SKANESTAS
INVESTMENTS

# RISK DISCLOSURE STATEMENT

Updated on 20 July 2022

SKANESTAS INVESTMENTS

**Table of Contents**_Toc106727857


1. General ........ 3
   - 1.1 Market/Price Risk/Systematic Risk ........ 5
   - 1.2 Unsystematic Risk ........ 5
   - 1.3 Operational Risk ........ 5
   - 1.4 Technical Risks ........ 6
   - 1.5 Underperformance Risk ........ 6
   - 1.6 Political Risks ........ 7
   - 1.7 Legal Risks ........ 7
   - 1.8 Client Money and Counterparty Risk ........ 8
   - 1.9 Conflict of Interest ........ 8
   - 1.10 Limitation of Responsibility ........ 9
   - 1.11 Issuer Main Risks ........ 9
   - 1.12 Taxation ........ 9
   - 1.13 Liquidity Risk ........ 9
   - 1.14 Currency Risk ........ 10
   - 1.15 Investment Restrictions ........ 10
   - 1.16 Price Risk ........ 11
   - 1.17 Interest Rate Change Risk ........ 11
   - 1.18 Counterparty Risk ........ 11
   - 1.19 Country Risks ........ 11
   - 1.20 Credit Risk ........ 12
   - 1.21 Transaction Risk ........ 12
2. Risks Associated with Instrument Types ........ 15
   - 2.1 Risks of Derivatives ........ 15
   - 2.2 Futures ........ 17
   - 2.3 Repos and Stock Lending ........ 20
   - 2.4 Options ........ 16
   - 2.5 Futures and Forwards ........ 17
   - 2.6 Contracts for differences ........ 18
   - 2.7 Off-exchange transactions in derivatives ........ 18
   - 2.8 Risk of Over-the-Counter (“OTC”) Product ........ 18
   - 2.9 OTC Derivatives ........ 19
   - 2.10 Swaps ........ 20
   - 2.11 Funds ........ 20
   - 2.12 Alternative Investment Funds (“AIFs”) ........ 23
   - 2.13 Bonds ........ 24
   - 2.14 Money Market Instruments ........ 26
   - 2.15 Warrants ........ 26
   - 2.16 Debt Instruments ........ 27
   - 2.17 Collateral ........ 27
3. Aknowledgement ........ 28


Skanestas Investments Limited
226 Arch. Makariou III Avenue, 1st floor, 3030, Limassol, Cyprus
www.skanestas.com

Tel: +357 25 212 293
Fax: +357 25 253 640
Email: info@skanestas.com

SKANESTAS INVESTMENTS

This Risk Disclosure Statement (the "**Statement**") is an integral part of all the Client Contractual Documentation[1] entered into by Clients and the SKANESTAS INVESTMENTS LIMITED (hereinafter referred to as the "**Company**") for the provision of the Investment Services. The Risk Disclosure Statement is provided to all the Clients prior to the provision of the Investment Services by the Company.

Important: by signing the Client Contractual Documentation the Client expressly consents to this Risk Disclosure Statement.

All Clients and prospective Clients are strongly advised to read carefully the risk disclosures and warnings contained in this document. Should you have a question about the Risk Disclosures set forth herein please direct your questions to compliance officers of the Company via compliance@skanestas.com.

**This notice does not disclose or explain all of the risks and other significant aspects involved in transactions of all Financial Instruments and the Investment Services provided by the Company.**

References to Sections herein are references to Sections of the Statement unless indicated otherwise.

## 1. GENERAL RISKS ASSOCIATED WITH MOST INSTRUMENTS

Following the implementation of the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on Markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II) as well as the investment services and activities and Regulated Markets Law of 2017 (Law 87(I)/2017), the Company provides this notice with information about the risks associated when Clients are dealing with the financial products offered by the Company.

This notice does not purport to disclose or discuss all the risks and other significant aspects of any transaction nor does it explain how such risks relate to your personal circumstances, so the Client undertakes and warrants to have consulted with his/her own legal, tax and financial advisers prior to entering into any particular transaction.

When making decision to operate at various securities markets, the Client must bear in mind that investment in Financial Instruments and other financial assets may carry a risk of non-gaining expected income and occurrence of loss of all of the funds invested (or any part thereof), or even more.

The Client should be aware that there are significant risks in investing in the capital markets.

The extent of a risk assumed by the Client at investment in financial assets, Financial Instruments according to subsequent Investment Strategy shall be assessed by possible adverse changes in many parameters, not all of which may be forecasted.

Firstly, these are system parameters, being peculiarities of current social – political and economic conditions of the world economic development, including, economics of the Russian Federation and other Emerging Markets. Risks arising out of the possibility of worsening of systemic parameters are not connected with any particular financial instrument. They may not constitute an object of reasonable impact and management on the part of the Company, they are not subject to diversification and reduction. We refer the following risks to those related and treated as the main system risks: risk of changes in political situation, risk of adverse (from the viewpoint of essential business conditions) changes in the legislation, macro- and micro economical risks (sharp devaluation of national currencies,

[1] The Client Contractual Documentation is a set of legal contractually binding documents of the Company that the Client would enter into in order to be provided with the Investment Services by the Company. These could be, without limitation and as applicable, the Brokerage Agreement, the Portfolio Management Agreement, the Depositary Agreement, etc.

SKANESTAS INVESTMENTS

crisis at the market of government debt instruments, banking crisis, currency crisis, hyperinflation, dependency on individual sectors (a sector) (including oil and gas industries)), directly or indirectly resulting from political and legislative risks. Force-majeure risks, primarily those of environmental and geopolitical nature (external military operations, strikes), as well as stoppage in work of stock exchanges and essential element of political interference in various jurisdictions are also categorized as system risks.

Financial Instruments

The following financial instruments, including such instruments issued by means of distributed ledger technology ("**Financial Instruments**") include the following:

1) Transferable securities;
2) Money-market instruments;
3) Units in collective investment undertakings;
4) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5) Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
6) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
8) Derivative instruments for the transfer of credit risk;
9) Financial contracts for differences;
10) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF.
11) Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).

The Company is entitled to provide Investment Services (as defined hereinafter) to the Clients under its 'CIF' license in respect of the Financial Instruments.

The investment services and activities and ancillary services, which the Company is entitled to provide to the Clients under its CIF license, in respect of some or all Financial Instruments referred to hereinabove (hereinafter collectively referred to as the "**Investment Services**"), include the following:

Investment services and activities:

- Reception and transmission of orders in relation to one or more financial instruments;

SKANESTAS INVESTMENTS

- Execution of orders on behalf of clients;
- Dealing on own account;
- Portfolio management.

Ancillary services:

- Safekeeping and administration of financial instruments, including custodianship and related services;
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
- Foreign exchange services where these are connected to the provision of investment services.

Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments or become involved in any Financial Instruments, you should be aware of the guidance set out below.

Generally, only experienced investors capable to understand and assess substantial risks and making independent decisions on practicability of investment in the light of substantial risks may invest in Financial Instruments of emerging markets economics.

The Company does not and cannot guarantee the initial capital of the Client's portfolio or its value at any time.

Unless a relevant Investment Advice Agreement is signed between the Company and the Client, the Company will not provide the Client with any investment advice relating to investments or possible transactions in investments or in Financial Instruments or make investment recommendations of any kind.

### 1.1 Market/Price/Systematic Risk

It reflects the extent to which the return of the security varies in response to, or in association with, variations in the overall market returns. The value of a financial instrument may fluctuate dramatically due to different market factors including the price or level of any underlying reference asset, level of interest rates, credit quality of the issuer and guarantor (where applicable), foreign exchange rates, volatility, liquidity and tenor remaining on the financial instrument (if relevant). Such financial instrument may depreciate in value as quickly as it may appreciate and can also become valueless. Investing in such financial instrument is as likely to incur losses as it is to make profit. Past performance should not be used as an indicator of future performance. It is the risk of the Fund/Portfolio to lose value due to a decline in securities prices, which may sometimes happen rapidly or unpredictably.

### 1.2 Unsystematic Risk

Unsystematic Risk is the company or industry specific risk that is inherent in each investment. It is the risk of price change due to the unique circumstances of a specific security, as opposed to the overall market, such as financial results, losses caused by labor problems (i.e. strike), weather conditions, poor management decisions etc. This type of risk can be reduced by assembling a portfolio with significant diversification so that a single event affects only a limited number of the assets.

