

# THE STM INTERNATIONAL PENSION PLAN

## PERMITTED INVESTMENTS LIST

### INTRODUCTION

The following Permitted Investments List, issued by London & Colonial, is designed to assist in considering investments which are to be included in The STM International Pension Plan. **It is NOT a list of investments which we think will make money or, a list of investments approved by the UK Financial Conduct Authority (FCA).**

The STM International Pension Plan Permitted Investments List is simply a list of the types of investment asset classes which are allowable for inclusion in our Self-Invested Personal Pension (SIPP) product range and are permitted by HMRC.

The list ranges from low to higher 'risk types' of assets and includes both Standard and Non-Standard financial instruments as defined by the FCA:

- **A Standard Asset** must be capable of being accurately and fairly valued on an ongoing basis and readily realised within 30 days, whenever required. Valuations should be undertaken in accordance with the generally accepted standards used in the relevant sector for the asset.
- **A Non-Standard Asset** is anything which does not meet the full definition of being a Standard Asset. Please note that there may be additional fees for scheme members who are holding Non-Standard Assets within The STM International Pension Plan. Non-Standard Assets are not permitted within our product range.

Even the most secure investment is never guaranteed to make money and you should always expect fluctuations both up and down in their capital value and the income received from them. In some cases you may not get back the full amount that you invest.

### IMPORTANT INFORMATION

Some investments are available only to members who have received advice on those investments such as through a regulated Investment Adviser appointed by the client or where a regulated Investment Manager has been appointed to manage investments on the member's behalf.

If you are a Member Trader (directly placing and managing your own investment trades in The STM International Pension Plan and not through your Adviser or Investment Manager) you should study this Permitted Investments List and associated literature (listed below) carefully. If you do not understand any point or the content is unclear please ask for further information.

Associated literature and documentation includes:

- Key Features Document
- Investment Trader Agreement
- London & Colonial Investment Guidance Notes
- London & Colonial Explanatory Investment Notes

- Investment literature supplied by your selected Investment Provider

Any investment decisions you make will be based on your own judgement, regulated advice (where this has been given), personal research, and information provided by the Investment Provider.

London & Colonial does not provide either investment or financial planning advice and acting as a Member Trader is not suitable for everyone. If you are in any doubt as to whether the investment you are intending to make is suitable, you should seek professional financial advice.

**You should always consider very carefully any investments you may make and remember that:**

- past performance is not necessarily a guide to future returns
- exchange rate fluctuations can and do affect the value of investments
- inflation can and will affect the future worth of the capital value of any investment, as well as any income received from it

**Extreme care should also be taken:**

- with your investment selection
- in establishing that the proposed investment is freely available to and specifically designed for 'Retail Clients' (the FCA term for a normal client from the general public)

**London & Colonial does not allow it's STM International Pension Plan investors to:**

- purchase/attempt to purchase any investment product where the consequential loss could be greater than the amount originally invested

In the event that you do purchase an investment product which falls outside our list of Permitted Investments, London & Colonial will exercise our right to sell the investment. In doing so you may sustain a financial loss for which London & Colonial would accept no liability, as you would have been operating outside the terms of the contractual agreement.

Certain investments are not as readily sold as others. Where this is the case we may request that a minimum operating balance is held on your designated SIPP bank account or in other more liquid investments, dependent on the type of investment(s) you are purchasing.

Details of the minimum balance for a given investment type is available upon request from our Customer Relations Team.



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## Notes on the lists of allowable investments and unacceptable investments

1. Whilst the following list of investments is correct at the time of publication, the contents are subject to regular reviews and as such may change.
2. The lists are not exhaustive and if you have any doubt whether a particular investment is allowable or not, please contact London & Colonial for clarification.

Explanatory notes on acronyms and other terms used can be found on page 3.

### ALLOWABLE INVESTMENTS:

- Cash
- Listed Securities
- AIM Securities
- Government & Corporate Bonds
- Unit Trusts & OEICs
- Exchange Traded Funds
- Investment Trusts and Real Estate Investment Trusts
- Offshore Life Assurance Bonds
- Insurance Company Managed Funds invested via Trustee Investment Plans or Trustee Investment Bonds
- Structured Products (subject to Trustee approval)
- Structured Deposits (subject to Trustee approval)

### UNACCEPTABLE INVESTMENTS:

- Brands and Trademarks
- Carbon Credits
- Derivatives (including Futures, Options, Swaps and CFDs)
- Direct holdings of commodities, including investment grade gold bullion
- Direct holdings of off-plan and development plots
- Direct investment in Partnerships and Limited Liability Partnerships
- Exchanged Traded Commodities
- Exempt Property Unit Trusts
- Goodwill
- Government and Corporate Bonds rated below BBB- by Standard & Poor's (or equivalent)
- Intellectual Property
- Land banking as defined by UK FCA
- Life Settlements
- Loans to any connected third parties
- Overseas Property
- Peer to Peer (P2P) Lending
- Qualified Investor Schemes
- Residential Property
- Self Storage Units
- Shares in a 'Special Purpose Vehicle' as defined by the UK FCA
- Shares quoted on the Over The Counter market
- Tangible Moveable Property
- UK Commercial Property
- Unconnected Secured Loans

- Unquoted corporate bonds in private limited companies
- Unquoted Shares
- Unsecured Third Party Loans
- All Non-Mainstream Pooled Investments (NMPI) Unregulated Collective Investments (UCIS) & close substitutes
- Venture Capital Trusts

### DEFINITIONS OF ALLOWABLE INVESTMENTS

#### Cash

At Scheme Bank or, other Regulated Bank or Building Society within the EEA. The cash must be able to be withdrawn in a period of less than 30 days. Unbreakable long term deposits are not allowable.

