

Please note all references to premium or investment amount include the amount of any applicable adviser charge.

## A Introduction

The Holiday Property Bond is issued by HPB Assurance Limited, established on the Isle of Man.

It is a single premium whole of life assurance policy which may be purchased from HPB Assurance Limited exclusively through HPB Management Limited in denominations of £250 subject to a minimum initial single premium of £5,000. Further investment can be made in denominations of £250. A quarterly Policy Administration Charge is payable.

The benefits arising from holding a Holiday Property Bond can be summarised as follows:-

## B Benefits and how they are calculated

### 1 (a) Accommodation Benefits and Holiday Entitlement.

The Holiday Property Bond offers the use of holiday accommodation and sporting rights in return for a no profit 'user charge' rather than a commercial rent (see paragraph E). The value of such use rights should increase as commercial holiday accommodation rental costs increase. Accommodation benefits may be suspended if there are arrears of Policy Administration Charge or administration charges arising from such arrears (see paragraph E).

### (b) Cash Alternative.

Should a Bondholder be unable to use any part of his holiday entitlement he may permit others to use it instead, or he may save it for use during the following year. A cash alternative is payable at the discretion of the life company in accordance with the policy document if notice is given before the start of the year. This is up to a maximum amount of 5% of single premiums received in respect of a Bond. At the moment the amount offered is 1.25% but is subject to change from time to time. Any such cash alternative payment will not affect a Bondholders entitlement in subsequent years nor affect surrender values or life assurance cover.

### (c) Flexibility.

Bondholders can choose to take their holiday at different properties each year.

### (d) Unbooked Accommodation.

The Holiday Property Bond is structured and managed to achieve overall occupancy levels of around 80 to 85%. There are opportunities, particularly in low or mid-season, to book otherwise unused accommodation at short notice on favourable terms. Accommodation outside the UK not booked within 42 days of the start of the holiday period and in the UK not booked within 21 days of such start is available free of Holiday Points to all Bondholders. Bondholders who have maintained a qualifying investment level can also take accommodation outside the UK not booked within 43 to 56 days of the start of the holiday period and accommodation in the UK not booked within 22 to 28 days

of such start free of Holiday Points. For all such bookings all that is payable is the no-profit User Charge. Properties specially adapted for the disabled will only be available under this provision for parties including someone with the relevant disability in the period 56-50 days ahead of the holiday for non UK sites and 28-25 days ahead for UK sites.

### (e) Revaluation Protection.

The Holiday Points Chart is reviewed regularly (at least annually) and increased or decreased to reflect the current value of the holiday properties and the cost of new accommodation for new investors. The review will also reflect the relative values of the properties in the portfolio to ensure that similar properties are similarly pointed. The revaluation may therefore not necessarily reflect the current market value of the holiday properties. When such a review is made Bondholders receive a bonus or reduction of Points of the same proportion. This ensures that their holiday entitlement remains unaffected from year to year and no further investment is required unless capital expenditure has been incurred on the improvement, modernisation or renovation of the holiday property which they wish to use.

The amount of the investment required will depend on the size and value of the property the Bondholder wishes to use, the time of year and the duration of the holiday.

Please refer to the Holiday Points Charts in order to calculate the number of Holiday Points needed to use the properties described. For every £1 invested 1 Holiday Point will be allocated and the number of Points, adjusted for increases or decreases in the Holiday Points Chart, will then be re-issued every year.

## 2 Units in the Fund.

Single Premiums, both initial and additional, (after the deduction of any adviser charge, product or initial charge and first year death benefit charge) are unitised by allocating to the individual policy fund notional units, issued in accordance with the policy document at the current offer price. Units will only be allocated at the end of the cooling-off period of 30 days. There is a valuation day at least once in every month at which point the net assets of the fund are determined, by reference to the open market value of holiday properties and securities held, adjusting for any current assets and revenue movements. Net asset value is then attributed across the notional units in issue at that point.

Units may be surrendered after a minimum period of 2 years at their current bid price. Surrender may also be possible under the 'Holiday Satisfaction Guaranteed' offer explained in paragraph F2. The maximum permitted bid/offer spread is 6% but no such spread is currently applied and there is no present intention to introduce one.

In order to secure the inflation-proofed accommodation benefits described above, the Bond purchases properties in

the United Kingdom and abroad and other assets to produce a return to cover fees and overheads as further explained in section D below. It should be remembered however that the capital value of investments may fluctuate and accordingly the value of the linked units in the fund may go down as well as up. Furthermore, your attention is drawn to paragraph E INITIAL CHARGES and the fact that these may disproportionately affect the value of your policy in early years.

## C Death Benefits

As a life assurance contract the Holiday Property Bond offers death benefits. It is possible to name other family members in the contract who are then also "Lives Assured" together with the proposer (owner). The Policy will not automatically end and pay death benefits until the death of the last Life Assured. The Policy may, therefore, continue well after the initial proposer's death.