### 1.3 Operational Risk

It is the risk of loss arising from inadequacies in, or failures of system and controls for, monitoring and quantifying the risks and obligations of transactions with Financial Instruments, for recording and valuing Financial Instruments and related transactions, or for detecting human error or systems

SKANESTAS INVESTMENTS

failures. In general, operational risk loss can be categorized under the following (overlapping) categories:

- Internal and external fraud: Some person or persons either inside the organisation or outside it, or both, have broken regulations, laws or company policies and losses resulted. Insider trading, rogue trader, computer (cyber) crime and theft typically come under this category.
- Employment practices and workplace safety: These are losses arising from failure to implement required employment practices and include losses under discrimination suits and workers' compensation.
- Clients, products and business practice: Here, losses arise from failure to engage in correct business practice, for instance, via unsuitable sales to clients, money laundering or market manipulation.
- Business disruption and systems failures: These include all hardware, software, telecom and utility failure related losses.
- Execution, delivery and process management: This is a wide category including data entry issues, collateral management, failure to make correct or timely regulatory or legal disclosures, and negligent damage to client assets.

### 1.4 Technical Risk

The Client is warned of the following technical risks:

a) The Client and not the Company shall be responsible for the risks of financial losses caused by failure, malfunction, interruption, disconnection or malicious actions of information, communication, electricity, electronic or other systems.

b) The Company has no responsibility if unauthorized third persons gain access to Client information, including electronic addresses, electronic communication and personal data, access data when this is due to the Client's negligence or when the above are transmitted between the Company and the Client or any other party, using the internet or other network communication facilities, telephone, or any other electronic means or post.

c) The Client acknowledges that the internet may be subject to events which may affect his access to the Company's system(s), including but not limited to interruptions or transmission blackouts, software and hardware failure, internet disconnection, public electricity network failures or hacker attacks. Unless otherwise specified at the Client Contractual Documentation, the Company is not responsible for any damages or losses resulting from such events which are beyond its control or for any other losses, costs, liabilities, or expenses (including, without limitation, loss of profit) which may result from the Client's inability to access the Company's Systems or delay or failure in sending orders or Transactions.

### 1.5 Underperformance Risk

This is not a deposit. There is no deposit or similar guarantee scheme from Company, other party or an authority that will return the Client his/her investments and/or its proceeds. There is no guarantee that the Client will earn returns that will be greater than or at least equal to any potential return you may have earned by using services of the Company or elsewhere. There is also a risk that you may not receive any returns and may in fact incur losses on your investment exceeding Client's investment.

The Company does not make any performance guarantees. Part performance does not guarantee future results.

SKANESTAS INVESTMENTS

### 1.6 Political Risk

It constitutes a possibility of occurrence of losses or reduction in the amount of profits resulting from governmental policy. Thus, a political risk is connected with possible changes in policies of the government, other governmental bodies, and changes in priority lines of the government activities.

Any changes at the political arena may exert influence on the possibility of repatriation of capital, dividends received and profits gained, and on the whole, on rights of investment and ownership of investments. Political risks also mean corruption in the governmental, administrative and financial systems, disadvantageous international relations and/or international economic sanctions, and/or international attention to functioning of their governmental, administrative and financial systems, to work on countering to laundering of illegal funds and financial crimes, as well as contribution in international activity on countering to terrorism. Sanctions may be imposed on a country on the whole as well as on any individual or corporate entity of a country, or may be connected with a country. There also exists a substantial risk that guarantees of an investor's security may not be always observed, and the policy on stimulation of foreign investments may be terminated. One cannot positively affirm that securities or other relevant assets will not be nationalized, requisitioned, confiscated or subject to compulsory reorganization.

### 1.7 Legal Risk

The applicable legislation is subject to frequent and substantial changes, that may have an adverse effect on capability of the Company and the Client to carry out activities connected with effectuation of an investment strategy, agreed with the Client or selected by the Client, to fulfil provisions set forth in the Agreement entered into.

Legal practice often gives rise to questions concerning applicability of these or those legislative regulatory legal acts, instructions, decisions and letters issued by various regulatory bodies, as a result of which there is a risk of imposition of penalties or other claims with regard to activities carried out by the Company and the Client in spite of measures taken for observance of effective norms and rules, which may affect financial performance and damage activities carried out by the Company and performance of subsequent Portfolio of the Client.

Changes in currency control regulations, licensing requirements, tax legislation, laws regulating capital and securities markets; formation of the judicial practice substantially changing the existing state of affairs may adversely affect activities carried out by the Company and the Client including, in some cases, such changes may result in losses, inexpediency to carry out activities connected with Financial Instruments.

Legal systems of emerging markets are exposed to the following risks:

- inconsistency of some legislative regulations, provisions and instructions;
- difficulties in interpretation of applicable laws due to absence of accumulated judicial practice;
- existing substantial gaps in terms for adoption of laws and approval of legislative instruments and instructions explaining their application in practice;
- lack of administrative control over fulfilment of adopted changes in the legislation;
- insufficient working out of questions connected with the securities market, tax legislation.

Adoption by governmental bodies of legal normative acts or guidelines may entail additional expenses and costs and/or adversely affect activities carried out by the Company and the Client, connected with the securities market and Financial Instruments as well the Investment Services.

Besides, governmental and municipal bodies may also change rules of law, adopt legislative instruments, change or cancel previously concluded agreements, withdraw licenses and permits, conduct

extraordinary tax inspections, administrative inquiries and carry out legal prosecution. The Client and the Company may incur losses, penalties and fines, judicial, legal and other expenses.

Taking into account the latest events in the international economics tax laws of a number of jurisdictions are subject to frequent changes, and some of legislative instruments connected with current taxes are comparatively new. Therefore, in practice application of these legislative instruments and instructions is often not clear. Differences in opinions regarding legal interpretation of the procedure for calculation and payment of taxes and dues among governmental bodies may create substantial difficulties when fulfilling requirements of the tax legislation in connection with the Investment Services.

In a number of cases legal risks also include lack of complete and established regulation of capital markets and lack of compensating schemes for investors or their limited nature. Therefore, there is a significant lack of legal clarity concerning the nature and scope of rights of investors and their opportunity to exercise their rights.

Rights and remedies available to the Client may as stated in rules, policies and procedures of a trading venue may be governed by laws applicable to the trading venue. Such rights and remedies under applicable laws may differ from those available to Client in his/her jurisdiction.

**Regulatory Reporting Obligations**

The Client bears full liability for any regulatory reporting obligation which is imposed on the Client by any applicable legislation, for example pre- and post-trading reporting and disclosures by certain category of clients in respect of defined set of transactions. Even where the Client uses delegated reporting services, the Client remains ultimately responsible for compliance with his/her reporting obligations.

**Deposit Insurance and Protection**

Most financial instruments in the Statement do not enjoy deposit, savings or similar protection, insurance or guarantee. Client's investments may be not reimbursed fully and/or partially by a government, competent authority, the Company and any other person. In such case, losses of a client are borne solely by the client.

## 1.8 Client Money and Counterparty Risk

Any money that we hold on your behalf are kept in one or more segregated accounts with an institution within or outside the European Economic Area, separated from the Company's money. It is noted that the legal and regulatory regime applying to any financial institution outside Cyprus or the EEA will be different to that of Cyprus.

However, where we are unable to meet our duties and obligations arising from your claim, you may benefit from the Investor Compensation Fund. For more information feel free to study the relevant legal documentation on the Investor Compensation Fund on the Company's website: skanestas.com.

Requirements for segregation of Client's positions and collateral from the positions and collateral of the Company may vary between jurisdictions. This may lead to commingling of positions and collateral of the Clients with these of the Company and/or its other clients.

## 1.9 Conflict of Interest

The Company takes all reasonable steps to identify and prevent or manage the conflicts of interest arising in relation to its business lines and its group's activities under a comprehensive Conflicts of Interest Policy. The disclosure of conflicts of interest by the Company should not exempt it from the obligation to maintain and operate the effective organisational and administrative arrangements. For more information on (potential) conflicts of interest and the mitigation measures taken by the Company, kindly refer to the Company's Conflicts of Interest policy.

SKANESTAS INVESTMENTS

### 1.10 Limitation of Responsibility

The Company shall not bear any responsibility for losses or damage caused by changes in laws, legislative instruments, rules for their interpretation or inconsistent or voluntary application of laws or legislative instruments by any regulatory body. Neither the Company, nor its Associates bear any responsibility if they act in accordance with usual commercial practice/best practice in the market and the applicable requirements.

