Annex 2

Pension Fund Treasury Management
Custodian Cash Balances Arrangements

A number of *questions* are set and answered within this note, and the questions are grouped into four sections:

1. Background
2. Risk Management
3. Interest
4. Ratings

1. Background

The Pension Fund's Global Custodian is Northern Trust. Details of the Fund's cash balances held at the Custodian as at 29 May 2020 are set out below.

29-May-20	£m	%
Sterling	95.7	59.7
Dollar	42.5	26.5
Euro	21.1	13.2
Other	0.9	0.6
	160.2	100%

How is this cash managed?
Sterling: Sterling cash balances are swept into the (sterling) Northern Trust Global Liquidity Fund (GLF) and the BNP Paribas Insticash Fund.
Dollar: Dollar balances are swept into the (dollar) Northern Trust GLF and the BNP Paribas Insticash Fund.
Euro: The Fund is also able to utilise the Euro GLF sweep, however due to its adoption of negative interest rates in May 2015 this facility is not currently in use.

As a consequence, the Fund's cash is placed in a total of four separate sub funds.

How are GLFs constituted?
The GLFs are established as Investment Companies qualifying under the terms of the European Undertakings for Collective Investments in Transferable Securities (UCITS) Regulations/Directives. The BNP Paribas GLF is incorporated in Luxembourg and Northern Trust Global Fund is incorporated in Ireland.

What are the objectives?
The investment objective of the funds is to maximise current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing in a range of high quality fixed and adjustable rate instruments.

Are the GLFs actively managed?
Yes.

How do the GLFs invest?
The Funds allow for investment in Tier I securities issued or guaranteed by European Union (EU) or Organisation for Economic Cooperation and Development (OECD) governments, agencies or instrumentality's, commercial banks and corporations.

The most commonly used are listed below:

Government backed securities: debt instruments issued by Governments

Corporate paper: short term obligations with maturities ranging from overnight to 180 days issued by banks, corporations and other borrowers.

Certificates of deposit: debt instruments issued by banks that pay interest – periodically or at maturity – and principal at maturity.

Time deposits: A deposit in an interest paying account that requires the money to remain on account for a specific length of time.

2. Risk management

What investment restrictions are placed on the Funds?
A soft limit of no more than 10% in any single security, although there are circumstances in which higher holdings are permitted.

Each sub fund typically has at least 50 separate investments.

Are the sub funds separated?
Yes, each sub fund has a separate portfolio of assets. In other words, the Fund's custodian cash in the three major currencies can be spread across five separate sub funds, each typically with at least 50 underlying investments.

In the worst-case scenario, what is the maximum loss the Pension Fund could incur?
In the event that one of the underlying investments in one of the sub funds failed, then the maximum loss suffered by the Essex Pension Fund would be its proportionate share of that underlying investment.

Does that value of the GLF form part of the balance sheet of BNP Paribas (the bank) or Northern Trust (the bank)?
No. The pension funds cash placed in the GLF will be reflected in the balance sheet of the sub fund.

How are the Essex Fund's mandates distributed between the two GLFs as at 29 May 2020?

	BNP Paribas GLF £m	**Northern Trust GLF £m**
Aviva	66.2*	-
Stewart Investors	-	22.3
Hamilton Lane	18.1	-
Marathon	-	7.2
UBS	-	0.1
Cash Account	-	14.1
Total	**84.3**	**43.7**

**Aviva sold a couple of properties during February this has resulted in them temporarily holding a larger cash balance than normal.*

Is there a maximum amount allowed in one GLF?
Yes. The Pension Fund Treasury Management Strategy states:

- Northern GLF - £120m (change on an operational basis, previously £80m)
- Northern GLF - £200m (on a temporary basis to facilitate the redeployment of assets, previously £150m)

- BNP Paribas GLF - £120m (change on an operational basis, previously £60m)
- BNP Paribas GLF - £200m (on a temporary basis to facilitate the redeployment of assets, previously £130m)

What notice period is required to withdraw funds?
Each Fund has a daily cut off time for dealing. To withdraw Funds on the same day would require notice prior to the cut off deadline.

