



MAERKI BAUMANN & CO. AG

PRIVATBANK

Information for clients on the Financial Services Act (“FinSA”)



The masculine forms used in this document are intended to apply equally to female persons. For reasons of readability, explicit mention of both masculine and feminine forms has been omitted.

Introduction

This information brochure contains key information on the Financial Services Act (hereinafter referred to as “FinSA”) and the corresponding ordinance (Financial Services Ordinance, hereinafter referred to as “FinSO”). Both pieces of legislation came into effect on 1 January 2020 and must be implemented in full no later than 31 December 2021. They are specifically aimed at strengthening protection for clients/investors and at creating a level playing field for Swiss financial service providers – for example through more extensive mandatory procedures for financial service providers such as the duty to provide information and documentation.

Maerki Baumann is hereby complying with its duty to provide general information and providing its clients with an overview of the key points required under FinSA/FinSO, specifically:

- the supervisory status of Maerki Baumann
- suitability and appropriateness
- client segmentation
- mandatory procedures regarding best execution
- conflicts of interest
- remuneration
- general risks and
- the handling of complaints

Maerki Baumann’s client advisors will be pleased to provide clients with more in-depth information on an individual basis.

This brochure is for supervisory information purposes only. It does not constitute marketing material and nor does it contain a solicitation or an offer for a financial service or a recommendation to buy or sell financial instruments.

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General information on Maerki Baumann

Maerki Baumann is an independent, family-owned Swiss private bank that was founded in 1932. The owners, management and employees pursue long-term goals and relationships. Maerki Baumann fosters a relaxed corporate culture that is founded on trust. As a family-owned private bank, it attaches the utmost importance to independence and security.

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Supervisory status

Maerki Baumann is subject to and regulated by the Swiss Financial Market Supervisory Authority FINMA.

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Maerki Baumann is licensed by FINMA as a bank and securities firm and is therefore able to provide the corresponding banking services. In 2018, BaFin (German Federal Financial Supervisory Authority) additionally granted Maerki Baumann simplified authorisation to operate in Germany.

Areas of activity

Maerki Baumann's main areas of activity are as follows:

- Portfolio-related¹ investment advisory services for private and institutional clients
- Asset management for private and institutional clients
- Servicing for external asset managers
- Indirect real estate investments for institutional clients
- Lending to private clients
- Crypto /blockchain services for private and corporate clients

The services offered by Maerki Baumann, extending from investment advice to asset management, are fully geared towards satisfying its clients' needs. Corporate governance and investment activities are based on the guiding philosophy of "Security over return". This is reflected in the bank's solid capital base. Maerki Baumann's range of products and services may not be fully available in all domiciles due to regulatory or other factors, as it is subject to the legislation in force in such places.

¹ Investment advice is always provided taking into account the entire client portfolio and is generally subject to a suitability test, unless this is limited or even null and void due to the client segment.

Suitability check

Under the applicable regulations, Maerki Baumann is required to clarify whether its products and financial instruments are suitable for clients in the case of asset management and investment advisory services. Hereby, the focus is on the client's prior knowledge and experience in relation to securities transactions. The client must understand the complexity, risk and cost of the investment services offered as well as the recommended financial instruments. Furthermore, in terms of their financial circumstances the client must be in a position to bear the risks involved in investment services and financial instruments. This is ultimately dependent on the client's individual risk tolerance.

Maerki Baumann is not required to conduct an appropriateness and suitability check for clients that do not use an investment advisory or asset management service (execution-only clients). No further, specific reference to this fact is made when executing the corresponding client instructions.



Maerki Baumann client segmentation and mandatory procedures

Under FinSA, clients of financial service providers are assigned to one of the following three segments – each of which is subject to different client protection and corresponding mandatory procedures on the part of Maerki Baumann:

- Private clients (“retail” clients)
- Professional clients
- Institutional clients

Private clients

Maerki Baumann categorises all clients as private clients unless it is clearly evident that they are a professional or institutional client within the meaning of FinSA. Thereby, Maerki Baumann pursues the principle that private clients should be afforded the greatest possible degree of protection. Private clients must therefore be fully informed about product risks **before** a financial service is provided or a transaction executed. In addition, they may normally only invest in financial instruments that are explicitly aimed at private clients.

