics companies, offering a wide range of products, including skincare, haircare, makeup, and fragrances. L'Oréal owns popular brands like Lancôme, Maybelline, Garnier, Kiehl's, and NYX.	Consumer Staples	FRANCE	EUR 237.217	Low
KUEHNE & NAGEL-R	Kuehne und Nagel is a Swiss logistics company that provides comprehensive supply chain solutions worldwide. It offers services in freight forwarding, contract logistics, and integrated logistics, serving various industries, including automotive, aerospace, retail, and healthcare.	Industrials	SWITZERLAND	EUR 32.591	Low
SONOVA HOLDING A	Sonova is a Swiss company specializing in hearing care solutions. It develops and manufactures innovative hearing aids, cochlear implants, and wireless communication systems. Sonova's brands include Phonak, Unitron, and Hansaton.	Health Care	SWITZERLAND	EUR 17.687	Low
PANDORA A/S	Pandora is a Danish jewellery company known for its customizable charm bracelets. It designs, manufactures, and markets a wide range of high-quality jewellery, including charms, bracelets, rings, earrings, and necklaces.	Consumer Discretionary	DENMARK	EUR 60.604	Low
BOLIDEN AB	Boliden is a Swedish mining and smelting company. It is involved in the exploration, extraction, and processing of base metals, including copper, zinc, lead, and nickel. Boliden operates mines in Sweden, Finland, Norway, and Ireland.	Materials	SWEDEN	EUR 109.678	Medium
LONZA GROUP - REG	Lonza is a Swiss multinational company specializing in life sciences and biotechnology. It provides products and services to the pharmaceutical, biotech, and healthcare industries, including active pharmaceutical ingredients, cell and gene therapies, and microbial control solutions.	Health Care	SWITZERLAND	EUR 42.760	Low

VERBUND AG	Verbund is an Austrian energy company that specializes in the generation, transmission, and distribution of electricity. It operates hydropower plants and provides renewable energy services in Austria and closer countries.	Utilities	AUSTRIA	EUR 28.245	Low
HOLMEN AB-B SHS	Holmen is a Swedish forest products company. It engages in the sustainable production of wood products, including paperboard, printing paper, and wood-based construction materials. Holmen also owns forest land and carries out forest management activities.	Materials	SWEDEN	EUR 61.286	Low
NIBE INDUSTRIE-B	Nibe Industries is a Swedish company that manufactures and sells sustainable energy solutions. It offers heating, cooling, and ventilation systems, including heat pumps, water heaters, and air conditioning units.	Industrials	SWEDEN	EUR 248.178	Low
GENMAB A/S	Genmab is a Danish biotechnology company specializing in the discovery and development of innovative antibody therapeutics for the treatment of cancer. It focuses on creating differentiated antibody-based drugs to address unmet medical needs.	Health Care	DENMARK	EUR 184.035	Medium
AP MOLLER-A	A.P. Moller-Maersk is a Danish conglomerate and one of the world's largest container shipping companies. It operates in the logistics and energy sectors, offering container shipping, port terminal operations, and oil and gas exploration, production, and transportation services.	Industrials	DENMARK	EUR 237.820	Low
KESKO OYJ-B	Kesko is a Finnish retail company operating in the grocery, building, and technical trade sectors. It owns and operates various store chains, including grocery stores, building and home improvement stores, and car dealerships.	Consumer Staples	FINLAND	EUR 8.149	Low
ASML HOLDING NV	ASML Holding is a Dutch company and one of the world's leading manufacturers of semiconductor lithography systems. It develops and produces advanced photolithography machines used in the production of integrated circuits for the semiconductor industry.	Information Technology	NETHERLANDS	EUR 233.901	Low
ASSA ABLOY AB-B	Assa Abloy is a Swedish company that specializes in the design, manufacture, and sale of door opening solutions, including locks, security doors, access control systems, and entrance automation products. It serves both residential and commercial customers.	Industrials	SWEDEN	EUR 269.021	Low
KERING	Kering is a French luxury goods company that owns and operates a portfolio of luxury fashion brands. It includes brands such as Gucci, Yves Saint Laurent, Bottega Veneta, Balenciaga, and Alexander McQueen. Kering is known for its strong presence in the luxury fashion industry.	Consumer Discretionary	FRANCE	EUR 71.713	Low

NOVOZYMES-B SHS	Novozymes is a Danish biotechnology company that develops and produces industrial enzymes and microorganisms used in various industries, including bioenergy, food and beverages, household care, and agriculture. Its products enable sustainable solutions and contribute to the reduction of environmental impact.	Materials	DENMARK	EUR 102.958	Low
MONDI PLC	Mondi is a global packaging and paper company headquartered in the United Kingdom. It produces and sells a wide range of packaging and paper products, including corrugated packaging, industrial bags, release liners, and office and professional printing papers.	Materials	BRITAIN	EUR 6.220	Low
ORSTED A/S	Orsted (formerly Dong Energy) is a Danish renewable energy company focused on offshore wind farms, bioenergy plants, and energy distribution. It is a global leader in offshore wind power generation and aims to drive the transition to renewable energy sources.	Utilities	DENMARK	EUR 253.910	Low
NORSK HYDRO ASA	Norsk Hydro is a Norwegian company engaged in the production and distribution of aluminium and renewable energy. It operates across the aluminium value chain, including bauxite mining, alumina refining, and aluminium smelting.	Materials	NORWAY	EUR 165.810	Low
INDITEX	Inditex is a Spanish multinational clothing retailer and one of the world's largest fashion retailers. It owns and operates popular fashion brands such as Zara, Pull&Bear, Massimo Dutti, Bershka, and Stradivarius. Inditex is known for its fast-fashion business model and global retail presence.	Consumer Discretionary	SPAIN	EUR 97.925	Low
COLOPLAST-B	Coloplast is a Danish medical device company specializing in the development and manufacture of products for ostomy care, urology, continence care, and wound care. It provides innovative solutions to improve the quality of life for people with intimate healthcare needs.	Health Care	DENMARK	EUR 207.230	Low
IMCD NV	IMCD is a Dutch company that is a leading distributor of specialty chemicals and ingredients. It offers a wide range of products and services to various industries, including pharmaceuticals, food and beverages, coatings, and personal care.	Industrials	NETHERLANDS	EUR 8.272	Low
ABB LTD-REG	ABB is a Swiss-Swedish multinational corporation specializing in robotics, power, and automation technology. It offers a comprehensive range of products, systems, and solutions for power generation, transmission, and distribution, as well as industrial automation and robotics applications.	Industrials	SWITZERLAND	EUR 62.027	Low

