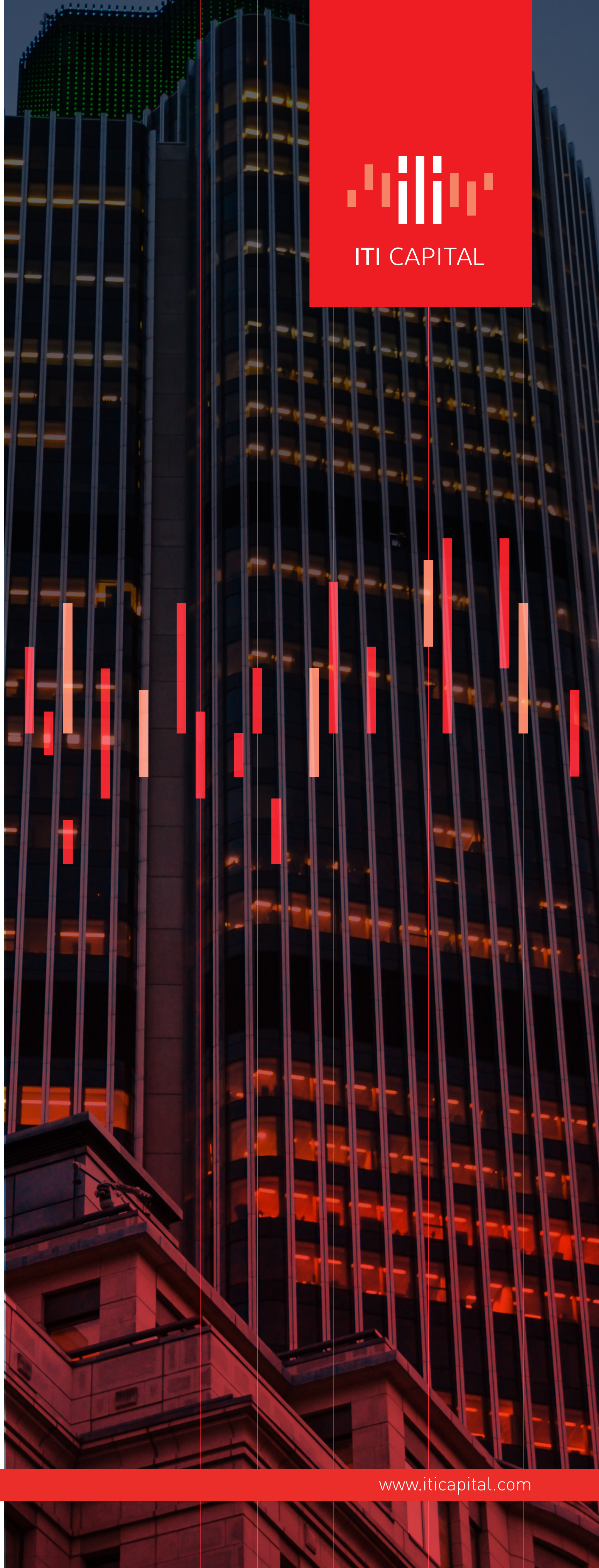
# RISK WARNINGS AND FURTHER DISCLOSURE

October 2018



## GENERAL WARNINGS AND DISCLOSURES

- The information in this Risk Warnings and Further Disclosure Document (the "Document") is supplementary to the Terms of Business (the "Terms") which you have received from the Company and which may be updated from time to time. Capitalised terms in the Document shall have the meaning given to them in the Terms.
- The information in the Documents does not constitute advice or opinion and is provided solely to enable you to make your own investment decisions. The Document may be amended or supplemented by additional risk disclosures from time to time and you are advised to familiarise yourself with the further risk information provided in respect of our Services and the relevant available products that can be found on the Company's Secure Access Website and Trading Facility.
- Clients are reminded that the value of any investment can go down as well up.
- Any Tax rules referred to in this Document or in the Terms are those that currently apply unless otherwise stated; such rules can change over time and any benefit or detriment to you will depend on your circumstances and financial position. Investors should seek their own independent professional advice on their particular tax situation and the application of such tax reliefs prior to making any investment.
- This document does not purport to disclose all risks and other significant aspects associated with entering into Transactions and otherwise receiving the Services. The products and Services referred to may not be suitable for all Clients. If you are unsure of the suitability of any investment or Transaction, you should contact your own professional advisors for specific advice in light of your circumstances and financial position.

