



DATE: APRIL 2018

## GENERAL FUND GUIDE

### AIM OF THE GUIDE

The aim of This document is To explain how we manage our general fund.  
This guide explains briefly how our general fund works and what you can expect back from your investment.

### WHAT IS THE GENERAL FUND?

The general fund is an investment vehicle available for selection under life insurance policies offered to (among others) uk resident policyholders. The general fund is based on the general assets of cardif lux vie and the rights are expressed in euros.

There's more detailed information about how we manage the general fund in our principle and practices of financial management (PPFM) document. This is available on request. we will also send you a revised copy of this guide if we make significant changes to our principles and practices of financial management.

### HOW DOES THE GENERAL FUND WORK?

The general fund offers a capital guarantee for the entire term of the investment. In addition, and for a fixed period, we may provide a guaranteed net return. during the period of validity of the guaranteed minimum rate, the invested premiums will be revalued on each business day based on the annual accumulation at the guaranteed rate.

Once the period for a guaranteed minimum rate has expired, or for investments in the general fund which do not benefit from a guaranteed minimum rate, the estimated value of the investment will grow at a provisional rate. This noncontractual rate, applied to investments which do not benefit from a guaranteed net rate, is intended purely as a guide and may be revised upwards or downwards at any time.

### WHAT ARE PROFIT SHARING BONUSES AND HOW ARE THEY CALCULATED?

Depending on the total gross yield of the General Fund, profit sharing bonuses might be allocated after deduction of fund management fees, less any minimum guaranteed rate of return.

Any profit sharing bonus to be applied is declared annually following a decision by our board of directors and applied from 31 december of the previous year. The minimum bonus allocated will be 90% of the return on management of the assets, less the management fees, less any minimum guaranteed rate (or the provisional rate, if higher). We may reduce the minimum bonus rate of 90% where we consider it necessary to achieve a smooth return over time, but only for future investment in the general fund. The minimum bonus rate will be stated in your contractual documentation when you first take out the policy.

### WHAT IS SMOOTHING?

smoothing is a method applied to provide a steady net return over time for all general fund investors, despite the ups and downs of the investment market.

We may decide not to distribute all of the return immediately, to create a reserve that can be used to smooth out returns earned in future years. any smoothing applied will be neutral over time.

## WHAT ARE THE FINANCIAL MANAGEMENT RULES THE GENERAL FUND HAS TO FOLLOW?

The assets in which we can invest and the investment limits applying to those assets are submitted to the instructions given by the Luxembourg's Regulator ("Commissariat aux Assurances") and we apply strict internal guidelines and procedures in managing the assets of the general fund. we invest in a variety of assets to limit as much as possible the investment risks.

## WHAT ASSETS DOES THE GENERAL FUND INVEST IN?

We invest in a wide mix of assets, mostly in the Eurozone. The main asset types in which we invest are:

- sovereign debt & assimilated;
- credit debt; and
- short Term assets.

In order to take advantage of market opportunities that can boost the rate of return of the general fund, we also invest a small part of the portfolio in what are generally considered to be more risky asset types, such as:

- equities and similar; and
- real estate.

## WHAT ARE THE MAIN RISKS?

The main risks associated with the general fund are the failure of an investment provider and unfavourable market conditions, combined with large volumes of disinvestment from the general fund. A reduction in the value of assets should not affect returns as long as the assets are not sold, but, if assets have to be sold at times when they have gone down in value or if one or more investment providers fails, this may affect the returns that can be achieved.

Extremely unfavourable market conditions could also result in a reduced return on the General Fund. A significant level of disinvestment from the general fund over a short period of time might mean that we need to sell assets, which could result in financial losses.

## Risk prevention rules

Measures have been put in place by cardif lux vie to minimise these risks:

- a rigorous process around selection and risk monitoring of investment providers minimises the risk of default occurring;
- early surrender charges are imposed for the first three years on every premium to minimise the risk of large scale disinvestment and ensure that the costs associated with selling assets are accounted for.

We must submit a quarterly report to our regulator (the commissariat aux assurances) so they can check our financial solvency.

Also, luxembourg regulations require us to hold reserves of at least 4% of the value of our commitments to investors in the general fund, to reinforce our solvency.

## WHAT ARE THE CHARGES AND EXPENSES FOR INVESTMENT IN THE FUND?

The fund management fees relating to investment in the general fund are directly included in the value of your investment and they are fixed for the full duration of your investment. We will tell you the level of these fees in the "general fund - investment characteristics" document that you will need to sign on investment. we may decide for future investment in the general fund to change the level of these fees.

There are also custodian bank and brokerage fees directly included in the value of the general fund (historically a combined fee of 0.05% p.a).

## WHAT IS THE INHERITED ESTATE?

This is the surplus of assets over liabilities of the general fund. we aim to distribute our inherited estate equitably to all investors in the general fund by smoothing the net return over time. The investment strategy for the inherited estate is the same as for the general fund.