Professional clients

If a client has the required knowledge and experience and also demonstrates the ability to bear financial losses on the basis of his financial circumstances, he may be deemed a professional client and accordingly may be afforded a lower degree of investor protection. This means that certain mandatory obligations in relation to the provision of financial services under FinSA do not apply to Maerki Baumann. In addition, professional clients have a wider investment universe at their disposal due to the fact that they are also permitted to invest in financial instruments that are intended solely for profes-

sional clients and not authorised for distribution to private clients.

The following clients are classified as professional clients under the legal provisions (not an exhaustive list):

- Financial intermediaries as defined in the Banking Act (BankA), the Financial Institutions Act (FinIA) and the Collective Investment Schemes Act (CISA)
- Public entities with professional treasury operations
- Occupational pension schemes with professional treasury operations and other occupational pension institutions providing professional treasury operations
- Large companies

Clients that have granted Maerki Baumann or an external asset manager regulated in Switzerland an asset management mandate and/or have sufficient financial resources can declare to Maerki Baumann in writing that they wish to be treated as a professional client (“opting out”, further information on page 8).

Institutional clients

Only legal entities or public entities can be classified as institutional clients under FinSA. Examples include:

- Banks
- Insurance companies as defined in the Insurance Oversight Act (IOA)
- Foreign institutions subject to prudential oversight
- Central banks
- National and supranational public entities with professional treasury operations. A public entity is deemed to have professional treasury operations if it entrusts,

on a permanent basis, the management of its funds to a professionally qualified person with experience in the financial sector.

Possibility of opting out for private clients²

High-net-worth private clients have the option of opting out and declaring that they wish to be treated as professional clients. Clients themselves must fulfil at least one of the following prerequisites:

- On the basis of training, education and professional experience, or on the basis of comparable experience in the financial sector, or if they have granted an asset management mandate to Maerki Baumann or another external asset manager regulated in Switzerland, the client possesses the necessary knowledge to understand the risks associated with the investments. In addition, the client has assets of at least CHF 500,000. In the case of joint accounts, at least one account holder must possess the necessary knowledge and experience.
- The client has total assets of at least CHF 2 million.

The client must submit their opting-out declaration using the bank form supplied by Maerki Baumann for this specific purpose. In all cases, an opting-out declaration relates to the overall business relationship between Maerki Baumann and the client and not merely to individual portfolios or services, or categories of financial product used.

Implementation of opting-out – that is, changing the client’s originally assigned client segment – involves a corresponding change to the envisaged level of protection applicable to the client.

If a client wishes to be assigned to a different client segment, he is asked to contact his Maerki Baumann client advisor; the latter will be able to provide him with more detailed information on the procedures and effects of a change in classification.

In the case of joint accounts, it should be noted that all account holders must submit their opting-out declaration on a joint basis.

If Maerki Baumann becomes aware that the client no longer meets the conditions applicable to the client segment to which he is assigned, it is required to make an adjustment on its own initiative. Maerki Baumann will immediately notify the client. Similarly, the client is required to notify Maerki Baumann immediately if he no longer meets one of the conditions.

Possibility of opting in

Professional clients that have chosen to opt out are entitled to opt in again at any time in order to be treated as a private client and enjoy maximum client protection under FinSA; clients who wish to do so must submit their opting-in declaration using the bank form supplied by Maerki Baumann for this specific purpose.

² Professional clients may also opt out and declare that they wish to be treated as institutional clients, provided they meet the necessary prerequisites.

Institutional clients likewise have the right to opt in.

An opting-in declaration does not result in the termination of transactions that are already in the process of execution. Following receipt of the declaration, Maerki Baumann is authorised to return, exchange or sell all financial instruments that may only be held by professional or institutional clients prior to opting in. Maerki Baumann reserves the right to terminate agreements for financial services or to no longer provide financial services in future if such financial services can only be offered to clients in the client segment **prior to** opting in.

Note: Collective investment schemes for qualified investors

Reference to qualified investors pursuant to the Federal Act on Collective Investment Schemes (“CISA”):

All clients are generally regarded as non-qualified investors under CISA, unless they are already qualified investors by law under CISA and have confirmed this in writing. In addition, non-qualified investors have the option of opting to be classified as qualified investors under CISA, provided that they are either professional clients under FinSA or have concluded an asset management or investment advisory agreement with Maerki Baumann or an independent asset manager.