**Market Risk**

- The price or value of an investment will depend on fluctuations in the financial markets outside of anyone's control, such as market supply and demand, investor sentiment and the price of any underlying or associated investments. Past performance should not be seen as an indication of future performance.
- Transactions on foreign markets will involve different risks from Transactions in your home market. In some cases the risk will be greater.
- Transaction in emerging markets may be exposed to additional risks including extreme price volatility, accelerated inflation, currency controls and other fiscal measures, adverse repatriation laws and political risk. Emerging markets generally may lack the levels of liquidity, transparency, efficiency, market infrastructure and regulation found in more developed markets. As a result, markets may react to developing news cycles with dramatic price volatility (both upwards and downwards) over relatively short periods of time.
- Transactions on foreign (including emerging) markets will also be subject to currency risk (see below).

**Currency and Interest Rate Risk**

- Exchange rate fluctuations may have an adverse effect on the value of shares.
- The potential for profit or loss from Transactions in foreign (including emerging) markets, or from Transactions denominated in a currency that is not your Base Currency will be affected by fluctuations in exchange rates. A movement in exchange rates may have a favourable or unfavourable effect on the performance of any such Transaction. In particular, the weakening of a country's currency relative to the Base Currency of your portfolio will negatively affect the value of any investment denominated in that currency and the value of your portfolio.
- Interest rates can rise as well as fall. The risk exists that the relative value of an investment, particularly a bond, will worsen due to an interest rate increase, while any such increase may also impact negatively on other products in a portfolio.

**Clearing House Protections**

- On many exchanges, the performance of a Transaction is guaranteed by the exchange or clearing house. However, this guarantee is usually in favour of the exchange or clearing house member and is unlikely in most circumstances to cover, or be enforceable by, you. This means you may, therefore, be subject to the credit and insolvency risk of the firm through whom the Transaction was executed.

**Operational Risk**

- Operational risk, such as breakdowns or malfunctioning of essential systems and controls, including IT systems, can impact all financial products. In addition, the risk that a business is run incompetently or poorly may also affect the shareholders of, or investors in, that particular business. Such risks may not be apparent from outside an organisation.

## GENERAL WARNINGS AND DISCLOSURES - CONTINUED

**Legal and Regulatory Risk**

- All investments could be exposed to regulatory or legal risk. Changes in the legal and regulatory environment could alter the profit potential of an investment and in certain circumstances could even have the effect of rendering a previously acceptable Transaction illegal.
- Legal and regulatory risk is unpredictable and can depend on numerous economic, political or other factors. Generally speaking, this risk is greater in emerging markets where there may be inconsistent and arbitrary application or interpretation of local rules and regulations, together with the imposition of changes (including with respect to the tax treatment of an investment) which have retrospective effect. In such jurisdictions, there is no guarantee that an overseas investor would obtain satisfactory redress in local courts in connection with disputes over ownership of assets and investments or for breaches of law or regulation.
  In addition, an investor may encounter difficulties in pursuing legal remedies and/or enforcing judgements in overseas courts.

## SPECIFIC DISCLOSURES

**Stocks and Shares**

- Stock market based investments are not guaranteed and may fall in value as well as rise. Shares are fully paid up and therefore an investor can only lose what's been invested but no more. You could get back less than you invest and it is possible to lose the entire sum invested.
- Smaller firms typically present more of a risk than larger firms, for reasons such as financial constraints or unproven products, but large cap firms can also suffer heavy losses. In extreme cases, these risks may include a company's bankruptcy resulting in the likely total loss of sums invested.
- Dividend returns primarily depend on the issuing company's earnings and its dividend policy. In circumstances of low profits or losses, dividend payment may be reduced or not made at all. Accordingly, any yields will vary over time and income is both variable and not guaranteed.
- Share prices may undergo unforeseeable price fluctuations over time with increases and decreases moving in short, medium and long term cycles, the durations of which cannot be accurately predicted. Investors should also be wary of risks arising from low liquidity in certain stocks.
- If you invest in individual shares listed on a stock market you should be aware that shares can be delisted at any time, sometimes with no prior warning. If this occurs it may be difficult and costly, or even impossible, to sell your shares. You could lose the entire value of your investment.
- Some investments (e.g. some AIM stocks) are less readily realisable than others, and it may therefore be difficult to deal in or obtain reliable information about their value.