3. Interest

What interest rate is payable?
Net annualised interest rates (i.e. net of fees) based on year ended 31 May 2020 on the four sub funds currently used are set out in the table below. If the GLFs were not used, the cash balance (referred to as "idle cash") would attract interest from the Custodian.

	BNP Paribas GLF	Northern Trust GLF
Sterling	0.61%	0.52%
US Dollar	2.33%	1.62%

4. Ratings

How are the GLFs rated?
In summary all are AAA rated.

BNP Paribas
The Funds have obtained and will seek to maintain the following:

AAAm by Standard and Poor’s

Northern Trust
The Funds have obtained and will seek to maintain the following:

AAAf S1+ by Standard and Poor’s
Aaa-mf by Moody’s

What is the definition of the ratings?

Standard & Poor’s AAA rating*: “An obligation rated ‘AAA’ has the highest rating assigned by Standard & Poor. The obligor’s capacity to meet its financial commitment on the obligation is extremely strong”.*

*Standard & Poor’s Short-Term rating (A-1): “*An obligor rated 'A-1' has strong capacity to meet its financial commitments. It is rated in the highest category by Standard & Poor's. Within this category, certain obligors are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments is extremely strong”.

Moody’s Aaa-mf rating: *“Money market funds rated Aaa-mf have very strong ability to meet the dual objectives of providing liquidity and preserving capital”.*

Fitch AAA/mmf rating: *“Denote extremely strong capacity to achieve money market fund’s investment objective of preserving principal and providing shareholder liquidity through limiting credit, market, and liquidity risk. This capacity is strongly protected from foreseeable events”.*

Investment Team – July 2020

Annex 3.1

NORTHERN TRUST GLOBAL FUNDS PLC

INVESTMENT RESTRICTIONS

The investment restrictions applying to each Fund of the Company under the Regulations are set out below. These are, however, subject to the qualifications and exemptions contained in the Regulations and in the Central Rules. Any additional investment restrictions for other Funds will be formulated by the Directors at the time of the creation of such Fund with the prior approval of the Central Bank and detailed in the relevant Supplement.

Where a Fund inadvertently breaches the limitations set out below, due to unforeseen events arising following the purchase of the securities, the Investment Manager will sell such securities as soon as practicable taking into account the best interests of the Shareholders.

The Directors may from time to time impose such further investment restrictions as shall be compatible with or in the interest of the Shareholders.

1. Permitted Investments

Investments of a Fund other than an Authorised Money Market Fund are confined to:

1.1. Transferable securities and Money Market Instruments which are either admitted to official listing on a stock exchange in an EU Member State or non-EU Member State or which are dealt on a market which is regulated, operates regularly, is recognised and open to the public in an EU Member State or non-EU Member State;

1.2. Recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described above) within a year;

1.3. Money Market Instruments other than those dealt on a regulated market;

1.4. Units of UCITS;

1.5. Units of AIFs;

1.6. Deposits with credit institutions; and

1.7. FDIs.

2. Investment Restrictions

2.1. A Fund other than an Authorised Money Market Fund may invest no more than 10% of net assets in transferable securities and Money Market Instruments other than those referred to in paragraph 1.

2.2. A Fund other than an Authorised Money Market Fund may invest no more than 10% of net assets in recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described in paragraph 1.1) within a year. This restriction will not apply in relation to investment by the Fund in certain US securities known as Rule 144A securities provided that:

2.2.1. the securities are issued with an undertaking to register with the US Securities and Exchanges Commission within one year of issue; and

2.2.2. the securities are not illiquid securities i.e. they may be realised by the relevant Fund within seven days at the price, or approximately at the price, at which they are valued by the Fund.

2.3. A Fund other than an Authorised Money Market Fund may invest no more than 10% of net assets in transferable securities or Money Market Instruments issued by the same body provided that the total value of transferable securities and Money Market Instruments held in the issuing bodies in each of which it invests more than 5% is less than 40%.

2.4. The limit of 10% (in 2.3) is raised to 25% in the case of bonds that are issued by a credit institution which has its registered office in an EU Member State and is subject by law to special public supervision designed to protect bond-holders. If a Fund invests more than 5% of its net assets in these bonds issued by one issuer, the total value of these investments may not exceed 80% of the Net Asset Value of the Fund.