On the death of the last Life Assured, the policy will pay the unit value in full, plus a guaranteed benefit depending on the age at death of the last Life Assured (subject to his or her health when named on the policy). Arrears of Policy Administration Charge and any administration charges arising from such arrears will be deducted from death benefits payable.

The guaranteed benefit is a percentage of the premium paid (less any surrenders) as follows:

Age up to 34	<b>160%</b>	Age 65 to 69	<b>5%</b>
Age 35 to 44	<b>100%</b>	Age 70 to 75	<b>2.5%</b>
Age 45 to 54	<b>25%</b>	Over 75	<b>0.5%</b>
Age 55 to 64	<b>10%</b>		

The guaranteed death benefits are assured. First year charges for these benefits are deducted as part of the initial charges. Subsequent years charges are charged to and met by the Policy Fund.

## D Fund objectives and assets

The Fund objectives are to provide the policyholders of Holiday Property Bonds with three basic benefits.

1. Occupation or use Benefits.
2. Surrender Benefits.
3. Life Assurance Benefits.

In order to achieve these objectives the Fund allocates 60% of new premium income (net of initial charges) to quality holiday properties in a variety of jurisdictions over which occupational rights are granted to policyholders. This includes up to 7% which is placed in a Property Improvement Fund to be used primarily to enhance properties and facilities and so ensure that they continue to meet increasing holiday standards. The remainder of the new premium income (net of initial charges) is invested in

a securities portfolio in order to pay management fees and overheads. The securities portfolio also provides a useful level of liquidity to fund surrenders should the need arise.

The percentage of the Fund assets invested in properties and securities is only fixed for new premiums. The percentages within the overall Fund will fluctuate as a result of changing values and the returns from the securities portfolio and the fees and overheads met from such portfolio and its return.

The running costs of the properties are also met by a no-profit User Charge.

The constitution of the Bond is governed by a Trust Deed to which all parties are signatories. In order to protect the interests of investors, all the assets representing HPB Assurance Limited's liability to investors are held by the Trustees under the terms of the Trust Deed.

Copies of the Trust Deed are sent to all proposers following receipt of their application forms.

The Bond's Trustees are HSBC Trustee (C.I.) Limited.

The Securities Managers are Stanhope Capital LLP.

The Holiday Property Bond has no borrowings.

## E Charges

### 1 Initial Charges

Your initial and any additional investment will be subject to deductions totalling 25% made up as follows:-

**Promoters & Managers:**

HPB Management Limited - 15%

*(specifically as an adviser charge on first investment, thereafter as initial charge)*

**Life Company:**

HPB Assurance Limited product charge - 10%

Such sum as is charged for the first year's death benefit, presently 0.136% of investment, is also deducted and paid to the Life Company.

### 2 Management Charges

A Policy Administration Charge of around £30 per quarter is payable by each Bondholder. This charge may increase annually in line with RPIX or other suitable inflation index, the increase being calculated to 30th April each year and effective for anniversaries from the following 1st January. The charge will go towards paying the annual management charges for the Promoters and Managers and the Life Company. Otherwise the charge may only be varied to take account of changes in the VAT rate or regime.

Annual Management Charges payable by the Fund itself are as follows:

<b>Trustees:</b>	HSBC Trustee (C.I.) Limited £7,500 a month plus a maximum 0.10% p.a. of net assets at cost calculated monthly.
<b>Securities Manager:</b>	Stanhope Capital LLP £35,000 p.a. The funds in which they advise investment will have their own charges.

In addition, charges for the extra benefit assurance are also paid out of the Fund.

The Promoters and Managers also receive commissions on property purchase, improvement and refurbishment and tenancy rentals.

Further additional charges will be payable from the Fund which together with the policy administration charge will produce totals to be distributed as follows:-

**(a) Promoters & Managers:** HPB Management Limited total of 1.8% p.a. of net assets at cost calculated monthly.

**(b) Life Company:** HPB Assurance Limited total of 0.7% p.a. of net assets at cost calculated monthly.

These additional payments ((a) & (b)) from the fund are only payable to the extent the fund, including the securities portfolio, has generated sufficient surplus return in any month after meeting other overheads and fees. Additional charges from the fund for the Promoters & Managers and the Life Company together with the Policy Administration Charges paid cannot take the total over 2.5% p.a. of net assets at cost calculated monthly. The effect of the Policy Administration Charge, however, may be to increase the relative costs (inclusive of the Policy Administration Charge) for smaller investors as against larger investors.

The Parties to the Bond, namely the Life Company, the Promoters, the Securities Manager and the Trustees retain the power to vary both the initial and Management Charges (but not the Policy Administration Charge) in accordance with the Trust Deed.