**Bonds**

- Bonds are fully paid for and therefore an investor can only lose what has been invested and no more. While bonds are regarded as safer investments than equities, bond prices do fluctuate and a bond that is not held to maturity can suffer a capital loss.
- The issuer of a bond may become temporarily or permanently insolvent, resulting in its inability to repay the interest or redeem the bond. The value of a bond will fall in the event of a default, reduced credit rating or the deterioration in the perceived or actual solvency of the issuer.
- The terms of the bond may include a provision allowing for its early redemption if market interest rates fall. Any such early redemption may result in a change in the expected yield.

**Options**

- Options are financial derivatives that give the buyer the right, but not the obligation, to buy or sell the underlying asset at an agreed-upon price on a specific date, during a specific exercise window or otherwise in accordance with the contract terms. Options are considered an especially risky financial product and should be treated with great care. Buying options is less risky than selling (or "writing") options.
- For options that are "premium paid", that is the premium is paid by the option buyer at the initiation of the contract, the maximum loss to the investor is the money spent buying the option. However, there is a higher chance of losing this entire investment (when compared to equities and bonds), due to the requirement for the underlying asset to be above or below a certain price when the option expires.

## SPECIFIC DISCLOSURES - CONTINUED

- When writing options, the maximum profit is the amount collected at the time of sale.
- If options are sold "naked", that is with no price protection barriers, the maximum loss can be far greater than the amount initially collected from the initial sale and in the case of call options is theoretically unlimited.
- If you invest in option products, you should always inform yourself of the exercise and expiration procedures and your rights and obligations upon exercise and expiry.

**Futures**

- Futures are financial derivatives that involve the obligation either to make, or take, delivery of the underlying asset of the Transaction at a future date or to settle that position with cash.
- Futures Transactions carry embedded leverage which makes them a highly risky financial instrument. For a relatively small amount of capital allocated, an investor can be exposed to a relatively large amount of an asset and thus the associated profit and loss. As such, losses as well as profits can accrue very quickly as futures can move significantly in a single trading session. Such movements amplify the effect of the leverage and thus can expose an investor to significant losses. Accordingly, losses can greatly exceed the initial amount required to enter a futures position.
- Futures Transactions have contingent liability, and you should be aware of the implications of this before deciding to enter into futures Transactions, and in particular understand the Margin Requirements associated with any futures positions.

**Exchange Traded Funds ("ETFs")**

- Shares in ETFs are fully paid up instruments traded on a stock exchange and the investor's loss is limited to what has been invested. However, the prices of an ETF can change very significantly and an investor can suffer heavy losses from any such investment.
- ETFs can be based on a great many asset classes, constructed in a number of ways and may include leverage. The level of risk of ETFs can therefore vary substantially.
- If you invest in ETFs you should make sure you are fully informed as to the characteristics of the ETF you wish to invest in prior to making such investment.

**Mutual Funds**

- Mutual Funds are pools of capital with a particular investment mandate. Whilst the risk of these products can vary, due to the asset class(es) the mutual fund invests in and/or the competency of the manager(s), typically these are substantially less risky than other financial products. This is primarily due to the fact that an investment in a mutual fund benefits from diversification and therefore losses in one or more investments can be borne by profits in others, therefore smoothing the return profile. Whilst it is technically possible for an investor to lose an entire investment in a mutual fund, the chance of this happening is much lower relative to other financial products.

**Spot Foreign Exchange ("FX")**

- A Spot FX Transaction involves the purchase of one currency against the sale of another currency. A movement in the relative exchange rates of the pair of currencies that form the Spot FX Transaction may have a favourable or unfavourable effect on the gain or loss achieved on any such Transactions and the value of your portfolio.
- If you wish to enter into Spot FX Transactions, you should make sure you are fully informed as to the relevant Spot Date for the relevant currency pair.

**SIPPS and ISAs**

- Within ISAs and SIPPs all gains are free of capital gains tax and income is free of UK income tax.
- Before you decide to transfer an ISA, pension or unit trust to the Company, please ensure you understand how the transfer will be made. Most groups will allow you to transfer as stock but not all stock can be held with the Company. A few groups levy exit fees, please contact us for more details.
- When transferring as stock you will typically be unable to sell your holdings during the process, for example if you wish to protect yourself from falls or realised gains.
- If you choose to transfer as cash remember you will be out of the market for a period. This may work in your favour if the market falls but if it rises you will not benefit from any growth while you hold cash.

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