

STM Life

STAR Bond

KEY FEATURES

Section 1. The Gibraltar Financial Services Commission

The Gibraltar Financial Services Commission is the independent financial services regulator for Gibraltar. They ask us, STM Life Assurance PCC PLC ("STM Life"), to give you this important information to help you decide whether the STAR Bond is right for you. You should read this Key Features document and any Illustration you receive carefully so that you understand the product, its benefits and risks. We recommend that you seek professional advice before you make any decisions about this Bond. Please keep these Key Features in a safe place for future reference.

Section 2. About STM Life Assurance PCC PLC

STM Life is a company incorporated in Gibraltar under the provisions of the Gibraltar Companies Act and whose registered office is situated in Montagu Pavilion, 8-10 Queensway, Gibraltar, with incorporation number 100244. STM Life is licensed to sell various classes of life assurance and annuity business into various countries. Information on the current classes of business that STM Life can sell and the countries that STM Life can passport its products into, is available on the Gibraltar FSC Website (www.fsc.gi). This specific product forms part of our range of Linked Long Term products.

STM Life is part of the STM Group PLC (a company incorporated in the Isle of Man with number 114064C) and listed on the Alternative Investment Market of the London Stock Exchange.

Section 3. Protected Cell Company

STM Life is structured as a Protected Cell Company ("PCC") subject to the provisions of Gibraltar's Protected Cell Companies Act 2001.

This means that STM Life may create legally recognised "Cells" within the company in order to segregate and protect each Policyholder's assets. Each Cell has its own designation (the Policy number) and it is the duty of the Directors to keep the assets and liabilities of each Cell separate and therefore accounted for separately.

The legislation prohibits the assets of a Cell to be used to satisfy any liability not attributable to that Cell. In the event that the liabilities of a Cell exceed the value of its assets, the shortfall will be payable from the solvency capital of STM Life.

STM Life is licensed under Gibraltar's Insurance Companies legislation which incorporates the provisions of the EU's Third Life Insurance Directive (Gibraltar is within the EU). STM Life meets the capital and solvency rules laid down by the directive. The company is subject to continuous regulation by the Gibraltar Financial Services Commission.

Section 4. The STAR Bond

The STM Life STAR Bond is a single premium unit linked bond ("Bond") issued by STM Life, comprising one policy which may be divided into a set number of identical sub-policies called segments.

There are two versions of the Bond. One is a Capital Redemption version which has a maturity date of 99 years after commencement. At the maturity date, the value of the Bond at that time plus an additional payment of the lower of £2,000 or 1% of the value of Bond at that time will also be paid. The second version of the Bond is a life assurance version which allows the Policyholder to identify lives assured for the Bond. This version of the Bond terminates on the death of the defined life assured.

The Bond is an investment wrapper available to individuals or corporate entities. It gives you the opportunity to invest lump-sum payments into a wide range of unit linked funds without a fixed investment term.

The Bond will be placed within a separate legally recognised Cell within the Protected Cell Company in order to segregate and protect your assets.

It aims to allow the Policyholder to invest in assets to suit their investment needs.

Section 5. How it Works

The applicant agrees to invest assets to a value of at least £100,000 or currency equivalent, as a Premium into the Bond.

You or your appointed Investment Adviser, can select a range of assets to hold within your Bond. These assets are subject to the approval of STM Life and include those selected from a range of pooled assets specified by STM Life or otherwise specifically agreed by STM Life from time to time as being eligible to be purchased for allocation to the Bond.

The Bond will be placed within a separate legally recognised Cell within the Company in order to segregate and protect your assets.

Assets may be bought and sold throughout the lifetime of the Bond subject to having sufficient cleared funds available for the purchases.

You will receive a detailed valuation statement quarterly, which sets out the total value of your Bond based on the latest price information that STM Life has available.

You may make cash withdrawals from the Bond and you may surrender the Bond at any time. If you surrender the Bond, you will receive the value of the underlying assets less any costs associated with selling the underlying assets and any applicable charges and fees.

There will be a Cash Account for the collection of dividends and other forms of liquid investment income. It is from this account that any withdrawals may be made and charges may be taken. A minimum of 2% of the Initial Premium is maintained within the Cash Account to cover future costs.

Section 6. Your Personal Illustration

You will receive a Personal Illustration which shows how the Bond may work for you and the effect of various deductions. This is for illustrative purposes only and is not intended as a forecast, projection or warranty of investment performance by STM Life. The actual performance will depend entirely on the investment performance of the underlying assets.

Section 7. Surrender of the Bond

If you surrender your Bond you will get back the value of the underlying assets of your Bond less any applicable charges and fees. Depending on the future return from the assets, if you surrender your Bond, you may get back less than you invested.

Section 8. Your Right To Change Your Mind

Should you wish to change your mind and not proceed with the initial investment after you have completed and submitted an application form, you will have 30 days to cancel the Bond. If you wish to cancel your Bond, you should complete and return the Cancellation Notice which forms part of the Policy documentation that you will receive at the commencement of your Policy. Please be aware that if you do cancel within 30 days you may get back less than you invested if your investment has fallen in value or third party fees and charges have been taken before we receive your cancellation form.