More specifically, neither the Company, nor its Associates shall bear any responsibility:

- for losses or damage caused by wrong identification or non-identification of forged documents and for the avoidance of doubt, the Company is not obliged to verify signatures of Authorized Representatives.
- for losses or damage caused by legal incapacity of the Client or its Authorized Persons.
- for failure of the Client to secure their access rights to the Company's systems and communication with the Company, the relevant logins and passwords.
- for any consequences resulting from any mandatory information disclosure which the Company or its Associates are required to make under the applicable legislation.

### 1.11 Issuer Main Risk

Risks of securities: risk of investing in a particular investment instrument, including but not limited to securities issued by companies listed on emerging markets;

Registrar's risk: risk of investing in the securities of an Issuer that has entered into a service agreement with a particular registrar;

Issuer's bankruptcy risk: risk of insolvency of an Issuer of securities, which will result in a sharp decline (up to complete loss of liquidity) of security price (in case of shares) or impossibility to redeem it (in case of bonds).

Risk of poor corporate governance and/or disclosure: some issuers may fail to make proper disclosures and/or have internal corporate governance issues.

### 1.12 Taxation

Tax legislation may vary between jurisdictions. Current interpretation of tax laws or their application in practice may be changed or any individual law may be changed subject to retroactivity effect. The Company, acting in interests of the Client and the Client itself may become an object of taxation, not operating in the course of investment, and this may affect results of investment activity as a whole. There is no any guarantee that relevant double taxation agreements entered into or adopted and currently implemented will not be amended. It is necessary to notice that proceeds from securities sales or receipt of any dividends and other income may subject to taxes, dues, charges. Different transactions may have different tax implications and the tax consequences of any transaction is dependent upon your individual circumstances and may be subject to change in the future.

### 1.13 Liquidity Risk

It is the risk that arises from situations in which an investor interested in trading a security, cannot do it because nobody in the market wants to trade that security. It is the inability to find buyers on the terms desired. It is the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Liquidity risk is connected with occurrence of losses at sales of securities, other assets due to changes in valuation of their investment qualities by market participants and slowdown in probability to sell them at required price. In particular, this risk may be manifested as the need arises to quickly withdraw funds from the securities market.

SKANESTAS INVESTMENTS

Non-highly traded securities bear higher liquidity risk (trading related liquidity risk) since there is a risk of having difficulty in liquidating an investment position without taking a significant discount from current market value.

The liquidity risk is usually reflected in a wide bid-ask spread and large price movements and can take the following three forms:

- Bid-ask spread: how much a trader can lose by selling an asset and buying it back right away
- Market depth: how many units traders can sell or buy at the current bid or ask price without moving the price
- Market resiliency: how long it takes for prices that have fallen to bounce back.

Liquidity risk can be of significant consideration when investing in some emerging markets, in certain lightly traded securities such as unlisted options etc.

Some Financial Instruments in which the Client may invest will not be offered at the stock exchange or at any organized trading venue. Therefore, there is a risk that investments will not be liquid and investment appraisal will be hampered. If the Client trades in illiquid Financial Instruments and they need to close their position, they should ensure they know risk mitigation techniques.

### 1.14 Currency Risk

It is associated with international transactions and is characterized by the risk of probable adverse change in one currency against another one and/or abrupt national currency devaluation. As a result, part of the investment/portfolio balance may be lost if the currency fluctuates in an adverse way from the investment placed. It is the risk that an investor will have to close out a long or short position in a foreign currency at a loss due to an adverse movement in exchange rates. It can also be described as the uncertainty of returns to an investor who purchases securities denominated in a currency different from his/her domestic currency. This type of risk is particularly high and may lead to significant losses.

The value of investments denominated in US dollars or in any other hard currency other than the Client's base currency/investment currency may be significantly changed depending on an unstable currency exchange rate and high inflation. Currency exchange rate may be changed between the date of transaction and the date of purchase of a required currency for performance of payment obligations. Accordingly, the purchase price denominated in a local currency may be higher than on the date of a relevant transaction.

Some cases may give rise to questions connected with currency control affecting the capability to transfer and to withdraw funds to and from a country, as well as convertibility of their currencies. Therefore, it is necessary to pay special attention to observance of formalities, connected with currency control and obtainment of all required licenses, including, as may be required, registration of initial investments. Exchange control regulations are often subject to changes and it may turn out that the Client, the Company or investors in general will not be capable to convert a local currency into a freely convertible currency. At the worst, banking accounts may be freeze.

### 1.15 Investment Restrictions

In some cases, foreign investments in Financial Instruments are or may be restricted from a legal point of view or may become restrictive by reasons uncontrollable by the Company or the Client. This may affect liquidity, value of securities, other Financial Instruments and the total value of investments.

Sometimes such restrictions are contained in documents, which are not always easy to obtain. The Client understands that in some cases holding of certain Financial Instruments are restricted by requirements to citizenship, nationality or the place of residence. The Company bears no liability for any such restrictions.

SKANESTAS INVESTMENTS

There is also a risk that local authorities will consider existing agreements as bearing agency nature, vesting the Client with the beneficiary ownership to Financial Instruments. The Client hereby acknowledges that this may have significant negative consequences. The Client confirms that it has been informed of risks connected with acquisition of securities relevant to emerging markets, including (but not limited to) risks connected with synthetical investments in developing countries, as well as that it assumes these risks, and all these circumstances may result in total loss of investments on the Client's account, as well as in payment of additional funds for high-risk strategies.

### 1.16 Price Risk

It is a risk of changes in value of shares of enterprises and government securities, commodity and other instruments, which may result in changes in value of assets and therefore in losses.

Prices quoted on stock exchanges generally reflect the prices at which the Company may trade. These prices reflect changing market conditions and therefore quotes can and do change rapidly. As such, when a Client order is received and processed by the Company, the quote on a stock exchange may be different from the quote displayed when the order was sent by the Client. This change in price is commonly referred to as "slippage."

If the requested price is no longer available and therefore the order is non-marketable, the Company will not execute the order. The Company may later execute the order if it becomes marketable. A Client's order may not to executed altogether or executed later than anticipated.

### 1.17 Interest Rate Change Risk

is a risk of losses resulting from adverse change in interest rate affecting the market value of various assets, including fixed yield securities. Interest rates can rise as well as fall. A risk with interest rates is that the relative value of a security, especially a bond, may worsen due to an interest rate increase. This could impact negatively on other products. For example, as interest rates rise, bond prices fall and vice versa. *i.e. as interest rates increase, the **opportunity cost** of holding a bond decreases since investors are able to realize greater yields by switching to other investments that reflect the higher interest rate*. For instance, a 5% bond is worth more if interest rates decrease since the bondholder receives a fixed rate of return relative to the market, which is offering a lower rate of return as a result of the decrease in rates. There are additional interest rate related risks in relation to floating rate instruments in that interest income on floating rate instruments cannot be anticipated.

### 1.18 Counterparty Risk

The insolvency of the firm with whom you are dealing, including the Company, and/or any other broker involved in your transaction(s), may lead to positions being liquidated or closed out without your consent or, indeed, investments not being returned to you.

### 1.19 Country Risks

Country risk also called "political risk" is the specific risk that an international investor bears because of the political or economic conditions of the country he/she invested. Thus for investors, country risk can simply be defined as the risk of losing money due to changes that occur in a country's government or regulatory environment.

Different jurisdictions may decide to impose exchange controls or other limitations or restrictions.

Furthermore, the Client should be aware that there are significant additional risks in investing in securities of any issuer located in high-risk countries from anti-money laundering standpoint, for example countries subject to comprehensive sanctions regimes. Investments in such countries is highly speculative, involves a high degree of risk and may result in the loss of the entire investment. Generally, such investment is only suitable for sophisticated investors who fully understand and appreciate the

SKANESTAS INVESTMENTS

risks involved. Accordingly, the Client should exercise particular care in evaluating the risks involved and must decide for himself (herself) whether, in the light of those risks, investment is appropriate.

### 1.20 Credit Risk

It is a risk of partial or complete non-performance of financial obligations by a party to an agreement or an issuer of one or another financial instrument or suffering by the Company, the Client of financial losses under such agreements or securities, other Financial Instruments.

The extent of credit risk borne depends on how large the cash flow or cash flows at risk are, the probability of being deprived of them and the amount the Client is likely to receive, if any, if the counterparty does not perform.

In this regard there is also a Risk of Bankruptcy of a Counterpart to a Transaction, which lies in probable insolvency of a counterpart to delivery an instrument or to effect payment, or to carry out any other counter delivery to AWM, which in turn will lead to losses incurred by the Portfolio.