#### Listed Securities

Securities listed on an HMRC recognised stock exchange (such as Shares, Fixed Interest Securities, Permanent Interest Bearing Shares, Loan Stock, Debenture Stock, Convertible Securities, Warrants, Closed Ended Investment Companies).

#### Alternative Investment Market (AIM) Securities

Securities bought and sold on the AIM Exchange. AIM is not a Regulated Market but instead falls within the classification of a Multilateral Trading Facility (MTF) as defined under the Markets in Financial Instruments Directive 2004 (MiFID).

#### Government & Corporate Bonds

Listed on an HMRC recognised regulated venue, with a minimum credit rating of BBB - (Standard & Poor's or equivalent). Bonds with lower credit ratings are not allowed within the pension scheme due to the increased risks associated with these investments.

#### Unit Trusts & Open Ended Investment Companies (OEICs)

Authorised Unit Trusts and OEICs as defined, authorised, and regulated by the Financial Conduct Authority (FCA) under the terms of the Financial Services and Markets Act 2000, or constituted in an EEA member state and are within the terms of the European directive for undertakings for collective investments in transferable securities (UCITS).

#### Investment Trusts / Real Estate Investment Trusts

Quoted on an HMRC recognised stock exchange.

#### Insurance Company Managed Funds via a Trustee Investment Plan / Trustee Investment Bond

Issued by a regulated Insurer that has been accepted by London & Colonial for this purpose. Investments held in these policies are not permitted if they do not meet the restrictions laid out in this Permitted Investments List.

#### Exchange Traded Funds

These are investments that are compliant with the European directive for undertakings for collective investments in transferable securities (UCITS) or listed on an HMRC recognised stock exchange.



## Structured Deposits

Structured deposits are savings accounts where the rate of return you receive is dependent on a market index or other measure. To be allowable these must be issued by a Bank or Building Society regulated within the EEA. Deposits are only be permitted where they have received prior Trustee approval.

## Structured Products/Structured Notes

Structured investments often vary in their terms. Typically, the return you receive is dependent on certain stock market indices while there is the risk that you might lose some or all of your original investment should the market perform badly. Structured investments are only permitted where they have received prior Trustee approval.

## EXPLANATORY NOTES

### European Economic Area (EEA)

At the time of writing, this is made up of current member states of the European Union (EU), plus Iceland, Liechtenstein, and Norway.

### Exempt Property Unit Trusts (EPUTs)

EPUTs are UK onshore unit trusts used by tax exempt investors to pool assets to acquire commercial property. For FCA purposes, EPUTs are classed as Non-Mainstream Pooled Investments (NMPI, as defined below).

### HMRC recognised exchange

A list of these stock exchanges can be found on the HMRC website.

### Land banking

Land banking companies divide land into smaller plots to sell them to investors on the basis that once they are available for development they will soar in value.

### Life Settlements

A life settlement is the sale of an existing life insurance policy to a third party for more than its cash surrender value, but less than its net death benefit.

### Non-Mainstream Pooled Investments (NMPI)

A NMPI is defined in the FCA handbook as any of the following investments:

- a. a unit in an unregulated collective investment scheme;
- b. a unit in a qualified investor scheme;
- c. a security issued by a special purpose vehicle, other than an excluded security;
- d. a traded life policy investment;
- e. rights to or interests in investments that are any of a to d.

## Retail Clients / Retail Investors

This is the term used by the FCA for normal clients from the general public.

## Special Purpose Vehicle (SPV)

An SPV is a legal entity created solely to serve a particular function, such as the facilitation of a financial arrangement or creation of a financial instrument.

## Tangible Moveable Property

This is a term to describe a physical property that can be moved, which includes assets such as art, antiques, classic cars and heavy plant machinery as might be owned by a business. Tangible Moveable Property falls into the category of Taxable Property, which is subject to large tax charges when held within a pension scheme.

## Unquoted Shares

These are company stocks that are not listed on a regulated exchange. Unquoted shares are not regularly traded or easily valued.

## Unregulated Collective Investment Schemes (UCIS)

UCIS are collective investment schemes that have not been authorised or recognised by the FCA.

## Undertakings for Collective Investments in Transferable Securities (UCITS)

UCITS are investment funds that have been established in accordance with European Law. A fund that has been authorised in one EU Member State can be freely marketed in any other Member State.

Should you require further information about The STM International Pension Plan, or any of our other products, then please contact us at:

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