CAPITAL TRADERS

Risk Disclosures
Financial Instruments Description and Associated Risks

October 2023

ATHALASSAS, 62
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DISCLAIMER

The information contained in this document is a general overview of the risks associated with the Financial Instruments described below. This Risk Disclosure is for informational purposes only and is intended to warn and ensure that the Client is aware of the nature and risks of the financial instruments below, so that the client can take investment decisions on an informed basis.

The content of the Risk Disclosure is not intended to be exhaustive, nor is intended to constitute a comprehensive statement of all the risks to which investors might be exposed to. There may be other risk factors and other considerations which the Client should take into account in relation to a particular investment on financial instrument.

CT Capitalltraders Ltd (hereinafter referred as "the Company" or "we" or "us" or "our") does not intend to provide any investment, legal, financial, tax or other advice through this documentation, and the client should not rely on this documentation as a recommendation to enter into a transaction with any of the Financial Instruments analyzed herein. Nothing in this documentation amends or supersedes the express terms of any transaction between you and us or any related governing documentation.

We are acting solely as an arm's length contractual counterparty in connection with the transactions you enter with us, and not acting as your advisor, representative and/or fiduciary. Despite any communications between you and us in connection with or with respect to the transaction with any financial instrument (before or after its settlement), the Company neither provides any guarantees, representations or warranties, nor accepts any liability whatsoever, for any actual financial results, intentions or expectations you may have in connection with the financial instrument or its conformity with any specific goals.

For the avoidance of doubt, this risk analysis provided herein does not cover Tax risk (i.e. the risk concerning with complexity of tax laws of the different countries applicable to the Client) but rather, provides some general information. Therefore, you should consider at your own risk any potential tax consequences arising from your investments. It is important to note that potentially the current interpretation of tax laws and practices may change and could have negative effects on you. The Company cannot provide any tax advice. You are advised to seek advice from independent tax advisors.

The information contained in this document has no regard to the specific investment objectives, financial situation, or particular needs of any specific recipient. It is suggested that you do not take any decisions to deal in financial instruments that you do not understand their nature and the extent of your exposure to risk. Consider your financial position, your risk appetite, your knowledge, your experience in the specific financial instrument and your investment objectives when making investment decisions. Notwithstanding any other provision herein, you may refer to your professional financial, legal and/or tax advisers for a full and comprehensive analysis of the economic and legal nature of the Instrument, as well as its tax and/or accounting impact. Neither the Company, nor any of its affiliates, directors, employees or agents accept any liability for any direct or consequential loss or damage arising out of the use of all or any part of the information contained herein.

It is noted that the classification of risks for the different financial instruments may vary for different regions.

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The information provided herein is about financial instruments and is based on the analysis made at a certain time period that is potentially subject to change. Changes should be considered market driven; the Company has no influence on these changes.

The Client hereby acknowledges and accepts that they are properly notified by the Company with respect to the risks listed herein and acknowledges and accepts that any one or more of these risks could lead to loss, which could in certain circumstances, far exceed the initial Clients' investments and capital deposited.

Please be aware that there is a risk of losing the entire value of your investment, or (in the case of certain derivative and other transactions and provided that no negative balance protection applies by virtue of any applicable legislation) being exposed to liability over and above the initial investment.

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INTRODUCTION

CT Capitalltraders Ltd is a regulated European financial institution acting in compliance with all rules governing investors protection including restrictions for investors protection related to their exposure to risk taking into account the provisions of the applicable legislation and investors' client classification. Due to the fact that different financial instruments incorporate different levels of risk exposure, clients should be informed that based on their client classification, access to certain financial instruments (e.g. complex financial instruments) might not be granted.

BASIC INVESTMENT RISKS

Market Risk

Market risk is the risk that the value of an investment will decrease due to movements in various market factors, i.e investment losses due to adverse movements in financial market prices. Interest rate risk, currency risk and instrument price risk are the amin market risk types.

Instrument Price Risk:

The price of equity securities may rise or fall because of changes in the broad market or changes in a company's financial condition. These price movements may result from factors affecting individual companies, sectors or industries selected by the investor or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or longer periods. When the value of securities goes down, your investment decreases in value.