It should be also noted that in some cases there is also an Issuer's Bankruptcy Risk, lying in probable insolvency of an issue of securities, other financial instrument, which may lead to sharp fall in prices (up to total loss in liquidity) for such securities (in case of shares) or incapability to redeem them or to receive coupon yield (in case of debt securities). Applicably to shares this risk is to the most extent determined by financial standing and paying capacity of the issuer.

The Client acknowledges that fixed yield securities, structured products and OTC options are exposed to the credit risk. Fixed yield securities of lower quality are more exposed to the credit risk if compared to those of higher quality.

The Client also acknowledges that with regard to fixed yield securities there are risks connected with early redemption. Issuers of fixed yield securities may not early redeem the principal debt on securities especially, when interest rates are reducing. Therefore, there may be a situation when requested by the Client The Company will be incapable to reinvest the principal debt at a beneficial rate, thereby reducing profits expected by the Client on the Portfolio. On the other part, growing interest rates may lead to early redemption at the rate, which is lower than that expected. This substantially extends terms for redemption of relevant securities making them more sensible to interest rate fluctuations, which makes their value more volatile.

The Client agrees that low rating debt securities are exposed to additional risks. Government bonds are also exposed to a risk and in some circumstances of political, diplomatic, social or economical nature in some developing countries – issuers of low quality bonds interest or principal amount may be not paid when due.

There is also a risk of illegal actions in respect of investor's assets and investor's rights protected by law on the part of third persons including the issuer, registrar, and depository.

### 1.21 Transaction Risk

It is a risk connected with breakdowns, malfunction or failures of any transfer system, communications facilities, software, computer or any other equipment, hardware or any stock exchange or registration system, closure or faults of stock exchanges, trading floors or registrars, errors or differences in extracts if such errors of differences resulted from technical errors.

Trading outside of operating hours of a trading venue may not be possible. Business days of a trading venue may differ from those of the Company and the Client, which may impair investment services to you. Execution, clearing, and settlement of transaction in Financial Instruments may take longer than expected for reasons within or outside control of the Company and the Client.

SKANESTAS INVESTMENTS

### 1.22 Margin Trading Risk

Margin trading means engaging in a transaction in which securities are purchased partially through a margin loan extended to you by the Company, for which the securities act as collateral. Margin trading can also mean trading investment products such as futures or options in which an initial "margin" deposit is made to secure your obligations and further margin may be required to secure your obligations as the value of your positions changes.

When engaging into margin trading, the Client shall bear all risks related to decrease in the value or total loss of the assets, existing on the relevant account and securing claims to the Client under those positions, not secured by the Client's assets. It means that in case of margin trading the Client may suffer the losses inappropriately soon and greater than those without margin trading.

In margin selling of the Financial Instruments losses that the Client may face are not limited. The position shall be closed notwithstanding changes in the value of Financial Instruments. There at the current market value of the Financial Instruments may many times exceed the value of the instruments calculated under margin transaction. Thus, you may suffer losses exceeding funds you deposit with a margin account.

One of the key issues, but not the only issues that may affect the Client's exposure to risk, is a requirement to continually maintain the margin level, reflecting sufficiency of the margin required by the Client in order to hold the securities. The margin mechanism of a Financial Instrument may require that additional funds are provided immediately without previous notice. Failure to maintain the required margin may result in the liquidation of any open positions without prior notification to the Client. The Company has the right to decide which positions to sell in order to maintain the required margin without prior notification to the Client.

The Company may increase maintenance margin requirements at any time and is not required to provide you with advance written notice. No changes in Company's policies are required to give effect to such change. Your failure to maintain adequate margin in the event of an increased margin rate generally will cause the Company to liquidate or sell Financial Instruments in your account(s).

### 1.23 Algorithmic Trading

Algorithmic trading means trading in financial instruments where a computer algorithm automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention, and does not include any system that is only used for the purpose of routing orders to one or more trading venues or for the processing of orders involving no determination of any trading parameters or for the confirmation of orders or the post-trade processing of executed transactions[2].

If the Client Contractual Documentation does not bar the Company from algorithmic trading, the Company may use a suite of various order types on trading venues that may use computerized algorithms. These order types allow to input various conditions as part of order execution or other investment services to the Client. The Company's computerized routing systems will attempt to place such orders into the market in accordance with the conditions set by the Client or the Company. Algorithmic order types range from standard limit orders to more complex strategies. Some risks associated with algorithmic trading are as follows:

[2] Article 4(1)(39) of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II).

1. Technical Errors

Algorithmic trading can be affected when the Company systems or stock exchanges' systems are experiencing technical difficulties. Risks include possible delays or failures in (i) availability of connection to our services and of services to the relevant exchange, including any authentication protocols and internet connectivity issues; (ii) the operation of databases and internal transfers of data; (iii) the provision of data feeds (accuracy of data and stability of data connections); (iv) possible hardware failures; (v) usage loads, bandwidth limitations, and other bottlenecks inherent in computerized and networked architectures; (vi) issues, disputes, or failures of third party vendors and other dependencies; and (vii) other general risks inherent in computer-based operations. Any of these could lead to delays or failures in order execution, incorrect order execution or other problems.

2. Software or Design Flaws

All software is subject to inadvertent programming errors and bugs embedded in the code comprising that software. Algorithmic order types may contain logical errors in the code to implement them. Errors may exist in the data used for testing the algorithm or the applicable model of the market. Despite testing and monitoring, inadvertent errors and bugs may still cause algorithmic order types to fail or behave incorrectly.

3. Market Impact and Events

Market conditions will impact the execution of algorithmic orders. Possible adverse market conditions include lack of liquidity, price swings, late market openings, early market closings, market chaos, and mid-day trading pauses, and other such disruptive events. The execution of an algorithm can itself have an impact on the market, including causing lack of liquidity or abrupt and unwarranted price swings.

4. Losses

Losses can happen more quickly with electronic and algorithmic trading compared to other forms of trading. Any or all of the above risk factors could cause more significant trading losses when using algorithmic trading compared to other forms of trading.

5. Special Risks of Algorithmic Orders

The Company adopts various order types that use computerized algorithms. These order types allow to input various conditions as part of order execution or other investment services to the Client. You agree that if algorithmic order types are used, it is your responsibility to understand how the order type works, including through inquiry into particular order types. Algorithmic trading involves special risks, including, among others, the risk of software or design flaws, technical errors, adverse market impacts from algorithmic orders and rapid losses. You understand and agree to accept these risks when using algorithmic orders and you waive any right to make claims against the Company in connection with such orders.

6. Limitation on Best Execution

The Company may be unable to fulfil its Best Execution obligations set out in the Best Execution and Order Handling Policy of the Company in full within the ambit of algorithmic trading. The Company might not be in position to achieve the best possible result for the Client in the course of algorithmic trading, for example, lowest price of a financial instrument, smallest costs related to the execution and

other execution factors. Thus, the Client may incur additional expenses in comparison to non-algorithmic trading.

## 2. RISKS ASSOCIATED WITH PARTICALAR INSTRUMENT TYPES

### 2.1 Derivatives Generally

Warning: You should not deal in derivatives unless you understand the nature of the contract you are entering into and the extent of your exposure to risk. You should also be satisfied that the contract is appropriate for you in the light of your circumstances and financial position.

A derivative is a financial instrument, the value of which is derived from an underlying asset's value. When trading derivatives, the Client is not entitled to the physical delivery of the underlying instrument of the derivative the Client is trading and the Client has no rights (including voting rights) in the underlying instrument. This means that the Client is not entitled to ownership of the underlying asset of such a contract.

The Client must understand that there are significant risks of trading in derivatives, including futures, swaps, options. You shouldn't deal with derivative instruments if You do not clearly understand the essence of an agreement to be signed, instrument acquired and a degree of risk. Though derivatives may be used for management of investment risks, some types of investments are not appropriate for the majority of investors. Various instruments are exposed to various risk level; when deciding whether to commence trading in such instruments or not it is necessary to understand the level of risks connected with debt-equity ratio, (specifically a risk that a small deposit or the first instalment may result in significant losses and/or a risk that relatively small market fluctuations may result in disproportionately major change in the cost of Your investments both profitable and not). Transactions with futures involve contingent liabilities, and the Client must be aware of their consequences and, in particular, of margin requirements. Transactions subject to contingent liabilities with margin require from the Client to effect a number of payments in consideration for the purchase price instead of a lump sum payment of the total amount of purchase. If the Client authorizes the Company to effect transactions with futures, agreements for difference or options the Client may come up against total loss of a margin deposit opened for creation of maintenance of a certain position.