They may invest in collective investment schemes that are subject to simplified authorisation and approval procedures and are exempt from certain investor protection provisions. Examples: Duty to give investors the right to redeem their investment at any time, or the duty to ensure compliance with regulations on risk diversification.

Mandatory procedures and client protection for the different client segments

Under the applicable FinSA regulations, Maerki Baumann is required to adhere to various mandatory procedures in relation to the provision of financial services. These include the following in particular:

- Prior to the use of a financial service or conclusion of an agreement, Maerki Baumann provides the client with the required information on which to base his decision (duty to provide information).

This would specifically include:

1. Information on the financial service (its nature, essential features and functionalities) as well as the fundamental rights and obligations which arise from it for clients
 2. In the case of personally recommended financial services, information on:
 - the associated risk and costs
 - the business affiliations with third parties in connection with the financial service offered
 - the market offer taken into account when selecting the financial instruments and whether it comprises only its own or also other financial instruments
- In the case of an investment advisory and asset management service, Maerki Baumann checks whether it is appropriate and suitable for the client (appropriateness and suitability check)
 - Documentation and (on request) disclosure of the service provided (documentation and rendering of account)
 - Explanation of the financial instruments through provision of a key information document, where such a document needs to be produced (transparency and care in client orders)

The client segment determines which mandatory procedures apply. The following provides an overview:

Private clients

- Duty to provide information
- Appropriateness and suitability check
- Documentation and rendering of account
- Transparency and care in client orders

Professional clients

- Appropriateness and suitability check
- Transparency and care in client orders

Only if not waived by the professional client:

- Duty to provide information
- Documentation and rendering of account

Professional clients can explicitly waive Maerki Baumann's duty to provide information, document and render account. With regard to the appropriateness and suitability check, Maerki Baumann assumes that professional clients have the necessary expertise and experience and in financial terms are able to bear the investment risks associated with the financial service.

Institutional clients

None of the codes of conduct set out in FinSA apply in the case of institutional clients. For institutional clients, there are therefore no information, documentation or accountability obligations; nor are there any duties with regard to transparency and care in client orders as well as conducting an appropriateness and suitability review.

In particular, Maerki Baumann is not required to ensure that the best possible outcome is achieved in terms of cost, timing and quality when executing its clients' orders.



Best execution



In principle, Maerki Baumann is obliged to execute orders to the best of its ability (best execution) and in the client's best interest. The current execution principles, as well as information on the top five trading/execution venues, are posted on the Maerki Baumann website.

Maerki Baumann's investment universe

Maerki Baumann's product line-up currently comprises:

- Equities
- Bonds
- Foreign currencies
- Units in collective investment schemes (actively and passively managed investment funds and ETFs)
- Commodities
- Structured products
- Derivatives
- Digital assets
- Other financial instruments

The same investment universe is used for investment advisory business as for asset management.

Proprietary financial products or financial instruments managed by Maerki Baumann are only considered in the case of market gaps (i.e. Maerki Baumann covers an investment need for which no comparable alternatives exist on the market). Any potential conflict of interest arising from this is disclosed by Maerki Baumann to its clients (see the information below on conflicts of interest).

Conflicts of interest

For Maerki Baumann, its independence and the safeguarding of its clients' interests are at the heart of its activities. It therefore continuously endeavours to identify and, where possible, avoid (potential) conflicts of interest in advance through appropriate measures. Due to the wide range of high-quality financial services that Maerki Baumann provides on a daily basis to a large number of different clients, it is not always possible for it to prevent conflicts of interest entirely..

Should conflicts of interest nevertheless arise, Maerki Baumann has set out rules for their general handling in its internal processes and directives and discloses such conflicts of interest to clients.

Potential conflicts of interest

Conflicts of interest may arise, in particular, between clients of Maerki Baumann and Maerki Baumann, its employees (including members of the Executive Board), persons affiliated with Maerki Baumann or between clients of Maerki Baumann. Further conflicts of interest may arise, in particular, from per-

sonal relationships between employees or members of the Executive Board of Maerki Baumann and third parties. Conflicts of interest may also occur where:

- Maerki Baumann or individual employees possess information that is not yet publicly available at the time of a client transaction;
- Maerki Baumann receives inducements in connection with securities services from third parties, including product issuers;
- Employees receive performance-related remuneration;
- Maerki Baumann makes a financial profit from its own proprietary products to the detriment of the client or the investor;
- Maerki Baumann has an interest in the outcome of a transaction or a transaction entered into with the client that conflicts with the interests of the client or investor.

