

**PLUS ULTRA RENTA VARIABLE, PENSION FUND**

**COMPREHENSIVE STATEMENT OF THE PRINCIPLES  
OF THE INVESTMENT POLICY**

## **I. GENERAL PRINCIPLES**

The assets of the Plus Ultra Renta Variable Pension Fund (hereinafter, the Fund) will be invested in the interest of the members and beneficiaries, in accordance with criteria of security, returns, diversification, dispersal, liquidity, monetary consistency and terms appropriate for the intended purpose.

The pension fund will strictly adhere to the Pension Plans and Funds Act and Regulation with regard to investments, as well the Regulations that expand on, supplement or substitute these laws.

## **II. GENERAL CONDITIONS OF THE OPERATIONS**

As is set out in the Fund's operating standards:

1. Generally speaking, the Fund allows for its resources to be invested in any of the assets considered suitable for pension funds to invest in by the legal regulations in force at any given time, and within the percentages permitted by such regulations.
2. Transactions will be carried out on financial assets that are listed on regulated or organised markets and the assets should be located or deposited in the European Economic Area, in the terms established by the current regulations.
3. The transactions will also meet all the other conditions set out in the aforementioned operating standards.

## **III. DISTRIBUTION OF ASSETS**

The Fund falls within the international equities category of pension funds (more than 75% of the assets has to be invested in equities). Depending on the performance of the markets or new contributions being made to the fund, it may invest in monetary or fixed-income assets up to a limit of 25% of its total assets. The pension fund does not, for the time being, allow for investment in property and structured assets. Additionally, the fund does not use derivatives or allow for any gearing.

In all cases, the objective is for the assets to be distributed both at a sectoral and an individual level, or in geographical areas where the Management Company considers itself to be able to directly or indirectly control the country-currency risk, in order to combine security and returns.

## **IV. INVESTMENT PRINCIPLES**

Liquidity ratio:

The amount necessary to address the Fund's commitments over a 3-month period will be held in short-term investments (repurchase agreements), cash or monetary assets.

#### Principles of investment in fixed income:

The principles that are followed for investing in fixed income are:

- a) Currency risk: The investment will be made preferably in issues denominated in euros, even if the issuers are from different states
- b) Issuers: Investments in fixed income, where applicable, may be made both in Public Debt and in securities of private issuers.
- c) Credit rating: The following credit rating categories, which seek to determine the likelihood that the issuers will not pay (according to S&P or equivalent ratings of other agencies), will be used as a reference:

AAA: Highest rating. The issuer's capacity to pay is considered extremely strong.

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A: The capacity to pay is strong. The issuer is more susceptible to the impact of changes in economic circumstances or conditions than those rated as AA or AAA.

BBB: Adequate capacity to pay, but more susceptible to the impact of changes described in A.

BB: If the impact of changes described in A were to arise, the issuer may have an inadequate capacity to pay its obligations.

The minimum credit rating of the investors in which the fund may invest will be that corresponding to the investment grade category (starting from Baa3/BBB-). If the Kingdom of Spain were to see its rating cut below this category, the minimum credit rating would also be reduced and would be placed in line with the Kingdom of Spain at all times. Additionally, the management company will analyse whether to hold (and modify the investment policy) or sell each security in cases where the rating is below the reference ratings indicated, complying with the terms and regulations established to this end.

- d) Duration of the investments:

The average maturity and the duration of the investments in fixed income or other monetary assets will vary according to:

- How the maturities profile of the Fund's commitments evolves.
- The evolution and outlook of interest rates.

#### Principles of investment in equities:

The principles that are followed for investing in equities are:

- a) Investments in listed equities may be made both in national securities and in foreign securities.
- b) The distribution of the investment in equities between different geographical areas and economic sectors will be determined by the Fund's Management Company, based on how the macroeconomic conditions and the financial markets evolve.

#### Principles of investment in Investment Funds or SICAVs:

The Fund may invest in both national and foreign tradable Investment Funds, or SICAVs, provided that their distribution of assets and their investment principles are consistent with the Fund's.

#### Principles of investment in derivative instruments:

The Fund does not intend to operate with derivative financial instruments, except in foreign exchange insurance policies if and when the Management Company considers it appropriate to hedge the currency risk.

#### Other investment principles:

The Fund may, in general, invest in any of the suitable assets considered in article 70 of the Pension Plans and Funds Regulation, in accordance with Royal Decree 304/2004 of 20 February, insofar as the principles set out in this chapter do not expressly forbid it.

#### Supervision and monitoring of compliance with the investment principles:

The Management Company has adequate monthly controls established to guarantee compliance with the limits and principles established in this investment policy.

## **V. RISKS INHERENT TO THE INVESTMENTS AND CONTROL OF RISKS**

As a result of the investments in portfolios, the Fund is exposed to the following risks:

- a) Interest rate risk:

Given the fact that the Fund will not invest in fixed-income assets with long-term maturities, the price of the monetary assets or the short-term fixed-income assets is not

particularly sensitive to interest rate fluctuations, insofar as the aforementioned assets are concerned.

The Management Company nevertheless controls this sensitivity of the valuation of its investments in fixed-income securities by performing a monthly review of the portfolio's duration.

b) Issuer risk:

The criteria defined for investing in private issues of fixed-income securities mean that the credit risks assumed by the Fund are limited.

The Management Company performs a monthly review of how the credit ratings of the Fund's investments have evolved.

c) Market risk:

The Fund invests preferably in equities. This means that its returns are affected by the volatility of the markets in which it invests.

The Fund's Management Company performs a monthly review of how the Fund's investment in equities has evolved, analysing its exposure to the different markets.

d) Currency risk:

The Fund can invest in the international equity markets, hence these investments are subject to the fluctuations of the currency markets.

The Fund's Management Company performs a monthly review of the Fund's exposure to these fluctuations.

e) Concentration risk:

The Fund's investments are adequately diversified at all times, such that excessive dependency on any one of them, on a particular issuer or on a group of companies is avoided. To this end, the fund will comply with the investment ratios set out in the legislation.

The Management Company performs a monthly check of compliance with the investment ratios set out in the legislation.

## **VI. VALIDITY OF THIS STATEMENT**

This statement shall be valid for 5 years.