IF THE CLIENT SUFFERS LOSSES DUE TO MARKET FLUCTUATIONS, THE CLIENT MAY BE REQUIRED TO PAY SIGNIFICANT EXTRA MARGIN WITHIN SHORT TERMS FOR MAINTENANCE/PRESERVATION OF ITS POSITION. IF THE CLIENT FAILS TO DO SO IN DUE TIME, ITS POSITION MAY BE LIQUIDATED AT A LOSS, AND THE CLIENT MAY BECOME RESPONSIBLE FOR EMERGED DEFICIT.

Transactions subject to contingent liabilities, which are carried out not on recognized or qualified investment exchanges may involve the Client into a higher risk. As concerns options, only experienced professionals may work with uncovered options subject to preliminary obtainment of complete information on current conditioned and potential risk. In spite of the fact that some over-the-counter markets may be highly liquid, transactions with over-the-counter or «non-transferable» derivative instruments may involve a higher risk than investment in market derivative instruments due to the lack of a stock exchange, on which a position may be opened or closed. Therefore, liquidation of a current position as well as assessment of value of the position on an ex pit transaction or a risk may not be possible. There are no instructions on purchase and sale offer, and if any, they are established by dealers on relevant instruments, in which connection it may be difficult to set a fair price.

Volatility of price and market availability: Derivatives have high risk connected with them, predominantly as their value is dependent on the future value of underlying assets, while a certain change in value of the underlying asset over a period of time may result in an amplified change in the value of the derivative.

SKANESTAS INVESTMENTS

Normal pricing relationships between the underlying asset and the derivative contract may not exist. This can occur when, for example, the derivative contract is subject to price limits while the asset is not. The absence of an underlying reference price may make it difficult to judge "fair" value of the derivative contract.

Risks set out in this Section 2.1 apply to specific types of derivatives set out in Sections 2.2–2.9 with respective changes.

### 2.2 Options

There are many different types of options with different characteristics subject to the following conditions.

a) **Buying options:** Buying options usually involves less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if you buy a call option on a futures contract and you later exercise the option, you will acquire the future. This will expose you to the risks described under 'futures'.

b) **Writing options:** If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price. If you already own the underlying asset which you have contracted to sell (when the options will be known as 'covered call options') the risk is reduced. If you do not own the underlying asset ('uncovered call options') the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

c) **Traditional options:** Traditional options may involve greater risk than other options. Two way prices are not usually quoted and there is no exchange market on which to close out an open position or to effect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk.

Certain options markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position.

Margin or similar obligations: If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium you received at the outset of the contract. By writing an option, you accept the legal obligation to purchase (when you have written a put option) or sell (when you have written a call option) the underlying asset at a pre-set price (the exercise price). This obligation may be triggered against you by the exercise of that right by your counterparty to the option (the option buyer). Your loss in such case depends on the difference between the option premium received and the balance between the market price and the exercise price upon exercise of the option.

Leverage and loss of investment: if the price of the underlying asset moves against you, you can simply allow the option to lapse. Your maximum loss is limited to the premium you paid at the beginning of the transaction, plus any commission or other cost and expenses charged to you in connection with the buying option. However, if you buy a call option on a futures contract and at an exercise date decide to exercise your buying option, you must acquire (and pay) for the underlying future contract. You will subsequently be exposed to the risks described under "futures" and "contingent liability investment transactions".

SKANESTAS INVESTMENTS

Additional commitments and liabilities: If you already own the underlying asset which you have contracted to sell (known as "'covered call options") upon exercise of the option right by the option buyer, the risk that you may not be able to deliver the asset to the option buyer is mitigated. If you do not own the underlying asset (known as "uncovered call options") the risk can be unlimited because you may have to buy the asset at (potentially much) higher price than the exercise price, in order to meet your delivery obligation to the option buyer[3].

Disinvestment and exit: There are several option styles including (but not limited to) American-, European- and Bermuda-style. An American-style option may be exercised at any time prior to its expiration. A European-style option may only be exercised on a specific date, its expiration date. A Bermuda-style option may be exercised on certain specified dates during the term of the transaction. When the option is exercised or expires, a purchaser is responsible for any unpaid premium outstanding at that time.

### 2.3 Futures and Forwards

Transactions in forwards and futures 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. The "gearing" or "leverage" often obtainable in futures trading means that a small deposit or down payment can lead to large losses (even exceeding the Client's balance) as well as gains. Thus, a relatively small movement in the value of the underlying asset can lead to a proportionately much larger movement in the value of the investment, which may be either favourable or unfavourable for the Client.

Margin or similar obligations: Futures and forwards transactions typically embed a contingent liability, in particular margining requirements: these require that, on a daily basis, with all exchange-traded, and most over the counter off- exchange, futures and forwards, you are obliged to pay in cash the equivalent of any losses incurred on your investment, on a daily basis. If you fail to do so, the contract may be terminated.

Leverage and loss of investment: The "gearing" or "leverage" often embedded in futures and forwards means that a small deposit or down-payment can lead to large losses as well as gains, especially if, at maturity of the future contract you are obliged to deliver assets at a pre-set price, and you have to buy these assets at higher market price in order to meet your obligation under the future contract. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment, and this may benefit you but, this may also work against and potentially you may lose more than your initial investment in the derivative contract.

Additional commitments and liabilities: generally none, unless the futures or forward contract stipulates otherwise.

Disinvestment and exit: Forward contracts generally mature by delivering the commodity or price of the commodity. Forwards are settled at maturity. Future contracts may not necessarily mature by delivery of commodity. Futures are settled daily.

### 2.4 Additional Risks of Futures

Within a trading day due to changes in quotations on futures agreements a variation margin is charged on the Client's account. A variation margin is calculated as a difference between a closing price and an opening price multiplied by a number of agreements in the Client's portfolio on a specified asset (for futures agreements on a stock exchange index an obtained figure is divided into a price move and multiplied by a fixed interest of the current dollar rate). Based on logic of the trading system it is

[3] Fees of the Company and taxes are omitted from additional commitments and liabilities described in the Statement.

SKANESTAS INVESTMENTS

assumed that a client opens a futures position every morning and closes it before the prom clearing, opens it after the prom clearing and closes its at the time of the main clearing. If the Client opens a position within a trading day, then a current market quotation will be an opening price. If the Client opens a position before clearing, then the current market quotation on a relevant futures agreement will be a closing price.

### 2.5 Virtual Currency Futures and Options

Virtual (crypto) currency ("**VC**") is a digital representation of value that functions as a medium of exchange, a unit of account, or a store of value, but it does not have legal tender status.

A price of VC may ultimately affect the price of VC futures and options. Value of VC is completely derived by market forces of supply and demand, and they are more volatile than traditional fiat currencies. VC cash market operates through Internet-based trading platforms that may be unregulated and unsupervised. Profits and losses related to this volatility are amplified in margined futures contracts. Futures and options with underlying VC do not provide complete protection against this volatility.

You may not be entitled to receive the actual VC, when you purchase a VC-based futures and options. This depends on the particular contract. In other cases the Client will pay or receive (depending on which side of the contract they have taken long or short) the dollar equivalent of the VC based on an index or auction price specified in the contract.

VC, futures, options and other Financial Instruments with underlying may not be allowed by laws of your jurisdiction or other applicable laws. These laws may the Company from provision of investment services to you with respect to VC futures and options.

Risks of Virtual Currency Futures and Options embody within them risks appertaining to general futures and options which are set out in Sections 2.2–2.4.

### 2.6 Contracts for Difference

Futures and options contracts can also be referred to as contracts for differences (CFDs). These can be options and futures on any index, as well as currency and interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash.

Investing in a contract for differences carries the same risks as investing in a future or an option and you should be aware of these as set out in above.

Margin or similar obligations: similar risks as for options and futures set out in Sections 2.2–2.4.

Leverage and loss of investment: similar risks as for options and futures set out in Sections 2.2–2.4.

Additional commitments and liabilities: a transaction in a contract for differences may also have a contingent liability and you should be aware of its implications from clauses governing the contract for differences.

Disinvestment and exit: these contracts can only be settled in cash, thus, there is no need to purchase an asset to perform Client's obligations in accordance with a contract for differences.