CIE FINANCI-REG	Cie Financière Richemont, also known as Richemont, is a Swiss luxury goods company. It owns several prestigious luxury brands, including Cartier, Montblanc, Piaget, Van Cleef & Arpels, and Chloé. Richemont is involved in the manufacturing, distribution, and retail of luxury watches, jewellery, and accessories.	Consumer Discretionary	SWITZERLAND	EUR 86.561	Low
GEA GROUP AG	GEA Group is a German engineering company specializing in process technology and components for various industries, including food and beverages, pharmaceuticals, and chemical processing. It provides innovative solutions for efficient production and processing systems.	Industrials	GERMANY	EUR 7.495	Low
ROCHE HLDG-GENUS	Roche Holding is a Swiss multinational healthcare company focused on pharmaceuticals and diagnostics. It is a leading player in the global pharmaceutical industry, offering a wide range of innovative medicines for various diseases. Roche also develops and produces diagnostic tests and systems for healthcare professionals.	Health Care	SWITZERLAND	EUR 229.655	Medium
SWISS LIFE H AG	Swiss Life Holding is a Swiss financial services company that provides life insurance, pension solutions, and asset management services. It operates in several European countries and offers a range of products and services for individual and corporate clients.	Financials	SWITZERLAND	EUR 18.403	Low
GEBERIT AG-REG	Geberit is a Swiss multinational company specializing in sanitary technology and bathroom ceramics. It designs, manufactures, and supplies a wide range of sanitary systems, including toilets, bathroom furniture, and piping systems.	Industrials	SWITZERLAND	EUR 17.736	Low
NOVO NORDISK-B	Novo Nordisk is a Danish pharmaceutical company focused on diabetes care and other serious chronic conditions. It is a global leader in the production and distribution of insulin and other diabetes medications, as well as innovative treatments for obesity and rare blood disorders.	Health Care	DENMARK	EUR 2.654.376	Medium

Table 5: Description of Other Asset Class

Name	Description	Asset Class	Morning Star Classification
GOLDMAN SACHS EQUITY INVESTMENT FUND (NL) - P	Mutual fund that focuses on equity investments. It is managed by Goldman Sachs Asset Management and is based in the Netherlands. The fund aims to achieve long-term capital appreciation by investing in a diversified portfolio of equity securities from companies across different sectors and regions.	Fund	★★★★

AXA WF SUSTAINABLE EQUITY QI A CAP EUR	Equity fund offered by AXA Investment Managers. The fund invests in global equity securities of companies that meet specific environmental, social, and governance (ESG) criteria. The fund aims to generate long-term capital growth while promoting sustainable investing practices.	Fund	★★★★
SUSTAINABLE ALPHA FUND (I) (A)	Mutual fund that focuses on sustainable investing. The fund seeks to achieve capital appreciation by investing in a diversified portfolio of equities and equity-related securities. It aims to invest in companies that demonstrate strong environmental, social, and governance practices, with the goal of generating competitive investment returns.	Fund	★★★★
AMUNDI INDEX MSCI EUROPE ESG BROAD CTB ETF	Exchange-traded fund (ETF) offered by Amundi. The fund tracks the performance of the MSCI Europe ESG Leaders Index, which includes large and mid-cap companies from developed European markets that meet specific ESG criteria. The ETF provides investors with exposure to a diversified portfolio of European equities with a focus on companies with strong ESG credentials.	ETF's	★★★
BNPP EASY MSCI EUROPE ESG FILTERED MIN TE TC C	Exchange-traded fund (ETF) offered by BNP Paribas. The ETF seeks to track the performance of the MSCI Europe ESG Filtered Minimum Variance Index. The index includes large and mid-cap companies from developed European markets that have been selected based on their ESG (environmental, social, and governance) criteria. The ETF aims to provide investors with exposure to European equities while minimizing volatility through a combination of ESG filtering and minimum variance optimization.	ETF's	★★★
XTRACKERS MSCI EU. IT ESG SCND.UCITS ETF 1C	Exchange-traded fund (ETF) provided by Xtrackers. The ETF tracks the performance of the MSCI Europe Information Technology ESG Screened Index, which includes companies from the European information technology sector that have been selected based on their ESG criteria. The ETF aims to provide investors with exposure to European information technology companies while incorporating environmental, social, and governance considerations.	ETF's	★★★★★
XTRACKERS MSCI EU. FINLS.ESG SCR.N.ETF 1C	Exchange-traded fund (ETF) offered by Xtrackers. The ETF seeks to track the performance of the MSCI Europe Financials ESG Screened Index, which includes companies from the European financial sector that have been selected based on their ESG criteria. The ETF aims to provide investors with exposure to European financial companies while incorporating environmental, social, and governance considerations.	ETF's	★★★

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