Principles for dealing with conflicts of interest

Maerki Baumann applies the following principles in dealing with conflicts of interest:

- Potential conflicts of interest are identified as early as possible. Corresponding internal rules exist for this process. Employees are also trained accordingly and made aware of these matters;
- Wherever possible, conflicts of interest are avoided altogether or, if this is not possible, their effects are mitigated to the greatest extent possible. Corresponding processes and directives exist for this as well;
- Maerki Baumann has drawn up suitable internal directives, measures and processes and has introduced control mechanisms;
- Where conflicts of interest can still not be avoided, Maerki Baumann discloses them to its clients.

Measures to avoid or mitigate conflicts of interest

Maerki Baumann provides its services in a professional and competent manner. It therefore constantly endeavours to exclude conflicts of interest. To identify, avoid or manage potential conflicts between the interests of the client and those of Maerki Baumann, its employees or other clients at an early stage and thus also to comply with regulatory requirements, Maerki Baumann has taken a number of appropriate organisational, personnel and procedural measures:

First and foremost, Maerki Baumann has issued an internal directive relating to conflicts of interest, compliance with which is mandatory for all employees and monitored accordingly. Maerki Baumann has also taken other measures, for example (not an exhaustive list):

- Organisational measures to protect client interests, including best-execution principles for the execution of client orders;
- Mandatory immediate reporting by employees of circumstances that could lead to conflicts of interest to the Compliance department;
- Directive on market conduct and employee transactions;
- Disclosure of all private securities transactions by employees as well as rules on own transactions by employees where conflicts of interest could arise in the course of their work;
- Implementation of a “watch list” and a “restricted list” for instruments where conflicts of interest may occur;
- Rules governing the acceptance and disclosure of gifts, etc.;
- Directive concerning the regulation and disclosure of external mandates, secondary employment, etc. of employees;
- Creation of confidentiality areas through the establishment of information barriers, the separation of responsibilities and/or physical separation; the transfer of sensitive or confidential information between defined confidentiality areas that may lead to a conflict of interest;
- Ensuring the confidentiality of electronic information by assigning different IT access rights;
- Controls to ensure compliance with the relevant directives;
- An appropriate remuneration policy that does not create negative incentives.

The principles applied by Maerki Baumann for handling conflicts of interest are reviewed on a regular basis to ensure their effectiveness and appropriateness.

Further information and legal notices can be found on Maerki Baumann’s website.

Conflicts of interest in the investment area

In providing its financial services, Maerki Baumann acts to the best of its knowledge and belief and safeguards the interests of its clients in accordance with the applicable legal provisions, in particular the Financial Services Act (FinSA).

Maerki Baumann offers a wide range of financial instruments for its financial services, tailored to its clients' needs. These primarily include third-party products, but also proprietary or Maerki Baumann-managed financial products (e.g. a Limited Qualified Investor Fund or "L-QIF") in the area of indirect real estate investments. When using proprietary financial products such as the L-QIF, there is a potential conflict of interest, as Maerki Baumann, in addition to distribution, also acts as the asset manager of the L-QIF and may obtain an economic benefit by using such financial instruments managed by it in the provision of financial services to its clients, in particular in the form of management and possibly performance fees. This may create an increased financial incentive for Maerki Baumann to favour the use of its proprietary financial products, which may run counter to the interests of the clients.

In addition to the measures listed above, Maerki Baumann has also taken the following measures to provide such conflicts of interest in the investment area:

- Proprietary financial products are used only where there is a market gap for the desired investment opportunity, i.e. Maerki Baumann meets a market need by

offering its own financial product for which there is no comparable alternative solution in the form of third-party products;

- The L-QIF managed by Maerki Baumann does not provide retrocessions or distribution fees to Maerki Baumann;
- As a rule, products that pay retrocessions are not used as part of asset management mandates;
- The use of proprietary products is not based on economic incentives, but rather on a prior product assessment and as part of a defined investment process.
- Requirements for the equal treatment of proprietary and third-party products.