### 2.7 Off-Exchange Transactions in Derivatives

While some off-exchange (over-the-counter; OTC) markets are highly liquid, transactions in off-exchange or 'non-transferable' derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid prices and offer prices need not be quoted. The Client should ask to take into account whether a particular derivative is arranged on exchange or in an off-exchange transaction. Risk of Product:

SKANESTAS INVESTMENTS

Positions opened over the counter may expose the Client to greater risks than regulated exchange/ trading venue transactions.

Loss of Capital Risk: you may lose capital in OTC product investment in whole or in part.

General Market Risk: the general economic and political climate, general movements in local and international capital and stock markets, prevailing and anticipated economic conditions, investor sentiment and other events and factors will have impact (positively or negatively) on the value of the OTC product.

Interest Rate Risk: the value of the OTC product with fixed income may have an inverse relationship to interest rate. When interest rate rises, the value of the relevant product falls and vice versa.

Liquidity Risk: the OTC product is less liquid and may not have secondary market.

Volatility of price and market availability: Off-exchange derivatives are individually negotiated. As the terms of the transactions are not standardised and no centralised pricing source exists (as exists for exchange traded instruments), the transactions may be difficult to value. Different pricing formulas and financial assumptions may yield different values, and different financial institutions may quote different prices for the same transaction. In addition, the value of an off-exchange derivative will vary over time and is affected by many factors, including the remaining time until maturity, the market price, price volatility and prevailing interest rates.

Margin or similar obligations: similar risks as for options and futures set out in Sections 2.2–2.4.

Leverage and loss of investment: similar risks as for options and futures set out in Sections 2.2–2.4.

Additional commitments and liabilities: an off-exchange transaction in derivatives have bigger exposure to a counterparty credit risk unless mitigated by a contract governing the transaction.

Disinvestment and exit: terms of completion and termination of an off-exchange transaction is governed by a derivative contract agreed by the Client or by the Company on behalf of the Client.

### 2.8 OTC Derivatives

Loss of investment: there is a risk that the Client will pay an upfront amount, but never receive any benefit from the transaction. The client may even lose all his/her initial investment amount.

Legal risk: if a counterparty goes into default and the derivative is terminated, the ability to recover value from the transaction is ordinarily dependent on netting gains against losses across different transactions and the value of the transactions against the value of the collateral.

Market Risk: as derivatives are priced on the basis of an underlying asset or other value, the Client will be exposed to the market risks that affect the underlying. However, the economic return of a derivative transaction may not be identical to the economic return of holding the underlying, and may include an adjustment for fees or commissions, financing charges, hedging costs or break costs.

Operational risk: losses may occur due to the failures of processes and systems used in monitoring derivative transactions, including calculating and making payments or deliveries, exercising rights (such as options rights) before their expiry, monitoring lifecycles events and delivering notices in a timely manner.

Volatility of price and market availability: the same as for off-exchange transactions in derivatives set out in Section 2.7.

Margin or similar obligations: margin requirements of an OTC derivative is governed by a derivative contract agreed by the Client or by the Company on behalf of the Client.

Leverage and loss of investment: derivatives may be entered into on a highly geared or leveraged basis. Trading risks are magnified by leverage since even a relatively small movement in the value of the

SKANESTAS INVESTMENTS

underlying asset or other specified factor(s) could result in a disproportionately large movement, unfavourable or favourable, in the amount payable between the parties to the transaction. A small price movement in your favour can provide a high return on the deposit, however, a small price movement against you may result in significant losses..

Additional commitments and liabilities: certain exchanges are designated as recognized or regulated trading venues, which are subject to supervision and themselves supervise the trading conducted through their trading platforms, and their members have to comply with conduct rules laid down in member's rules, which are specific to each trading venue, and contain both prudential and conduct requirements for (potential) members. transactions which are traded else when, i.e. outside the ambit of recognized or regulated trading venues, may be exposed to substantially greater risks.

Disinvestment and exit: OTC derivatives are often bespoke and/or illiquid, even in the absence of distressed market conditions, and your position in such instruments may therefore be difficult to sell, liquidate or hedge at favourable terms.

### 2.9 Swaps

Interest rate: An interest rate swap may involve one party paying the other a variable rate of interest in exchange for payment by the other party of a fixed rate of interest, each calculated on the same notional amount.

The party that pays the variable rate of interest will be exposed to the risk of a rise in the variable interest rate, but will benefit from a fall in that interest rate. The receiver of the variable rate of interest will be exposed to the risk of a fall in the variable interest rate, but will benefit from a rise in that interest rate.

Market risk: 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.

Credit Risk: 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.

Margin or similar obligations: a transaction in a swap may also have a margin requirement and you should be aware of its implications from clauses of a contract governing the swap.

Leverage and loss of investment: Interest rate risk results from the uncertainty over future market interest rate movements. Buyers/sellers of interest rate swaps are exposed to loss if interest rates fall/rise.

Additional commitments and liabilities: A swap agreement may also be combined with an option. Such an option may be structured in two different ways. On the one hand, "swaptions" are transactions that give the purchaser of the swaption the right, against payment of a premium, to exercise or not to exercise, until the agreed maturity date, its right to enter into a pre-agreed swap agreement. On the other hand, "caps", "floors" and "collars" enable a party, against payment or receipt of a premium, to protect itself against, or to take an exposure on, the variation on the value or level of an underlying.

Disinvestment and exit: there can be no assurance that a liquid market will exist for any particular swap at the time you would wish to close (sell or hedge) your swap position, in particular if, market conditions are distressed at such time.

### 2.10 Repos and Stock Lending

Repos (and stock lending) are not strictly derivatives but are often grouped with them as they have some similar structural features. The term repo refers to a sale and repurchase transaction in securities, normally fixed income securities such as bonds. The repo is in effect for a specific period, and at the end

SKANESTAS INVESTMENTS

of the period the repo purchaser transfers title to equivalent securities (of the same issuer and type) to the repo seller. Since you are not the owner of the securities during the period of the repo, you will not have voting rights nor will you directly receive dividends or other corporate actions although you will normally be entitled to a payment from the repo purchaser equivalent to the dividend you would otherwise have received and the repo purchaser will be required to account for you for the benefit of corporate actions. Repos also entail counterparty default risk and operational risks such as the non-settlement or delay in settlement of instructions. Stock lending (or securities lending) agreements are very similar to repos in structure. The risks are therefore broadly similar in terms of losing rights over securities transferred and, in particular, being subject to counterparty default risk. However, stock lending agreements normally require any payments to be transferred to the lender, so the risks of lower payments transfer to the lender rather than to the borrower. Whereas most repo takes place so that the seller can obtain cash, stock lending is driven by the borrower who wants to hold the securities for a particular time. The borrower will therefore need to consider carefully the reasons it has for holding the securities under a stock lending agreement.

Volatility of price and market availability: .

Margin or similar obligations: none if leverage is not used. General risks set out in Section 1 apply.

Leverage and loss of investment: .

Additional commitments and liabilities: .

Disinvestment and exit: .

### 2.11 Funds

A fund is an investment vehicle into which investors can make an investment by purchasing a unit, share or interest ('unit') in the fund. The fund is usually managed by a third party who invests the fund's cash and assets. The units represent the investor's interest in the fund and the value of the units purchased is often determined by the value of the underlying Investments made by the fund (although where the units in the fund are listed or traded on a market, the units may trade or be sold at a discount to net asset value).

There are many different types of fund available including hedge funds, private equity funds, mutual funds and unit trusts. A fund may be structured as a limited partnership, an investment Company (onshore or offshore), a unit trust or an investment trust. Depending on the legal structure of the fund, units in the fund may be listed on a stock exchange and the fund may be either open-ended (being, generally, a fund that confers on investors a right to redeem their interests in the fund) or closed-ended. Some fund structures are more exposed to risk than others due to, amongst other things, the markets they invest in, the nature of their assets and the extent of their leverage.

Dealing in any type of fund may involve the following risks and you should carefully read any prospectus, offering memorandum or other fund literature prior to making any investment:

a) **Transferability and withdrawal:** units in funds may not be readily redeemable or transferable or there may not be a market for such units. In such cases, an investor may have to hold his interest until such time as the fund is wound up or a secondary market develops for those units — this may involve the investor holding his interest for a substantial period of time. If the fund is an open-ended fund, restrictions may apply to the redemption of the units that may result in an investor being unable to liquidate his investment in the fund at the time of his choosing. There may also be fees payable on redemption of units.

b) **Regulation:** some funds may not be regulated in the jurisdiction of their establishment, or elsewhere, meaning that certain investor protections or restrictions on activity applicable, in a given jurisdiction, to a regulated fund may not apply to such funds.