2.5. The limit of 10% (in 2.3) is raised to 35% if the transferable securities or Money Market Instruments are issued or guaranteed by an EU Member State or its local authorities or by a non-EU Member State or public international body of which one or more EU Member States are members.

2.6. The transferable securities and Money Market Instruments referred to in 2.4. and 2.5 shall not be taken into account for the purpose of applying the limit of 40% referred to in 2.3.

2.7. A Fund other than an Authorised Money Market Fund may not invest more than 20% of net assets in deposits made with the same credit institution.

Deposits with any one credit institution, other than credit institutions authorised in the EEA or credit institutions authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, US) or credit institutions located in Jersey, Guernsey, the Isle of Man, Australia or New Zealand held as ancillary liquidity, must not exceed 10% of net assets.

This limit may be raised to 20% in the case of deposits made with the Depositary.

2.8. The risk exposure of a Fund other than an Authorised Money Market Fund to a counterparty to an OTC derivative may not exceed 5% of net assets.

This limit is raised to 10% in the case of credit institutions authorised in the EEA; credit institutions authorised within a signatory state (other than an EEA member state) to the Basle Capital Convergence Agreement of July 1988 or a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand.

2.9. Notwithstanding paragraphs 2.3, 2.7 and 2.8 above, a combination of two or more of the following issued by, or made or undertaken with, the same body may not exceed 20% of net assets:

2.9.1. investments in transferable securities or Money Market Instruments;

2.9.2. deposits; and/or

2.9.3. counterparty risk exposures arising from OTC derivatives transactions.

2.10. The limits referred to in 2.3, 2.4, 2.5, 2.7, 2.8 and 2.9 above may not be combined, so that exposure to a single body shall not exceed 35% of net assets.

2.11. Group companies are regarded as a single issuer for the purposes of 2.3, 2.4, 2.5, 2.7, 2.8 and 2.9. However, a limit of 20% of net assets may be applied to investment in transferable securities and Money Market Instruments within the same group.

2.12. A Fund other than an Authorised Money Market Fund may invest up to 100% of net assets in different transferable securities and Money Market Instruments issued or guaranteed by any EU Member State, its local authorities, non-EU Member States or public international bodies of which one or more EU Member States are members or any of the following:

OECD Member States
Government of Brazil (provided the relevant issues are investment grade)
Government of India (provided the relevant issues are investment grade)
Government of Singapore
European Investment Bank
European Bank for Reconstruction & Development
International Finance Corporation
International Monetary Fund
Euratom
The Asian Development Bank, Council of Europe
Eurofima
African Development Bank
The World Bank
The International Bank for Reconstruction & Development
The Inter American Development Bank
European Union, European Central Bank
Federal National Mortgage Association
Federal Home Loan Mortgage Corporation

Government National Mortgage Association
Student Loan Marketing Association
Federal Home Loan Bank
Federal Farm Credit Bank
Tennessee Valley Authority and Straight-A Funding LLC

The Fund must hold securities from at least 6 different issues, with securities from any one issue not exceeding 30% of net assets.

3. Investment in Collective Investment Schemes (“CIS")

3.1. A Fund other than an Authorised Money Market Fund may not invest more than 10% of net assets in any one CIS.

3.2. Investment in AIFs may not, in aggregate, exceed 30% of net assets.

3.3. Any CIS in which a Fund invests must be prohibited from investing more than 10% of net assets in other open-ended CIS.

3.4. When a Fund invests in the units of other CIS that are managed, directly or by delegation, by the Fund’s management company or by any other company with which the Fund’s management company is linked by common management or control, or by a substantial direct or indirect holding, that management company or other company may not charge subscription, conversion or redemption fees on account of the Fund’s investment in the units of such other CIS.

3.5. Where a commission (including a rebated commission) is received by the Fund’s investment adviser by virtue of an investment in the units of another CIS, this commission must be paid into the property of the Fund.

4. Index Tracking UCITS

4.1. A Fund other than an Authorised Money Market Fund may invest up to 20% of net assets in shares and/or debt securities issued by the same body where the investment policy of the Fund is to replicate an index which satisfies the criteria set out in the Central Bank Rules and is recognised by the Central Bank.