Currency Risk

Investors are exposed to currency risk when they hold securities denominated in a foreign currency and the underlying exchange rate depreciates. Generally, when the value of the local currency rises in value relative to a foreign currency, an investment in that country loses value because that currency is worth less in local currency terms. Devaluation of a currency by a country's government or banking authority also may have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets.

Interest Rate Risk

The risk that a change in interest rates will adversely affect the value of an investment. The value of fixed income securities generally moves in the opposite direction of interest rates (decreases when interest rates rise and increases when interest rates fall). The buyer of a fixed income security is expose to the risk of a change in interest rates in the form of a price loss if the market interest rate risk.

Credit Risk

Credit risk is the risk arising from the counterparty's inability or unwillingness to meet its contractual obligations normally due to a default and it is highly connected to settlement risk. This may result in a loss of the principal amount, investment opportunity, and market gains.

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Settlement and pre-settlement risk: Settlement and pre-settlement risks arise when one of the two

parties does not meet its obligations to pay or transfer securities to the other party. Settlement risk is the risk of loss of the principal amount; pre-settlement risk is the risk of the loss of the possible market opportunity.

Custody risk: Securities held under custody are subject to the law and market practices of the relevant country where they are held. If custodian becomes insolvent the claims priority is determined by the applicable law. For more information regarding the safekeeping of financial instruments please refer to our Terms of Business.

Liquidity Risk

Liquidity refers to the ability of market participants to buy or sell their securities at a specific time. Risk of low or no liquidity can result in a loss of an investment opportunity to buy or sell instruments at competitive prices.

Inflation Risk

The risk that the investor will suffer a financial loss because of a fall in the value of money (i.e. inflation).

Volatility Risk

The higher the volatility of a security, the more extreme is the upward and downward price movements. Investing in higher risk countries entail volatility risk and higher potential of losses.

Tax Risk

Tax risk is associated with the uncertainty arising from tax laws due to their complexity and different applicability per country. In addition, changes in the law may lead to new requirements regarding capital gains. Double tax treaties between countries can have positive impact on the capital market prices but there is no guarantee that such treaties will remain in place or that they will not be changed at some point.

Some countries may impose tax levies, duties, or charges in the profits from the trading of assets. Global tax regulations and country specific tax regulations change and it is the obligation of the investor to be informed for any such changes. **The Company does not and will not provide any tax advice. Investors are advised to seek for an independent tax advice.**

Settlement and Custody Risks

Settlement risk is the risk that one party could be in the process of paying the counterparty while the counterparty is declaring bankruptcy.

Regarding the foreign custody, the securities are subject to the laws and market practices of the respective country where they are held in custody. If a custodian becomes insolvent, applicable local law determines the priority of claims.

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Concerning the Civil Law of the Russian Federation in case of bankruptcy of a custodian, the assets held on the account name of clients are protected from any claim made on behalf of the creditors of the

Depositary. However, in the Russian Federation there is no Central Securities Depository established to manage the clearing, settlement and safekeeping of all securities. All Russian registrars are supervised by the Federal Financial Markets Service (FFMS). As a result of this system it is possible that ownership rights could be lost through fraud or negligence an investor can have limited access to the custody securities or no access at all until the court proceeding have been resolved.

Under the Markets in Financial Instruments Directive II (MiFID II), companies have to separate client assets from the Company's assets and keep the 'client assets' in segregated accounts with trust status to protect it in the event of insolvency. Custody risk is eliminated when client's assets are held separately from Company's own assets at the same custodian.

Our policy ensures that client's accounts are clearly specified in custodian's books as 'underlying clients of the Company'. For more information on provisions in relation to custody services under MiFID II, please refer to the Terms of Business.

Operational risk

Operational risk refers to the risk of losses as a consequence of the employees' non-compliance with the relevant policies that govern the organized markets, custodians, registrars, clearing or credit organizations in the course of settlement of transactions in securities or derivatives.

Legal and Regulatory risk: Non developed countries may not have the necessary legal and regulatory framework for the proper and efficient functioning of a capital market. This may include the absence of a Market regulator leading to non-tight legislation and limited investor protection and compensation schemes. On the other hand, countries with strict regulatory framework may be subject to on-going and substantial regulatory changes which make it impossible to predict what changes may occur in the future and how they will impact investment returns.