Section 9. Risk Factors

Many things could happen to lower the value of your investment.

The actual value of your Bond will depend upon the performance of the underlying investments. The value of the investments can fall as well as rise. The assets for the Portfolio are chosen by the Investment Adviser appointed to the Portfolio. STM Life Assurance PCC PLC has no responsibility for the investment decisions made by the appointed Investment Adviser.

Inflation may reduce what you could buy in the future.

Law and legislation, including tax law and tax legislation may change in the future.

Any third party charges to the Bond may increase in the future.

Investment growth may be lower and charges may be higher than assumed in the Illustration.

If your Bond holds an investment for which there is no recognised and liquid market, it may be difficult to deal in that investment or to obtain a reliable valuation or information about the risks to which it may be exposed. If STM Life is unable to dispose of such an asset for any reason it may, in its discretion, transfer that asset to you or to your nominee and treat it as either a partial encashment or a full surrender of the Bond, depending on its value compared to the total value of the Bond at the time of transfer.

Normally the investments in your Bond will be denominated in a single currency. Where an asset allocated to your Bond is denominated in another currency, changes in the rate of exchange may cause the value of the investment to go up as well as down.

STM Life reserves the right to dispose of any asset which has become valueless or becomes, directly or indirectly, contrary to its normal investment philosophy or becomes an investment, directly or indirectly, in a company whose activities are regarded by STM Life as being illegal, unethical or of a nature that may be detrimental to Gibraltar's reputation. The costs of selling such an asset will be charged to your Bond. STM Life will not incur any liability to you as a result of exercising this right.

Section 10. Questions and Answers

1. Who can invest in the Star Bond?

Anyone between the ages of 18 and 75 can invest. Investments can be made by individuals, companies, foundations or trustees. Individuals may apply for a single life policy on their own or a joint life policy with someone else.

2. How much can I invest?

The minimum premium is £100,000 or currency equivalent, there is no maximum. At least 2% of your initial premium should be in cash. STM Life in its absolute discretion may permit an amount below the minimum premium.

3. How is my money invested?

100% of each premium less any applicable charges and fees is invested in your Bond.

The value of your Bond is calculated by reference to the value of those assets owned by STM Life which are allocated to your Bond. These assets form part of the Long Term Business Fund of STM Life. STM Life shall initially retain 2% of the Initial Premium in the Policy Cash Account when the Policy commences.

Other assets could include:

- Units in a Unit Trust, shares in an Investment Trust, Shares in an Open Ended Investment Company.
- Holdings in other funds including Experienced Investor Funds, Property Funds and Hedge Funds.
- Any other assets specifically agreed by STM Life.

Section 10. (Continued)

The policyholder may request that STM Life appoints a Discretionary Fund Manager to manage the assets within their Bond. In this situation, the composition of your Portfolio may be determined by the Discretionary Fund Manager and will be subject to the provisions of the Asset Management Agreement between STM Life and the Discretionary Fund Manager.

4. Can I take regular withdrawals from my bond?

You can take regular withdrawals from your Bond monthly, quarterly, half-yearly or annually, subject to a minimum withdrawal of £5,000 or currency equivalent each time and to there being sufficient cash and readily realisable investments to make such payments.

Any withdrawal should not reduce the value of the Bond below 10% of the initial premium. Should the balance fall below this amount STM Life has the right to encash your remaining investment.

5. What happens if I want to encash part of, or my entire bond?

You can encash part of, or your entire Bond any time. Any partial encashment must not reduce the value of the Bond below 10% of the initial premium. Should the balance fall below this amount you may be required, by STM Life, to encash your remaining investment. If STM Life cannot easily dispose of the underlying assets of the Bond it may return any assets allocated to the Bond net of charges to your nominee.

6. Does the Policy include life cover?

It depends which version of the Bond you have chosen. If you have chosen the Capital Redemption version of the Bond then there are no lives assured and therefore there is no life cover. If you have chosen the version of the Bond which allows for Lives Assured then, in the event of the death of the defined Life Assured, the Bond will terminate with the payment of the sum assured. The total amount payable on the death of the defined Life Assured is the value of the bond after the deduction of any outstanding charges plus an additional death benefit equal to one per cent of the Bond value (up to a maximum of £2,000 or currency equivalent) unless there is a different amount shown on the Policy Schedule.

7. What are the charges and what are they for?

- **Establishment Charge**

There is an Establishment Charge of £400 (or Euro 600 or USD 800 or Shekel 2,400).

- **Fixed Fee**

There is a Fixed Fee of £300 per annum (or Euro 400 or USD 600 or Shekel 1,800) which is taken quarterly in arrears on each valuation date. The first Fixed Fee will be calculated on a pro-rata basis depending on when in the quarter the bond commenced. The currency of the charge will match the chosen currency for the policy.