4.2. The limit in 4.1 may be raised to 35%, and applied to a single issuer, where this is justified by exceptional market conditions.

5. General Provisions

5.1. An investment company, or management company acting in connection with all of the CIS it manages, may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.

5.2. A Fund may acquire no more than:

5.2.1. 10% of the non-voting shares of any single issuing body;

5.2.2. 10% of the debt securities of any single issuing body;

5.2.3. 25% of the units of any single CIS;

5.2.4. 10% of the Money Market Instruments of any single issuing body.

The limits laid down in 5.2.2, 5.2.3 and 5.2.4 above may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the Money Market Instruments, or the net amount of the securities in issue cannot be calculated.

5.3. 5.1 and 5.2 shall not be applicable to:

5.3.1. transferable securities and Money Market Instruments issued or guaranteed by an EU Member State or its local authorities;

5.3.2. transferable securities and Money Market Instruments issued or guaranteed by a non-EU Member State;

5.3.3. transferable securities and Money Market Instruments issued by public international bodies of which one or more EU Member States are members;

5.3.4. shares held by a Fund other than an Authorised Money Market Fund in the capital of a company incorporated in a non-EU Member State which invests its assets mainly in the securities of issuing bodies having their registered offices in that state, where under the legislation of that state such a holding represents the only way in which the Fund other than an Authorised Money Market Fund can invest in the securities of issuing bodies of that state. This waiver is applicable only if in its investment policies the company from the non-EU Member State complies with the limits laid down in 2.3 to 2.11, 3.1, 3.2, 5.1, 5.2, 5.4, 5.5 and 5.6 and provided that where these limits are exceeded, paragraphs 5.5 and 5.6 below are observed;

5.3.5. shares held by a Fund other than an Authorised Money Market Fund in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of shares at Shareholders' request exclusively on their behalf.

5.4. Other than an Authorised Money Market Fund a Fund need not comply with the investment restrictions herein when exercising subscription rights attaching to transferable securities or Money Market Instruments which form part of their assets.

5.5. The Central Bank may allow recently authorised Funds other than an Authorised Money Market Fund to derogate from the provisions of 2.3 to 2.12, 3.1, 3.2 4.1 and 4.2 for six months following the date of their authorisation, provided they observe the principle of risk spreading.

5.6. If the limits laid down herein are exceeded for reasons beyond the control of the Company, or as a result of the exercise of subscription rights, the Company must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its Shareholders.

5.7. Neither the Company nor a Fund, may carry out uncovered sales of:

5.7.1. transferable securities;

5.7.2. Money Market Instruments;

5.7.3. units of CIS; or

5.7.4. FDIs.

5.8. A Fund other than an Authorised Money Market Fund may hold ancillary liquid assets.

6. FDIs

The below additional investment restrictions in respect of FDI shall apply in respect of all Funds.

6.1. The Fund's global exposure relating to FDI must not exceed its total Net Asset Value (this provision may not be applicable to Funds that calculate their global exposure using the value at risk methodology as disclosed in the relevant Supplement).

6.2. Position exposure to the underlying assets of FDIs, including embedded FDIs in transferable securities or Money Market Instruments, when combined where relevant with positions resulting from direct investments, may not exceed the investment limits set out in the Central Bank Rules. (This provision does not apply in the case of index based FDIs provided the underlying index is one which meets with the criteria set out in the Central Bank Rules.)

6.3. A Fund may invest in FDIs dealt in OTC derivatives provided that the counterparties to OTC transactions are institutions subject to prudential supervision and belonging to categories approved by the Central Bank.

6.4. Investment in FDIs is subject to the conditions and limits laid down by the Central Bank

Extract from Northern Trust Global Cash Fund Prospectus – 30 November 2018

Annex 3.2

BNP PARIBAS INSTICASH – GLOBAL LIQUIDITY FUND

INVESTMENT RESTRICTIONS

1. Money Market Instruments:

Money market instruments including financial instruments issued or guaranteed separately or jointly by a Sovereign Eligible Issuer.