SKANESTAS INVESTMENTS

c) **Leverage and loss of investment:** some funds may borrow funds under credit facilities in order to satisfy redemption requests, pay certain organizational expenses and finance the acquisition of Investments. As such, leverage exposes the fund to capital risk and interest costs that may reduce the value of an investor's investment in the fund.

   Concentration risk exacerbates fund's losses. The risk occurs when the fund has too much of its money concentrated in one area; for example, all in one particular stock or all in one industry or sector which could all fall in value at the same time as a result of a single event.

d) **Rights of participation:** investors in funds, generally, have very limited rights of participation in respect of their units and the power to make all decisions, without the consent of investors, is usually delegated to the investment Company of the fund.

e) **Strategy:** some funds specialize in particular asset classes or geographical sectors, meaning risk may be concentrated in the relevant assets classes or geographical sectors. Some funds choose strategies which the market would regard as high risk. The investment strategy of a fund may be such that the fund faces strong competition for the purchase of assets from other investors, thereby reducing the investment opportunities available to the fund.

f) **Valuations:** it may be difficult to determine the net asset value of a fund which has invested in illiquid underlying assets, and therefore in may be difficult to value the underlying units of the fund.

g) **Underlying assets:** the underlying assets of a fund can be diverse and cover both long and short positions and a full range of assets, including derivatives. A fund may be exposed to markets risks and risks associated with particular trading activities — for example, off-exchange trading, short selling, leveraged trading, frequent portfolio turnover and speculative position limits — which may result in losses for the fund or periods of fund underperformance. The risks associated with a direct investment by an investor in the underlying asset are also relevant in determining the risks associated with an investment by the fund in the underlying asset.

h) **Management of the fund:** the operation and performance of a fund will be dependent upon the performance of the fund's management company. Generally, a fund will rely upon the investment Company to make investment decisions consistent.

With the fund's investment objectives and the fund's management company, in turn, will be dependent upon its key personnel carrying out their roles with due care and skill. The fund's management company and its affiliates (if any) may be in a position to provide services to other clients which conflict directly or indirectly with the activities of the fund and could prejudice investment opportunities available to, and investment returns achievable by, the fund. If the agreement between the fund and the management company is terminated, the fund may not be able to find a suitable replacement for the investment Company, potentially leading to losses for the fund and periods of fund underperformance.

You should carefully consider whether an investment in a fund is suitable for you taking account of your financial circumstances and the specific risks involved, and be prepared to sustain a total loss of the money you have invested.

Volatility of price and market availability: a fund is exposed to the movement in price of the assets underlying the fund. If the value of the underlying assets depreciate, it is very likely that the value of a unit in the fund will also depreciate. Funds with a limited number of holdings, including newer funds, may be more greatly affected by any single event or market development than funds that include more holdings. Exposure to the commodities markets may subject the fund's portfolio to greater volatility than investments in securities, particularly if the investments involve leverage.

Margin or similar obligations: none if leverage is not used. General risks set out in Section 1 apply.

SKANESTAS INVESTMENTS

Additional commitments and liabilities: a fund's management companymay require an investor to make additional capital contributions to cover unexpected costs and for other purposes provided for by fund's rules. In some cases, money market funds can become illiquid, which helps to reduce problems during market turmoil. Funds can impose liquidity fees that require you to pay for cashing out.

Disinvestment and exit: in the event of exceptional circumstances, redemption of units in a fund may be temporarily suspended until the assets of the fund have been sold and the proceeds have been received. Should many unit-holders decide to return their unit certificates all at the same time, the fund – if no relevant arrangements are provided for in the fund terms – may suspend redemption of fund units due to a liquidity bottleneck. There is generally no redemption and thus no fixed redemption price in the case of fund units.

### 2.12 Alternative Investment Funds ("AIFs")

Leverage risk: AIFs can be highly leveraged. This means that small falls in the value of the investments they hold can have significant impact on the value of the fund.

Asset allocation: risk of losing some or all of the investment in the AIF or making it difficult to relive the value of the investment.

Liquidity risk: some AIFs have lock-up periods or may otherwise be illiquid, so realising your investment can be difficult.

Undertakings for Collective Investment in Transferable Securities

As UCITS can only invest in certain assets, they are therefore highly exposed to market conditions affecting those investments.

Liquidity risk: interests in UCITS are intended to be easily transferable and redeemable, but in the event of poor performance of the fund, liquidity may be drastically reduced and investors may be unable to realise their investments without incurring losses or reduced returns.

Other risks are similar to those set out in Section 2.11.

### 2.13 Shares and Other Types of Equity Instruments (Including Depositary Receipts)

General risk: a share purchaser does not lend funds to the company, but makes a special contribution and, as such, becomes a co-owner of the corporation. He thus participates in its development as well as in chances for 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.

Price risk: share 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 share prices.

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.

Volatility of price and market availability: shares (stocks) of smaller or newer or mid-sized companies are more likely to realize more substantial growth as well as suffer more significant losses than larger or more established issuers. Their securities may also trade less frequently and in lower volumes, making their market prices more volatile.

SKANESTAS INVESTMENTS

If the share or equity instrument price falls, the company, if listed or traded on-exchange, may then find it difficult to raise further capital to finance the business, and the company's performance may deteriorate vis à vis its competitors, leading to further reductions in the share price.

There could be volatility or problems in the sector that an issuer is in.

Margin or similar obligations: none if leverage is not used. General risks set out in Section 1 apply.

Leverage and loss of investment: As a shareholder, investor holds an interest in a company. That interest may become worthless, particularly in case of insolvency.

Additional commitments and liabilities: preference shares do not usually give shareholders the right to vote at general meetings of the issuer.

Disinvestment and exit: in certain cases provided by the applicable law an issuer may buy-back shares and an investor may not decline it.

### 2.14 Shares of SPACs

Special purpose acquisition company ("**SPAC**") is publicly traded "blank-check" or "cash shell" company that is formed and taken public through an IPO solely for the purpose of combining with a to-be-identified target company, the result of which is the target company becoming a public company. In addition to general risks of shares (Section 2.13) the SPAC pose the following risks:

Dilution: dilution arising from the payment of the sponsors' fees in shares, the exercise of warrants and/or in relation to the financing of the acquisition. The Company may provide you an overview of the amount of possible dilution in different scenarios by using a table or diagram provided such service is included in the Investment Advice Agreement between the Client and the Company.

Insufficient information: a prospectus of SPAC may not contain a detailed description of a target company and the ensuing business combination. The level of disclosure that will be provided in relation to the business combination may be lower than of an generally accepted prospectus.

Shareholder inequality: major shareholders may have voting rights different from those of other shareholders. Major shareholders may have a privilege to be represented on administrative, management or supervisory bodies of a SPAC.

No target company: a sponsor or a SPAC may fail to find a suitable target to acquire. Possible scenarios such as the winding up of the SPAC and de-listing of the shares of SPAC may not be completed.

Insufficiency of funds: the anticipated proceeds of SPAC's IPO may not be sufficient to fund the entire acquisition of a target company. Such proceeds can be expended on sponsors of the acquisition and for other purposes. The entire acquisition price may become higher than expected. Sources of other funds needed for the SPAC may not be guaranteed.

Expenses: The SPAC may incur expenses with respect to redemption and withdrawal rights of shareholders in case of acquisition of the target company.

Other risks are similar to those set out in Section 2.13.

### 2.15 Bonds

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

SKANESTAS INVESTMENTS

duration of the loan and the lower the interest rate, the higher a bond's sensitivity to a rise in the market rates.

Credit risk: When you purchase a corporate bond, you are lending money to a company. 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. Credit risk is figured into the pricing of bonds.

Insolvency risk: The solvency of an issuer may change due to one or more of a range of factors including the issuing entity, the issuer's economic sector and/or the political and economic status of the countries concerned. The deterioration of the issuer's solvency will influence the price of the securities that it issues.

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.

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.

Liquidity risk: It depends on several factors, among which the issued volume, time remaining to maturity, market conditions and specific market rules. Some bonds may not be able to be sold easily without any price concessions. Liquidity risk should be the main concern of investors who do not wish to hold the bond until maturity.