Technical risk: Technical risk is the risk of failure arising in the course of ordinary operation of trading systems and communication lines (defects and failure in the operation of equipment, IT software, power supply service etc.), that may hinder the transmission of orders or the execution of transactions in securities and/or derivative contracts and restrict the investor's access to information about prices.

Foreign Markets Risks

Foreign markets will involve different risks from the Cyprus market. In some cases the risks will be greater. The potential for profit or loss from transactions in foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

Emerging Market Risks

Investments in emerging markets may involve certain risks not found in investments in developed markets. Emerging markets are usually smaller, less liquid and more volatile than developed markets and there is often substantially less information publicly available about these investments. In addition, there may be greater risks arising from political, social and economic uncertainties and from possible changes in currency exchange rates. Accounting, corporate governance and financial reporting standards that

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prevail in certain of these countries are often not equivalent to those in countries with more developed markets. Tax and legal regimes may be subject to uncertainty and to significant and unpredictable changes and repatriation of investments and profits may be restricted by exchange controls.

There may also be less well developed regulation of markets, issuers and intermediates. Markets may lack the liquidity of those in developed countries, leading to difficulty in valuing assets. Instability in such markets has previously led to and may continue to lead to investor losses. Settlement of transactions carried out on such markets may be lengthier and less secure than in developed markets. Investing in Emerging markets involves risks, including but not limited to the following:

- **Event risk:** On occasion, a country or region will suffer an unforeseen catastrophic event (for example, a natural disaster), which causes disturbances in its financial markets, including rapid movements in its currency, that will affect the value of instruments in, or which relate to, that country. Furthermore, the value of instruments and any income derived there from can be affected by global events, including events (political, economic or otherwise) occurring in a country other than that in which the instruments are issued or traded.

- **Political risk:** Many emerging markets countries are undergoing, or have undergone in recent years, significant political change which has affected government policy, including the regulation of industry, trade, financial markets and foreign and domestic investment. The relative inexperience with such policies and instability of these political systems leaves them more vulnerable to economic hardship, public unrest or popular dissatisfaction with reform, political or diplomatic developments, social, ethnic, or religious instability or changes in government policies. Such circumstances, in turn, could lead to a reversal of some or all-political reforms, a backlash against foreign investment, and possibly even a turn away from a market- oriented economy. For investors, the results may include confiscatory taxation, exchange controls, compulsory re-acquisition, nationalisation or expropriation of foreign- owned assets without adequate compensation or the restructuring of particular industry sectors in a way that could adversely affect investments in those sectors. Any perceived, actual or expected disruptions or changes in government policies of a country, by elections or otherwise, can have a major impact on the value of instruments linked to those countries.

- **Economic risk:** The economies of emerging markets countries are by their nature in early or intermediate stages of economic development, and therefore more vulnerable to rising interest rates and inflation. In fact, in many countries, high interest and inflation rates are the norm. Rates of economic growth, corporate profits, domestic and international flows of funds, external and sovereign debt, dependence on international trade, and sensitivity to world commodity prices play key roles in economic development, yet vary greatly from country to country. Businesses and governments in these countries may have a limited history of operating under market conditions. Accordingly, when compared to more developed countries, businesses and governments of emerging markets countries are relatively inexperienced in dealing with market conditions and have a limited capital base from which to borrow funds and develop their operations and economies. In addition, the lack of an economically feasible tax regime in certain countries poses the risk of sudden imposition of arbitrary or excessive taxes, which could adversely affect foreign investors. Furthermore, many emerging markets countries lack a strong infrastructure and banks and other financial institutions may not be well developed or well regulated. AII of the above factors, among others, can affect the proper functioning of the

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economy and have a corresponding adverse effect on the performance of Instruments linked to a particular market.