- **Management Charge**

There is an Annual Management Charge of 0.35% which is taken quarterly in arrears on each valuation date and is calculated on the Initial Premium and any additional premiums that were received by STM Life at the outset of the Bond. The first Management Charge will be calculated on a pro-rata basis depending on when in the quarter the bond commenced.

- **Early Encashment Charge**

There are no Early Encashment Charges

- **Investment Adviser (IA) Fees**

Any fees shall be agreed between you and the IA prior to signing the application form. The corresponding charges may be deducted from the Cash Account within the Bond at the relevant dates.

- **Other Costs**

STM Life may debit from the Cash Account an amount which it considers to be appropriate to take account of any expenses, taxes, duties, charges and other liabilities (including the costs of any currency conversion)

Section 10. (Continued)

that may arise in connection with the purchase, management, maintenance, custody, valuation and sale of any assets allocated, or to be allocated, to the Portfolio (including any costs incurred in contemplation of a sale of any assets allocated to the Portfolio, which sale fails, for any reason whatsoever, to be completed), or the receipt of any income attributable to those assets and interest on, and the repayment of, any monies borrowed in connection with the Portfolio.

STM Life reserves the right, at its discretion, to change the charging structure, having given 30 days' notice of the intention to do so.

Should there be insufficient assets in the Bond to pay such charges then the Bond will automatically lapse.

8. Valuation Statements

STM Life will produce a quarterly valuation statement which will show the current assets held within your Bond and a Cash Account statement as well as all charges taken. Your valuation statement will be available via the STM Life online valuation system and you will need to apply separately for your unique customer log in details.

Section 11. Further Information

- **Cancellation Rights**

After the application has been accepted you will receive a Notice of Your Right to Cancel. You will then have 30 days from the date of this notice in which to change your mind.

If you decide to cancel your Policy, STM Life will return the amount that was invested less a deduction of the amount (if any) by which the value of the investment has fallen by the time your cancellation form has been received by us. You will of course have to repay any amounts already paid to you under the contract.

- **Policy Premium**

Payments should be made by electronic transfer. The Policy will not be made active until such a time as the cleared funds have been received in STM Life's Bank account.

- **Term of the Policy**

This product has been designed as a long-term investment proposition. The product may not be suitable if the Policyholder has the intention of only investing in this product for a short period of time.

- **Tax**

Generally, STM Life should not be subject to any Income Tax, Capital Gains Tax or Corporation Tax in respect of assets allocated to your Policy. Exceptions include Withholding Tax, which is tax withheld by some countries on certain types of income e.g. dividend income and interest, and if certain types of Gibraltar source income are received by STM Life.

STM Life does not provide any advice as to the tax implications of investing in the STAR Bond.

Your tax position will depend upon a number of factors including your personal circumstances and you must obtain advice from your own professional advisers, both at the outset and throughout the life of your Bond. In particular you should ensure that you are able to satisfy any local tax, exchange control, insurance legislation or regulations that are applicable.

Legislation may require that, in certain circumstances, STM Life must disclose information concerning Policyholders to Revenue Authorities.

- **Law**

Your Policy is construed in accordance with the Law of Gibraltar.

- **Regulation**

STM Life is registered in Gibraltar, with incorporation number 100244. STM Life is licensed by the Commissioner of Insurance under the Insurance Companies Act to carry on assurance business in Gibraltar. STM Life is not regulated or otherwise authorised by the Ministry of Finance in Israel.

Section 11. (Continued)

- **Notification of Risks and PCC Legislation**

The added protection offered by the PCC Legislation would undoubtedly be effective in any legal proceedings brought in Gibraltar. However, the Directors of STM Life know of no legal challenges to the PCC concept in any other jurisdiction. They are therefore unable to give Policyholders an assurance that the courts of another country would grant the level of protection for cellular assets intended under Gibraltar's Protected Cell Companies Act.

- **Investment Risk**

Past performance is not necessarily a guide to the future. The value of investments can go down as well as up.

Section 12. Queries, Complaints and Contact Details

For further information, or if you wish to complain about any aspect of the service you have received, please contact:

Managing Director
STM Life Assurance PCC PLC
Montagu Pavilion,
8–10 Queensway,
Gibraltar.

Email Address: info@stmllife.com

If you feel that your complaint is not being resolved satisfactorily, you can contact the Department of Consumer Affairs of the Government of Gibraltar at:

10 Governor's Lane,
Ground Floor,
Gibraltar.

Telephone: +350 200 50788

Making a complaint will not prejudice your right to take legal proceedings.

This is a brief guide to the features of the STAR Bond and should be read in conjunction with the Standard Policy Terms and Conditions document.

References to legislation and taxation in this leaflet are based on STM Life's understanding of current law, which may change without notice.

STM Life may be contacted via telephone between the hours of 9.00am to 5.30pm, Central European Time, during normal working days in Gibraltar or via post, email or facsimile as per the details below.

Postal Address:
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