Information on costs

One-off and ongoing fees and costs may be incurred by Maerki Baumann and by third parties in the course of providing financial services. Costs and fees can either be charged directly to the client's account or deducted from the return on a financial instrument.

Maerki Baumann sends the client a list of the currently applicable price brochures at the time of opening a safe custody account or in connection with any changes. In addition, Maerki Baumann generally provides the cli-

ent with advance notification of the fees and costs charged. Fees and costs are stated on an approximate basis or within bandwidths if precise figures cannot be determined in advance or if calculating them would involve disproportionate time and effort. If this is not possible in advance either, the client will be notified accordingly and an account of the costs provided subsequently.



Remuneration (retrocessions)

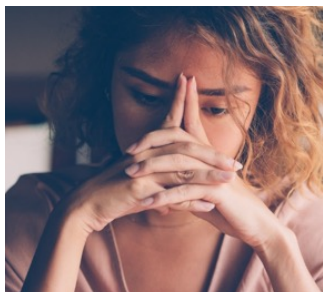
Retrocessions are cash or non-cash benefits that Maerki Baumann may receive from third parties in connection with (the distribution of) financial products.

In its asset management mandates, Maerki Baumann exclusively uses financial products that do not involve the payment of retrocessions by third parties. By way of exception, such retrocessions may be received from third parties on an isolated basis in connection with the provision of investment advisory services and execution-only business.

Any retrocessions received from third parties serve to recompense Maerki Baumann for the services it has provided in respect of such third parties. They are agreed/owed independently of business relationships with clients. They may involve distribution services in connection with investment instruments used by Maerki Baumann to improve the quality of service provided to all its clients. In addition, they compensate Maerki Baumann for general distribution expenses

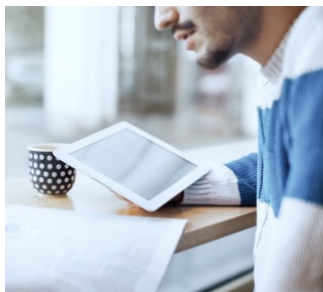
as well as for other services in respect of product providers. Maerki Baumann notifies clients of the nature and scope of the compensation it receives in connection with the agreed financial service in the relevant contractual agreements. **Through these contractual agreements, clients explicitly accept that Maerki Baumann can accept and retain such compensation.**

Risks involved in trading financial instruments



Investment in financial instruments offers opportunities for clients, as investors, but also entails risks. It is therefore essential that clients understand the risks involved in financial instruments. With that in mind, they are given a copy of the Swiss Bankers Association (SBA) brochure “Risks Involved in Trading Financial Instruments” as well as Maerki Baumann’s more in-depth risk disclosures on the investments.

Product information



In addition to the various risk disclosures containing more in-depth information on the different financial products, specific product information is available for many financial instruments (e.g. key information documents), where available from the creator of the financial product. Clients can obtain this from their Maerki Baumann client advisor at any time, or it can be made available to clients in another suitable form.

Handling of complaints

Maerki Baumann attaches great importance to fully satisfying its clients' needs and expectations. In the unlikely event of it failing to do so, clients can raise their objections directly by sending a written complaint to their Maerki Baumann client advisor, stating their name, client number and the basis of their complaint. Maerki Baumann endeavours to address its clients' concerns as quickly as possible and to provide a satisfactory response or find an amicable solution.

If it fails to do so, clients have the option of contacting the Swiss Banking Ombudsman. The latter is the relevant ombudsman for Maerki Baumann and acts as a neutral infor-

mation and mediation body that does not charge a fee for its services. **As a rule, the Banking Ombudsman only intervenes in the event of a client complaint to Maerki Baumann and a response setting out its position from the latter.**

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www.bankingombudsman.ch

Important legal information

This information brochure is intended solely for Maerki Baumann clients. It contains statements and information from sources that Maerki Baumann considers reliable. Although Maerki Baumann has made every effort to ensure that the information in this publication was correct at the time it was compiled, Maerki Baumann can offer no undertaking or guarantee, either expressly or implicitly, regarding the correctness, reliability or completeness of the said information and opinions, as the details of the information may

have changed since it was published.

Maerki Baumann's General Terms and Conditions of Business, as well as any agreements concluded between the client and Maerki Baumann shall apply.

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