FINANCIAL INSTRUMENTS AVAILABLE FOR INVESTORS AND THEIR RELATED RISKS

1. Equities (shares and depository receipts)

Shares represent an interest in the share capital of a company. The extent of an investor's ownership in a company depends on the number of shares held in comparison to the issued number of shares. Owning shares in a company provides an opportunity to participate in the company's profit and performance, in the form of dividends and capital growth. Individual shares and stock markets can be volatile, especially in the short-term. Some shares are likely to be more volatile than others. This depends on, among other things, the business, geographic location, and the size of the company.

Equities categories include common stocks and preferred stocks. Common stocks have voting rights compared to Preferred stocks which they do not. Common stockholders are at the bottom of the priority ladder of ownership structure, and in the event of liquidation, common shareholders have rights to a company's assets only after bondholders. Preferred shareholders and other debt holders are paid in full. Common stocks may or may not pay dividends while preferred stocks pay a specific stream of dividends.

Investing in equities is considered risky investment because it involves significant risks mentioned in Part 2 above and specific risks related to the issuer and the sector the issuer operates. If the issuer is not listed or traded on an exchange, there may also be liquidity risk.

In general, investing in equities may involve the following risks:

i. **Company risk:** an equity purchaser does not lend funds to the company, but makes a special contribution and, as such, becomes a co-owner of the corporation. He/she thus participates in its development as well as in the profits and losses, which makes it difficult to forecast the precise yield on such an investment. An extreme case would be if the company went bankrupt, thereby wiping out the total sums invested.

ii. **Price risk**: equity prices may undergo unforeseeable price fluctuations causing risks of loss. Price increases and decreases in the short-medium and long term alternate without it being possible to determine the duration of those cycles. General market risk must be distinguished from the specific risk attached to the company itself. Both risks, jointly or in aggregate, influence the evolution of equity prices.

iii. **Dividend risk:** the dividend risk per share mainly depends on the issuing company's earnings and on its dividend
policy. In case of low profits or even losses, dividend payments may be reduced or not made at all.

Depositary Receipts

Depositary Receipts (DRs) are negotiable certificates, typically issued by a bank, which represent a specific number of shares in a company, traded on a stock exchange, which is local or overseas to the issuer of the receipt. They may facilitate investment in the companies due to the widespread availability of price information, lower transaction costs and timely dividend distributions. There are two basic types

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of DRs: American Depositary Receipt programs (ADRs) which give companies outside of the US access to the US capital markets, and Global Depositary Receipt programs (GDRs), which provide exposure to the global markets outside the issuer's home market. International Banks (depositaries) issue these shares against ordinary shares held in custody in the issuer's home market.

The risks involved relate both to the underlying share and to the bank issuing the receipt. First, ADR prices are subject to foreign market and exchange risks. Second, there are important differences between the rights of holders of ADRs and GDRs, and the rights of holders of the shares of the underlying share issuer represented by such Depositary Receipts. The rights and responsibilities of the depositary (being the issuer of the Depositary Receipt), the underlying share issuer and holders of the Depositary Receipt may be different from the rights of holders of the underlying shares.

For example, the underlying share issuer may make distributions in respect of its underlying shares that are not transferred on to the holders of its Depositary Receipts. Any such differences between the rights of holders of the Depositary Receipts and holders of the underlying shares of the underlying share issuer may be significant and may adversely affect the value of the relevant instruments. Fourth The Client bears settlement risk from the delivery of Depositary Receipts to Depositary's account on a "free delivery" basis. Finally, there may be tax implications when DRs are converted from foreign currencies.

2. Bonds

A bond is a debt instrument issued for a period of time for which the issuer is obliged to pay the holder of the bond interest (coupon) payments at pre-specified points in time and principal at maturity.
It is either an interest- bearing or discounted government or corporate security that obligates the issuer to pay the bondholder a specified sum of money, usually at specific intervals, and to repay the principal amount of the loan at maturity. The purchaser of the bond has a claim against the issuer, but no corporate ownership privileges, as stockholders do. An owner of bearer bonds presents the bond titles and is paid interest, whereas the owner of registered bonds appears on the records of the bond issuer. A secured bond is backed by collateral which may be sold by the bondholder to satisfy a claim if the bond's issuer fails to pay interest and principal when they are due. An unsecured bond or debenture is backed by the full faith and credit of the issuer, but not by any specific collateral of the issuer. The most common types of bonds are the Government bonds, corporate bonds and Eurobonds.