A money market instrument shall be eligible for investment by a sub-fund provided that it fulfils all of the following requirements:

1.1 It falls within one of the categories below as in compliance with the provisions of Directive 2009/65:

- a) it is listed or traded on an official stock exchange, or on a regulated market (a market that operated regularly, is recognised and is open to the public) in an eligible state (i.e. a Member State or a Third Country);
- b) it does not meet the requirements of point (a) but it is subject (at the securities or issuer level) to regulation aimed at protecting investors and savings, provided that they are:
    - i. issued or guaranteed by a central, regional or local authority or central bank of a Member State, the European Central Bank, the European Union or the European Investment Bank, a Third Country or a member of a federation; or
    - ii. issued by an undertaking any securities of which are dealt in on regulated markets referred to in point (a); or
    - iii. issued or guaranteed by an establishment subject to, and which complies with European Unionprudential supervision rules or others rules at least considered to be stringent; or
    - iv. issued by other bodies belonging to the categories approved by the CSSF provided that the investments in such instruments are subject to investor protection equivalent to that laid down in points (i), (ii) or (iii) above, and provided that the issuer is a company whose capital and reserves amount to at least EUR 10 000 000 and which presents and publishes its annual accounts in accordance with the Directive 78/660, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

1.2 It displays one of the following alternative characteristics:

1. it has a legal maturity at issuance of 397 days or less;
2. it has a residual maturity of 397 days or less.

1.3 The issuer of the money market instrument and the quality of the money market instrument has received a favourable assessment pursuant to the section “Internal Credit Quality Assessment procedure” of Book 1.

1.4 Notwithstanding point 1.2, a standard MMF shall also be allowed to invest in money market instruments with a residual maturity until the legal redemption date of less than or equal to 2 years, provided that the time remaining until the next interest rate reset date is 397 days or less. For that purpose, floating-rate money-market instruments and fixed-rate money-market instruments hedged by a swap arrangement shall be reset to a money market rate or index.

2. Deposits with credit institutions

A deposit with a credit institution is eligible for investment by a sub-fund provided that all of the following conditions are fulfilled:

a) the deposit is repayable on demand or is able to be withdrawn at any time;
b) the deposit matures in no more than 12 months;
c) the credit institution has its registered office in a Member State or, where the credit institution has its registered office in a Third Country, it is subject to prudential rules considered by the CSSF as equivalent to those laid down in European legislation.

3. Financial derivative instruments

A financial derivative instrument (such as IRS, forwards and futures) is eligible for investment by a sub-fund provided it is dealt in on a regulated market as referred to in point 1.1 (a) above, or OTC derivatives and provided that all of the following conditions are fulfilled:

a) the underlying of the derivative instrument consists of interest rates
b) the derivative instrument serves only the purpose of hedging the interest rate of the sub-fund;
c) the counterparties to OTC derivative transactions are institutions subject to prudential regulation and supervision and belonging to the categories approved by the CSSF;
d) the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company’s initiative.

The acceptable collateral received by a sub-fund for financial derivative transactions will only be cash (typically from 100% to 105% after haircut).

At the date of the Prospectus, cash collateral received in the context of financial derivative instruments are not subject to reuse.

The Company does not use TRS for any of its sub-funds.

4. Repurchase agreements

A repurchase agreement shall be eligible to be entered into by a sub-fund provided that all of the following conditions are fulfilled:

a) it is used on a temporary basis, for no more than seven working days, only for liquidity management purposes and not for investment purposes other than as referred to in point c) below;

b) the counterparty receiving assets transferred by the sub-fund as collateral under the repurchase agreement is prohibited from selling, investing, pledging or otherwise transferring those assets without the sub-fund's prior consent;

c) the cash received by the sub-fund as part of the repurchase agreement is able to be:

 (i) placed on deposits in accordance with point 2)

 (ii) invested in assets referred to point 5.5, but shall not otherwise be invested in eligible assets as referred in point 1), 2), 3) and 6), transferred or otherwise reused; and

d) The cash received by a sub-fund as part of the repurchase agreement shall not exceed 10% of its assets;

e) the sub-fund has the right to terminate the agreement at any time upon giving prior notice of no more than two working days.

Any sub-fund other than a public debt CNAV sub-fund may use repurchase agreements under these conditions within the limits of 5% (expected) and 10% (maximum) of the assets.