### 3 User Charges

A no-profit "User Charge" is applied when a Bond property is actually booked. This is calculated annually to recover the running costs of properties and is not an annual management charge. The 'User Charge' varies according to location and size of property.

## F Encashment Rights

1. The Holiday Property Bond must be held for at least two years (subject to paragraph F2) but can be redeemed in whole or in part at any time after this period by applying to HPB Assurance Limited.

2. If one of the owners of the Holiday Property Bond is in the party for the first holiday in a Bond owned property taken within 3 years of initially investing, encashment can be made under the terms of the 'Holiday Satisfaction Guaranteed' offer if a claim is made within 14 days of the end of the holiday. Full terms and conditions of this offer for new investors are set out in the sheet enclosed with the 'Key Features' document.

3. In special circumstances and in order to protect the interests of other investors the redemption of any Holiday Property Bond may be deferred for up to 12 months if, in the opinion of the Life Company, it would otherwise be necessary to sell a holiday property disadvantageously or in the event of an unexpectedly high rate of redemptions. If there is a deferral the unit value will be taken as at the end of such period of deferral.

4. Arrears of Policy Administration Charge and any administration charges arising from such arrears will be deducted from monies due on encashment.

## G Valuations

GVA, one of the UK's largest independent commercial property consultants, has been appointed to value the Holiday Property Bond's properties. The securities are valued by the Securities Manager or their agents.

The Holiday Property Bond is valued monthly. The surrender value of each Bond will be based on the number of units allocated to that Bond at the next price set following receipt of a valid surrender application (subject to possible deferral as explained in paragraph F3).

The unit price for the Holiday Property Bond is quoted daily in the Financial Times under "HPB Assurance" and each Bondholder will be notified of the number of units allocated to his/her bonds on issue of the policy and on any addition and thus will be able to determine the value of his/her holding from time to time.

## H Taxation

### 1 Fund Taxation

Holiday Property Bond's funds do not pay any Income Tax or Capital Gains Tax in the Isle of Man. However, when the underlying assets of the Fund are invested outside the Isle of Man, withholding and other local tax may apply.

### 2 Personal Taxation

Income and benefits from Holiday Property Bond's funds are not subject to tax in the Isle of Man. If you are a UK resident all proceeds in excess of premium paid will be liable to UK income tax at your relevant marginal rate. The Life Company are bound to disclose to the UK Tax Authorities any excess over premium paid.

Residents of countries other than the UK may be liable to their own local taxes.

All proceeds are free from capital gains tax under our current interpretation of existing UK legislation.

This may however be subject to change and if you are unsure or worried about taxation you should consult your usual tax advisor.

This statement is made on HPB Assurance Limited's understanding of current UK legislation, and whilst all care has been taken to ensure this is correct no responsibility can be accepted.

## **I The Holiday Property Bondholders' Committee**

A major function of the Committee is to assist the Managers in the selection of Bond properties by reflecting the views and preferences of Bondholders.

The Committee has 14 members, including 11 Bondholders of whom 9 are elected by a ballot of all Bondholders. The Committee acts as a consultative and monitoring body to protect the interests of Bondholders and on their behalf to liaise with management, particularly on proposed new locations and developments. There is a Complaints Sub-Committee comprised only of elected Bondholders to assist in resolving holiday complaints about HPB owned properties where Bondholders are dissatisfied with the management response.

## **J The Trustee**

HSBC Trustee (C.I.) Limited is the Trustee of the Bond. Its ultimate parent is HSBC Holdings plc.

HSBC Trustee (C.I.) Limited is regulated by the Jersey Financial Services Commission to conduct Trust and General Insurance Mediation Business.

In order to protect the interests of investors in the Holiday Property Bond, all the assets representing HPB Assurance Limited's liability to investors are controlled by the Trustee under the terms of the Trust Deed. A copy of the Trust Deed is readily available to potential investors and will be duly forwarded to all proposers following receipt of their application forms. All investors and other persons interested in the policy are deemed to have notice of the provisions of these documents whether or not they have actually inspected them.

## **K Money Back Undertaking**

1. Following receipt of an Application Form for a Holiday Property Bond by HPB Assurance Limited, Bondholders will be sent a copy of the Holiday Property Bond Trust Deed. This document gives the authority to pay all fees, costs and charges. Policy documents are not issued for 30 days. If, during this period, Bondholders are not entirely satisfied with the provisions of this document or any other aspect of Holiday Property Bond, HPB Assurance Limited will refund their money to them as required by law. Investors payments should always be made in favour of the Trustee.

2. The 'Holiday Satisfaction Guaranteed' offer referred to in paragraph F2 is additional to and separate from your rights under paragraph K1.

## **L Advisor's Status**

The person who advised you on this contract is a Representative of HPB Management Limited, which is authorised and regulated by the Financial Conduct Authority and is a member of the HPB Marketing Group. As such restricted advice is offered, meaning that the advice is restricted to the Holiday Property Bond.

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