Volatility of price and market availability: price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the when interest rates fall, bond prices typically rise and conversely when interest rates rise, bond prices typically fall. When interest rates are at low levels there is risk that a sustained rise in interest rates may cause losses to the price of bonds or market value of bond funds that you own. At maturity, however, the issuer of the bond is obligated to return the principal to the investor. The longer the maturity of a bond or of bonds held in a bond fund, the greater the degree of a price or market value change resulting from a change in interest rates (also known as duration risk).

Margin or similar obligations: none if leverage is not used. General risks set out in Section 1 apply.

Leverage and loss of investment: Bondholders are subject to the risk that the issuer of the bond may default. In the event of an issuer default, the issuer will be unable to make good on their promise to make either timely interest payments or to repay principal at maturity. Credit risk is gauged by quality ratings assigned to issuers by commercial rating companies such as Moody's or S&P. In general, the lower the credit rating of the bond, the higher the risk of carrying the bond, and bondholders will be compensated for the risk with higher yield.

Additional commitments and liabilities: none, unless a specific type of bond is used. Contingent convertible bonds ("**CoCo bond**") may require an investor convert the bond into equity. This requirement is 'contingent' on a specified or pre-determined trigger event, such as the price of the embedded equity exceeding a particular level. This can result in a partial – or even total – loss of the capital invested since the bond would have to be converted into shares or be written down, either permanently or temporarily. Accordingly, in the event of liquidation, dissolution or winding –up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the CoCo bonds again the issuer in respect of or arising under the terms of the CoCo bonds shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

Disinvestment and exit: When a bond is sold prior to redemption, the investor is paid the market rate (price). The realizable selling price cannot be anticipated; the return may therefore turn out to be higher or lower than the yield originally estimated.

Declining interest rates may accelerate the redemption of a callable bond, causing a bondholder's principal to be returned sooner than expected.

Skanestas Investments Limited
226 Arch. Makariou III Avenue, 1st floor, 3030, Limassol, Cyprus
www.skanestas.com
Tel: +357 25 212 293
Fax: +357 25 253 640
Email: info@skanestas.com

SKANESTAS INVESTMENTS

When a callable bond is issued, it is specified in its issue terms that the issuer has the right to "call" it at specific future dates, i.e. repay it prior to its maturity. For instance, if interest rates are significantly decreased with respect to the bond's coupon, then the issuer can exercise the call right at the price and the date specified when the bond was issued.

### 2.16 Money Market Instruments

Market risk: when the equity and debt markets are extremely volatile, investing in money market instruments is generally considered to be lower risk.

Currency risk: investors are also exposed to currency risk insofar as underlying assets are denominated in a currency other than the one in which their investment was made.

Volatility of price and market availability: there is typically no regulated secondary market, so there is no guarantee that you will be able to sell them any time you wish. Liquidity risk becomes immaterial if the issuer guarantees repayment of the invested capital at all times and has sufficient credit standing to do so.

Margin or similar obligations: none if leverage is not used. General risks set out in Section 1 apply.

Leverage and loss of investment: none. General risks set out in Section 1 apply.

Additional commitments and liabilities: none, unless a specific type of money market instrument is used. General risks set out in Section 1 apply.

Disinvestment and exit: in case these instruments are not held until maturity the investor may lose part of the invested principal.

### 2.17 Warrants

Leverage risk: as warrants often involve a high degree of leverage, the price of a warrant can be highly volatile. A relatively small movement in the price of the underlying security can result in a disproportionately large movement, favourable or unfavourable, in the value of the warrant.

Market risk: a relatively small movement in the price of underlying securities can lead to a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can be volatile.

Loss of investment: the right to subscribe, which a warrant confers, is invariably limited in time. If the right is not exercised within the pre-determined time scale, the investment becomes worthless. Losses resulting from warrants can exceed the amount invested when commissions or other transaction charges are included.

Time limitation: it is essential for anyone who is considering of purchasing warrants to understand that the right to subscribe is invariably limited in time with the consequence that if the investor fails to exercise this right within the predetermined time scale then the investment becomes worthless.

Off-Market warrant transactions: transactions in off-Market warrants may involve greater risk than dealing in Market traded warrants because there is no Market through which to liquidate your position, or to assess the value of the warrant or the exposure to risk. Bid and offer prices need not be quoted, and even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what a fair price is.

Volatility of price and market availability: warrants are issued over underlying securities, baskets of securities, an underlying index or a currency. Clients who purchase warrants should be familiar with the mechanics of the two different types of warrants – call and put warrants – and the nature and extent of the risks associated with each. The value of a warrant will depend on a range of factors, such as the exercise price, the price of the underlying security or the level of the underlying index, the volatility of

the underlying security or the underlying index, the time remaining to the expiry date, interest rates, dividends and other factors and general risks applicable to financial markets..

Margin or similar obligations: if warrants offer some degree of leverage small changes in any of the variables influencing a warrant's value can amount to large changes in the overall value of the warrant. For example, a 5% rise or fall in the price of a security underpinning a warrant may result in a 20% increase or decrease in the warrant's value.

Additional commitments and liabilities: If subscription rights are exercised, the warrant holder may be required to pay to the issuer additional sums (which may be at or near the value of the underlying assets). Exercise of the warrant will give the warrant holder all the rights and risks of ownership of the underlying investment product.

Fractional warrants may require more than one warrant to be exercised in order to buy or sell one unit of the underlying security.

Disinvestment and exit: on expiry, warrants can't be traded or exercised and it's possible your financial expectations may not be met.

### 2.18 Debt Instruments

Investors should be aware that they may not receive the full allocation they apply for, and that any debt instruments they do receive may decline in value from the par value of issuance.

All debt instruments are potentially exposed to the major risk types, in particular credit risk and interest rate risk.

Volatility of price and market availability: When interest rates rise, the value of corporate debt securities can be expected to decline. Fixed-rate transferable debt securities with longer maturities/lower coupons tend to be more sensitive to interest rate movements than those with shorter maturities/higher coupons. Unless the instrument is held to maturity it may not be possible to realise the Instrument either at a reasonable price or at all.

Margin or similar obligations: none if leverage is not used. General risks set out in Section 1 apply.

Additional commitments and liabilities: A structured debt instrument will contain an embedded feature and will therefore expose the structured debt instrument holder to additional risk depending on the feature.

Other risks are similar to those set out in Section 2.15.

### 2.19 Collateral

If you invest in a financial instrument with leverage and deposit collateral as security with us, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of your collateral depending on whether trading: on a recognized designated investment exchange, with the rules of that exchange (and the associated clearing house) applying, or trading off exchange. Deposited collateral[4] may lose its identity as your property in process of execution of your trade orders. Even if dealings should ultimately prove profitable, the Client or the Company may not get back the same Financial Instruments or other collateral, which the Client

[4] Deposited collateral means notes, bills of exchange, certificates of deposit and other negotiable and non-negotiable Financial Instruments, guarantees, indemnities and other assurances against financial loss and any other documents or instruments which contain or evidence an obligation (with or without security) to pay, discharge or be responsible directly or indirectly for, any indebtedness or liabilities of the Client or any other person liable and includes any documents or instruments creating or evidencing a mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, trust arrangement or security interest of any kind.

SKANESTAS INVESTMENTS

or the Company on his/her behalf deposited. The Client or the Company may have to accept payment in cash or other asset in such case.

## 3. AKNOWLEDGEMENT

By signing the Company's Client Contractual Documentation, the Client confirms that they have received and studied in detail the Risk Disclosure Statement and declare a full understanding of the risks involved in the Investment Activities.

THE CLIENT FURTHERMORE DECLARES THAT SKANESTAS INVESTMENTS LIMITED WILL BEAR NO RESPONSIBILITY FOR ANY LOSSES THAT THEY MAY INCUR FROM TRANSACTING IN SECURITIES IN OR RELATED TO HIGHER RISK COUNTRIES, FOR WHATEVER REASON SUCH LOSS MAY ARISE INCLUDING INDICATIVELY THE RISKS WARNINGS SET OUT HEREIN ABOVE.

No tax advice

The Client is responsible for any taxes and/or any other duty and/or fee and/or expenses which may accrue in respect of his/her trades. The Client is responsible for managing his/her tax and legal affairs and complying with applicable laws and regulations. The Company does not provide any regulatory, tax or legal advice and if the Client has any doubt regarding the tax treatment or liabilities of investment products which are available through the Company, he/she should seek independent advice.

No tax agency

The Company does not act as a tax agent. Third parties that take mandatory part in the process of provision of the Investment Services may act as tax agents. There is a risk that such third parties may not be able to individually identify the tax that withheld on a particular transaction if such transaction has been aggregated and/or executed on an omnibus account.