5. Reverse repurchase agreements

5.1 A reverse repurchase agreement shall be eligible to be entered into by a sub-fund provided that all of the following conditions are fulfilled:

 a) the sub-fund has the right to terminate the agreement at any time upon giving prior notice of no more than two working days;

 b) the market value of the assets received as part of the reverse repurchase agreement is at all times at least equal to the value of the cash paid out.

5.2 The assets received by a sub-fund as part of a reverse repurchase agreement shall be money market instruments that fulfil the requirements set out in point 1. and shall not be sold, reinvested, pledged or otherwise transferred.

5.3 The assets received by a sub-fund as part of a reverse repurchase agreement shall be sufficiently diversified with a maximum exposure to a given issuer of 15% of the NAV of the sub-fund, except where those assets take the form of money market instruments that fulfil the requirements of point 2 (ii) of Diversification Rules below. The assets received in this context shall be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.

5.4 A sub-fund that enters into a reverse repurchase agreement shall ensure that it is able to recall the full amount of cash at any time on either an accrued basis or a mark-to-market basis. When the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement shall be used for the calculation of the NAV of the sub-fund.

5.5 By way of derogation from point 5.2 above, a sub-fund may receive as part of a reverse repurchase agreement liquid transferable securities or money market instruments other than those that fulfil the requirements set out in point 1. provided that those assets comply with one of the following conditions:

- a) they are issued or guaranteed by the European Union, a central authority or central bank of a Member State, the European Central Bank, the European Investment Bank, the European Stability Mechanism or the European Financial Stability Facility provided that a favourable assessment has been received regarding the credit quality assessment. The assets received as part of a reverse repurchase agreement in this respect shall be disclosed to the shareholders and shall fulfil the requirements of point 2 (ii) of Diversification Rules below.
- b) they are issued or guaranteed by a central authority or central bank of a Third Country, provided that a favourable assessment has been received regarding the credit quality assessment.

5.6 The maximum proportion of assets that can be subject to reverse repurchase agreements and the expected proportion of assets that are subject to them are mentioned in Book 2 for each sub-fund.

6. Units or Shares of other MMF

6.1 A sub-fund may acquire the units or shares of any other MMF (‘targeted MMF”) provided that all of the following conditions are fulfilled:

- a) the targeted MMF is authorised under Regulation 2017/1131;
- b) the targeted MMF does not hold units or shares in the acquiring sub-fund;
- c) where the targeted MMF is managed, whether directly or under a delegation, by the same manager as that of the acquiring MMF or by any other company to which the manager of the acquiring MMF is linked by common management or control, or by a substantial direct or indirect holding, the manager of the targeted MMF, or that other company, is prohibited from charging subscription or redemption fees on account of the investment by the acquiring MMF in the units or shares of the targeted MMF.
- d) no more than 10% of the assets of the targeted sub-fund are able, according to its fund rules or instruments of incorporation, to be invested in aggregate in units or shares of other sub-funds.

6.2 Short-term sub-funds may only invest in units or shares of other short-term MMFs

6.3 Standard VNAV sub-funds may invest in units or shares of short-term MMFs and standard MMFs

7. Ancillary liquid Assets

In addition to deposits with credit institutions, any sub-fund may hold ancillary liquid assets, such as cash in a bank account accessible at any time. The holding of such ancillary liquid assets could be justified, inter alia, in order to cover current or exceptional payments, in the case of sales, for the time necessary to reinvest in other Eligible Assets above.

PROHIBITED ACTIVITIES

A sub-fund shall not undertake any of the following activities:

a) investing in assets other than Eligible Assets as defined above;

b) short sale of any of the following instruments: money market instruments, securitisations, ABCPs and units or shares of other MMFs;

c) taking direct or indirect exposure to equity or commodities, including via derivatives, certificates representing them, indices based on them, or any other means or instrument that would give an exposure to them;

d) entering into securities lending agreements or securities borrowing agreements, or any other agreement that would encumber the assets of the sub-fund;

e) borrowing and lending cash.