Government Bonds
The performance of this type of bonds lies on the ability of the government to collect or impose taxes, the economic growth and prospects of the country and political developments, which can have serious economic consequences and affect a country's ability to pay.

Corporate Bonds
These are bonds issued by companies in industry and trade. Performance of this type of bond lies on the issuer's ability to raise adequate cash flow to pay its obligations. A corporate debt obligation may be secured i.e. in the form of collateral, which is pledged to ensure repayment of the debt, or unsecured i.e. without collateral.

Eurobonds

Eurobonds are bonds issued and traded outside the country whose currency is denominated in, and outside the regulations of a single country; usually a bond issued by a non-European company for sale in Europe called global bond.

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The risks involved in regard to the investing in bonds, include but are not limited to the following:

Insolvency risk: the issuer risks becoming temporarily or permanently insolvent, resulting in its incapacity to repay the interest or redeem the bond. The solvency of an issuer may change according to changes specific to the issuing company, the issuer's economic sector and/or the countries concerned, as well as political developments with economic consequences. The deterioration of the issuer's solvency will influence the price of the securities that it issues.

Interest rate risk: uncertainty concerning interest rate movements means that purchasers of fixed-rate securities carry the risk of a fall in the prices of the securities if interest rates rise. The longer the duration of the loan and the lower the interest rate, the higher is a bond's sensitivity to a rise in the market rates.

Credit risk: the value of a bond will fall in the event of a default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer.

Sovereign risk: the risk that the issuer is unwilling or unable to make coupon and principal payments when due.

- **Early redemption risk:** the issuer of a bond may include a provision allowing early redemption of the bond if market interest rates fall. Such early redemption may result in a change to the extended yield.

- **Reinvestment risk**: the risk that interest received from the issuer may not be possible to be reinvested in such a way that it generates the same rate of return as the invested funds.

- **Inflation risk:** the risk that the purchasing power of the cash flows received from a bond (coupon and principal) might decline over time as a result of inflation.

- **Currency risk:** for bonds denominated in a different currency than the investor's home currency, the risk that the exchange rate between the two currencies moves.

- **Event risk:** the risk that some unusual events (e.g. terrorist attacks, natural disasters) could impair the issuer's
ability to make payments (coupon and principal) when due.

- **Risks specific to bonds redeemable by drawing:** bonds redeemable by drawing have a maturity which is difficult to determine, so unexpected changes in the yield on these bonds may occur.

3. Derivatives

A derivative is a financial instrument, the value of which is derived from an underlying asset's value. Derivatives are used for hedging investment risks or for arbitrage purposes. All derivatives are subject to the main risk types as described in the 'Basic Investment Risks' section above. The main derivative instruments are options, futures/forwards, and swaps.

Whilst derivative instruments can be utilized for the management of investment risk, some investments are unsuitable for many investors. Different instruments involve different levels of exposure to risk, and

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in deciding whether to trade in such instruments you should be aware that derivatives transactions involve risks, including but not limited to the following:

i. **Market risk:** Market risk is the risk of loss arising from adverse changes in the value of a derivative instrument as a result of movements in the underlying market rate.

ii. **Credit Risk:** Credit risk is the risk that a counterparty may fail to meet its contractual payment obligations through insolvency or default. For derivatives, the amount at risk is not the face value of the transaction but the positive fair value or replacement value of the transaction.

iii. **Liquidity risk:** Liquidity risk is the risk of losses attributable to a lack of liquidity (i.e. very few market participants) in a particular market. This is usually indicated by wide bid/offer spreads and very few transactions being done in a particular product or market. The risk is that changes in the underlying market price may be infrequent but very large, and that an open position in the market is not able to be effectively hedged.

iv. **Pricing risk:** For complex derivative transactions, pricing is completed using various assumptions and mathematical models. Pricing risk is the risk that these models do not accurately reflect conditions

v. **Operational risk:** Operational risk is a wide-ranging area of risk. It can cover risks such as, but not limited to, the following:
   - transactional details are not accurately input into computer systems;
   - computer files are lost
   - experienced staff leave the organization
   - documentation relating to a transaction is incorrect; and
   - relying on a third party for the performance of any operational functions which are critical for the provision of continuous and satisfactory service to clients.