DIVERSIFICATION RULES

To ensure diversification, a sub-fund cannot invest more than a certain percentage of its assets in one issuer or single body. In this respect:

1. A sub-fund may invest no more than:
   a) 5% of its assets in money market instruments issued by the same body
   b) 10% of its assets in deposits made with the same credit institution;

2. **By way of derogation from point 1.a):**
   (i) a VNAV sub-fund may invest up to 10 % of its assets in money market instruments, issued by the same body provided that the total value of such money market instruments, held by the VNAV sub-fund in each issuing body in which it invests more than 5 % of its assets does not exceed 40 % of the value of its assets;
   (ii) the CSSF may authorise a sub-fund to invest, in accordance with the principle of risk-spreading, up to 100 % of its assets in different money market instruments issued or guaranteed separately or jointly by a Sovereign Eligible Issuer provided that all of the following requirements are met:
   - **the sub-fund holds money market instruments from at least six different issues by the issuer;**
   - **the sub-fund limits the investment in money market instruments from the same issue to a maximum of 30 % of its assets;**

3. The aggregate risk exposure to the same counterparty of a sub-fund stemming from eligible OTC derivative transactions shall not exceed 5 % of the assets of the sub-fund;

4. The aggregate amount of cash provided to the same counterparty of a sub-fund in reverse repurchase agreements shall not exceed 15 % of the assets of the sub-fund;

5. Notwithstanding the individual limits laid down in points 1.a) and 3 a sub-fund shall not combine, where to do so would result in an investment of more than 15 % of its assets in a single body, any of the following:
   a) investments in money market instruments, issued by that body;
   b) deposits made with that body;

c) OTC financial derivative instruments giving counterparty risk exposure to that body;

6. A sub-fund may:
   a) acquire units or shares of other MMFs, provided that no more than 5 % of its assets are invested in units or shares of a single MMF;
   b) in aggregate, invest no more than 10 % of its assets in units or shares of other MMFs;

7. Notwithstanding the individual limits laid down in point 1.), a sub-fund may invest no more than 10 % of its assets in bonds issued by a single credit institution that has its registered office in a Member State and is subject by law to special public supervision designed to protect bond-holders; in particular, sums deriving from the issue of those bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

   Where a sub-fund invests more than 5 % of its assets in the bonds referred to in the paragraph above issued by a single issuer, the total value of those investments shall not exceed 40 % of the value of the assets of the sub-fund.

8. Notwithstanding the individual limits laid down in point 1., a sub-fund may invest no more than 20 % of its assets in bonds issued by a single credit institution where the requirements set out in point (f) of Article 10(1) or point (c) of Article 11(1) of Delegated Regulation (EU) 2015/61 are met, including any possible investment in assets referred to in point 8. above.

   Where a sub-fund invests more than 5 % of its assets in the bonds referred to in the paragraph above issued by a single issuer, the total value of those investments shall not exceed 60 % of the value of the assets of the sub-fund, including any possible investment in assets referred to in point 8., respecting the limits set out therein.

9. Companies which are included in the same group for the purposes of consolidated accounts under Directive 2013/34/EU or in accordance with recognised international accounting rules, shall be regarded as a single body for the purpose of calculating the limits referred to in points 1. to 6.

PORTFOLIO RULES

1. Short-term sub-funds

General rules

The maximum WAM (interest rate risk) of a short-term sub-fund will be 60 days.

The maximum WAL (credit risk) will be 120 days. This will be calculated on the basis of the legal maturity unless the sub- fund holds a put option. if the limits referred to in this section are exceeded for reasons beyond the control of the Company, or as a result of the exercise of subscription or redemption rights, the Company shall adopt as a priority objective the correction of that situation, taking due account of the interests of the shareholders.

A short-term sub-fund will only hold money market instruments with a residual maturity until the legal redemption date of less than or equal to 397 days, taking into account the related financial instruments or the applicable terms and conditions.

Specific provisions for Public debt CNAV and LVNAV sub-funds

(i) At least 10% of the assets of a public debt CNAV or LVNAV sub-fund are to be comprised of daily maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of one working day, or cash which is able to be withdrawn by giving prior notice of one working day. Such a sub-fund is not to acquire any asset other than a daily maturing asset when such acquisition would result in that sub-fund investing less than 10% of its portfolio in daily maturing assets.