Options

An option gives the buyer the right, but not the obligation, to buy (call option) or to sell (put option) an agreed amount of underlying asset at a predetermined cost (strike) on a specific date (European type option) or up to a specific date (American type option). The buyer of the option pays a premium to the seller for entering the option contract. Options are priced using statistical models and assumptions and as such options transactions involve pricing risk; the risk that these models and formulas do not accurately reflect and correctly use all the relevant parameters.

Options to buy a stock are called call options and options to sell a stock are called put options. The buyer of the option pays a premium to the seller for entering the option contract. Transactions with options are considered more complex than transactions with other instruments (e.g. equities, bonds, indices, etc.). Adequate market expertise is required from the investor’s site before entering into any transactions with options.

Buying an option usually involves less risk than selling an option because if the underlying asset moves against you, you simply do not exercise the option and you lose only the premium plus any commission or other transaction charges.

Writing an option (put or call) involves greater risk as you may be liable for margin to maintain your position and the loss may be well in excess of the premium received. By writing an option, you are liable to purchase or sell the underlying asset if the option is exercised against you no matter how far the market price of the underlying instrument has moved from the exercise price. If you already own the underlying asset which you have contracted to sell (‘covered option’) the risk is reduced. If you do not

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own the underlying asset the risk can be unlimited (‘uncovered option’).

Options can be used either as hedging or speculative instruments. As hedging instruments, options are purchased to decrease exposure to certain types of market moves. Hedging a position does not mean that the risk is fully eliminated; some residual risk remains even after a hedge has been put in place. As speculative instruments, options are sold to gain premium or bought to speculate on possible price moves.

Options are classified into different styles according to their exercise rights. Most options are European and American. European options can be exercised only on expiration date while American options can be exercised at any time before expiration date. These two styles of options have a similar payoff and they are referred to as “Vanilla” or “Plain Vanilla Options”. Options with payoff calculated in a different way are named as “exotic options”. There are some more exercise styles, which are not so commonly used as Bermuda option, Asian option, etc. All descriptions below are for plain vanilla options.

Interest Rate Swaps

Companies use interest rate swaps to alter their interest rate exposure. A company paying floating interest rate can obtain fixed rate exposure by entering into a fixed-floating swap. Therefore, the company can enter a fixed-floating swap in which they receive floating rate and pay the fixed rate. Lenders of long-term debt bear both interest and credit risk. Credit risk is mostly borne by the long-term bondholders since the firm could go bankrupt. Potential credit risk is largest during the middle period of the swap’s life because at the beginning of a swap’s life we assume that the involved counterparties have performed sufficient current credit analysis on one another in order to enter into the agreement. At the end of the swap’s life, the credit risk is diminished because most of the risk has been amortized through periodic payment process.

Currency Swaps

Currency swaps are used to hedge currency risk. With currency swaps, investors can change the currency to which they have exposure. Currency swaps have their greatest credit risk between the midpoint and the end of the life of the swap.

Credit Default Swap (CDS)

A CDS is a contract in which a protection buyer pays a premium, periodic or upfront to the protection seller, in exchange for a protection against a credit event experienced by a reference entity.

The CDS contract does not eliminate fully the credit risk, it decreases exposure to the reference entity credit risk and takes new exposure to the seller of the Contract. If there is a high correlation between the default risk of the reference entity and the CDS seller, this credit protection becomes less valuable. Finally, if the protection seller fails to pay then the protection becomes worthless.

Forwards and Futures

Forwards are non-standardized agreements to buy or sell an asset (security or currency) at a certain price at a certain future time. Open forward contracts are contracts that do not have a specific time for delivery of the asset; it can be anytime within the life of the contract or otherwise agreed.
Transactions in Forwards involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk.

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A futures contract is a legally binding agreement between two parties to sell or purchase in the future a specified quantity of the underlying asset at a specified price. The price at which the contract is traded is determined by relative buying and selling interests on a regulated exchange. Futures contracts may be settled either by physical delivery of the underlying security or through cash.

Futures trading is speculative and highly volatile. Price movements for futures are impacted by, among other things, government trade, fiscal, monetary and exchange control programs and policies, weather and climate conditions, changing supply and demand relationships, national and international political and economic events, changes in interest rates and the psychological emotions of the market place. None of these factors can be controlled by the Company.

Futures trading can be highly leveraged. The low margin deposits normally required in futures trading permit an extremely high degree of leverage. A relatively small price movement in a futures contract may result in immediate and substantial loss or gain to the Client. Futures trading may be illiquid depending on the contract.

4. REPOS/ Collateral Arrangements

A repurchase agreement (REPO) is a money market instrument that works as a short term loan. In a repo transaction one party sells an asset to another party at a price at the start of the transaction and commits to repurchase the asset from the second party at a different price in the future or in the case of an “open repo” on demand (no fixed maturity date). The seller pays a rate called the “repo rate” when buying back the securities (difference between price paid by the buyer and the price he receives at the end in his return of the cash, return quoted in percentage). A reverse repo (RRP) is the reverse of a repo trade, the buyer of the securities agrees to sell them back at a higher price at a specific future date.

If the seller of the assets defaults the buyer can sell the asset to a third party to offset the losses from credit risk. However, the value of the assets will fluctuate and the liquidation of collateral in response to an event of default can be delayed by unexpected operational and legal problems, so collateral does not exactly work as a substitute of credit risk.

As a result, transactions with Repos incorporate mainly credit risk, interest rate risk and liquidity risk depending on the counterparty, the instrument, and the collateral. In general, repo and reverse repo transactions incorporate also possible risks that can arise from the securities that are traded under the repo agreement.

5. Structured Products

Structured product is generally a pre-packaged investment strategy based on derivatives where the underlying can be a single security, a basket of securities, indices, commodities etc. The risks associated with many structured products, depend on each products’ individual characteristics.

The objective of structured products is to provide enhanced returns through linking an investment to another market(s) depending on the characteristics of the structure. Generally, a structure product invests in a variety of underlying assets such as shares, debt securities, commodities or mutual funds

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and derivatives linked to another market for generating returns. Risks depend on the investment characteristics of the structure product and can include loss of capital if the product structure involves leverage, rate of return may depend on specific conditions that should be met. Some structured products may provide a degree of capital protection, others do not. Products that come with '100 per cent capital protection, will still have exposure to inflation risk and counterparty risk because the guarantees behind the majority of such products are provided by a third party.

Because the return paid on structured products at maturity is tied to the performance of the underlying asset and can be variable, it is possible that the income may be zero or significantly less than what the client could have earned from an ordinary, interest-bearing debt security. The return on structured products, if any, is subject to market and/or other risks related to its underlying asset.

Some structured products impose limits and barriers that affect their return of profitability. With barriers, a structured product may not offer any return if a barrier is broken or breached during the term of the structured product. Conversely, some structured products may not offer any profit unless certain thresholds are achieved. Some structured products impose maximum income limits so even if the underlying assets generate a return greater than the stated limit, clients do not realize that excess return.

Past performance of an underlying asset class is not indicative of the profit and loss potential on any particular structured product. Structured products also may have participation rates that describe a client's share in the return of the underlying assets. Participation rates below 100% mean that the client will realize a return that is less than the return from the underlying assets.

Structured products are OTC products so all risks connected with OTC are applicable to the structured products. Structured products are unsecured debt obligations of the issuer. As a result, they are subject to the risk of default.

6. Exchange Traded Funds (ETFs)

ETFs are organized as either open-end investment companies or unit investment trusts ("UITs"). Each ETF must prepare and make available to prospective investors a prospectus and statement of additional information that contains detailed information about the ETF's investment objectives, investment strategies, specific risks and fees and expenses as well as other information. ETFs are comprised of baskets of stocks, bonds or other assets. Unlike mutual funds that always trade at exactly at its stated "net asset value" (NAV), may trade below or above their NAV because you can buy and sell ETFs intraday, like any other stock shares. Depending on the investment strategy and objective an ETF is exposed to all the risks mentioned in "Basic Investment Risks" section above.

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