(ii) At least 30% of its assets are to be comprised of weekly maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of five working days, or cash which is able to be withdrawn by giving prior notice of five working days. Such a sub-fund is not to acquire any asset other than a weekly maturing asset when such acquisition would result in that sub-fund investing less than 30% of its portfolio in weekly maturing assets.

Money market instruments issued or guaranteed by an Eligible Issuer may be included within the weekly maturing assets up to a limit of 17.5 % of the sub-fund’s assets provided they have a residual maturity of up to 190 days and that they are highly liquid and can be redeemed and settled within one working day.

Specific provisions for Short term VNAV sub-funds

(i) At least 7.5% of the assets of a short term VNAV sub-fund are to be comprised of daily maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of one working day, or cash which is able to be withdrawn by giving prior notice of one working day. Such a sub-fund is not to acquire any asset other than a daily maturing asset when such acquisition would result in that sub-fund investing less than 7.5% of its portfolio in daily maturing assets.

(ii) At least 15% of its assets are to be comprised of weekly maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of five working days, or cash which is able to be withdrawn by giving prior notice of five working days. Such a sub-fund is not to acquire any asset other than a weekly maturing asset when such acquisition would result in that sub-fund investing less than 15% of its portfolio in weekly maturing assets.

(iii) Money market instruments issued or guaranteed by an Eligible Issuer may be included within the weekly maturing assets up to a limit of 7.5% of the sub-fund’s assets provided they have a residual maturity of up to 190 days and that they are highly liquid and can be redeemed and settled within one working day.

2. Standard VNAV sub-funds

The maximum WAM (interest rate risk) of a standard sub-fund will be 6 months.

The maximum WAL (credit risk) will be 12 months. This will be calculated on the basis of the legal maturity unless the sub-fund holds a put option.

A standard sub-fund will only hold securities that, at the time of acquisition by the sub-fund, have an initial or residual maturity of up to 2 years, taking into account the related financial instruments or the applicable terms and conditions. The time to next reset of these securities will not exceed 397 days.

At least 7.5% of the assets of the sub-fund are to be comprised of daily maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of one working day, or cash which is able to be withdrawn by giving prior notice of one working day.

At least 15% of its assets are to be comprised of weekly maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of five working days, or cash which is able to be withdrawn by giving prior notice of five working days.

Longer dated money market instruments or units or shares of other MMFs may be included within the weekly maturing assets up to a limit of 7.5% of the sub-fund assets provided they are able to be redeemed and settled within five working days.

LIMIT TO PREVENT CONCENTRATION OF OWNERSHIP

1. A sub-fund shall not hold more than 10% of the money market instruments issued by a single body.

2. This limit does not apply in respect of holdings of money market instruments issued or guaranteed by a Sovereign Eligible Issuer.

GLOBAL EXPOSURE

1. Determination of global exposure

According to the Circular 11/512, the management company must calculate the sub-fund’s global exposure at least **once a day**. The limits on global exposure must be complied with on an ongoing basis.

It is the responsibility of the Management Company to select an appropriate methodology to calculate the global exposure. More specifically, the selection should be based on the self-assessment by the Management Company of the sub-fund’s risk profile resulting from its investment policy (including its use of financial derivative instruments).

2. Risk measurement methodology according to the sub-fund's risk profile

The sub-funds are classified after a self-assessment of their risk profile resulting from their investments policy including their inherent derivative investment strategy that determines two risk measurements methodologies:

- The advanced risk measurement methodology such as the Value-at-Risk (VaR) approach to calculate global exposure where:
  a) The sub-fund engages in complex investment strategies which represent more than a negligible part of the sub- funds' investment policy;
  b) The sub-fund has more than a negligible exposure to exotic financial derivative instruments; or
  c) The commitment approach doesn't adequately capture the market risk of the portfolio.

There is currently no sub-fund under VAR

- The commitment approach methodology to calculate the global exposure should be used in every other case.

3. Commitment approach methodology

The commitment conversion methodology for standard derivatives is always the market value of the equivalent position in the underlying asset. This may be replaced by the notional value or the price of the futures contract where this is more conservative.
Currently, all the sub-funds use the commitment approach method.

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