THOME ASSET MANAGEMENT & ASSET CONTROLLING

General Terms of Business

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GENERAL TERMS OF BUSINESS

Basic rules governing the relationship between the client and Thomé Asset Management & Asset Controlling (TAMAC, hereafter: the firm).

1. Scope of application and amendments of these terms of business

Scope of application

The General Terms of Business govern the entire business relationship between the client and the firm.

Amendments

Any amendments of these Terms of Business will be notified to the client in writing or through an electronic communication channel if this allows the client to store or print out the amendments in legible form. They shall be deemed to have been approved unless the client objects thereto in writing or through an electronic channel. Upon notification of such amendments, the firm shall expressly draw the client's attention to this consequence. The client's objection must be dispatched to the firm within 30 days from the notification of the amendments.

2. TAMAC's status

TAMAC is a trading name of Thomé Asset Management & Asset Controlling, which is authorised and regulated by the Financial Conduct Authority (FCA) and is bound by the FCA's rules. The firm's FCA registered number is 416226. This can be checked on the FCA's register, by visiting the web site www.fca.org.uk/register or by contacting the FCA on 0800 111 6768 or +44 20 7066 1000.

The firm's permitted business includes arranging and advising on investments and managing investments.

TAMAC is not tied to any banks, product providers or platforms and can therefore work and consult freely and objectively. TAMAC may offer its own fund products to clients where these products are deemed suitable.

When giving advice, the firm limits the range of products it reviews to those it considers suitable for the specific needs of high net worth individuals. TAMAC does not advise on insurance products and pensions. TAMAC's advisory service is therefore classified as restricted advice. Clients should consider these restrictions carefully and may want to seek specialist advice on the areas not covered by TAMAC's service proposition elsewhere (for example ISA's, pensions, insurance products).

3. TAMAC's services

Depending on the client's mandate, the firm can act purely as executive aide without advising on investment activity ('EXECUTION ONLY'), advise the client regarding investment activities ('ADVISORY PORTFOLIO SERVICE') or manage (parts of) the client's assets in accordance with a specified asset management mandate by means of power of attorney on behalf of the client ('DISCRETIONARY ASSET MANAGEMENT').

Execution Only
The firm will carry out client instructions to buy and sell securities, but will not give advice about the securities.

Advisory Portfolio Service
Investment objectives, requirements and attitude to risk will be discussed with the client and guidelines for the portfolio formulated. Investment recommendations will be made within these guidelines which are reviewed periodically. The firm will provide the client with regular portfolio valuations and will monitor the portfolio to ensure that it stays in line with the agreed investment goals. Proposed investment decisions will be discussed with the client and require the client's prior approval.

The firm's investment management team is at the same time available to discuss clients' investment ideas and to give suitable recommendations.

At times, clients may wish to hold investments which do not fit into the agreed pattern of the portfolio. This is of course respected and the remainder of the portfolio will be structured accordingly.

Discretionary Asset Management
Investment objectives, requirements and attitude to risk will be discussed with the client and guidelines for the portfolio management formulated. The firm will make investment decisions for the client within these parameters and the mandate is periodically reviewed with the client. The firm will provide the client with regular portfolio valuations and will monitor the portfolio to ensure that it

stays in line with the agreed investment goals. Investment decisions will be taken by the portfolio manager without the client's prior approval.

4. Secrecy

The firm has the duty to maintain secrecy about any client-related facts and evaluations of which it may have knowledge. The firm may only disclose information concerning the client if it is legally required to do so or if the client has consented thereto.

5. Liability of the firm, contributory negligence of the client

Principles of liability

In performing its obligations, the firm shall be liable for any gross negligence on the part of its staff and of those persons whom it may call in for the performance of its obligations. In the event that the client has contributed to the occurrence of the loss by any own fault (e.g. by violating the duties to cooperate as mentioned in No. 7 of these Terms of Business), the principles of contributory negligence shall determine the extent to which the firm and the client shall have to bear the loss.

Orders passed on to third parties

If the contents of an order are such that the firm typically entrusts a third party with its further execution, the firm performs the order by passing it on to the third party in the name of the client. In such cases, the liability of the firm shall be limited to the careful selection and instruction of the third party.

Disturbance of business

The firm shall not be liable for any losses caused by force majeure, riot, war or natural events or due to other occurrences for which the firm is not responsible (e.g. strike, lock-out, traffic hold-ups, administrative acts of domestic or foreign high authorities).

6. Investment aims and restrictions

In order to provide advisory or discretionary portfolio services the firm needs to obtain information from the client on his investment aims, attitude to risk and restrictions he wishes to impose.

The client should inform the firm immediately if his circumstances, investment aims, or attitude to risk change.

The firm will not have violated an investment agreement if the client's portfolio no longer keeps to his investment aims, attitude to risk or restrictions due to market movements, corporate actions or other events beyond the firm's control unless the firm fails to rebalance the portfolio (for discretionary services) or advise the client to do so (advisory portfolio services) within a reasonable time.

7. Set-off limitations on the part of the client

The client may only set off claims against those of the firm if the client's claims are undisputed or have been confirmed by a final court decision.

8. Right of disposal upon the death of the client

Upon the death of the client, the firm may, in order to clarify the right of disposal, demand the production of a certificate of inheritance, a certificate of executorship or further documents required for such purpose. The firm may waive the production of a certificate of inheritance or a certificate of executorship if an official or certified copy of the testamentary disposition (last will or contract of inheritance) together with the relevant record of probate proceedings is presented. The firm may consider any person designated therein as heir or executor as the entitled person and allow this person to dispose of any assets. This shall not apply if the firm is aware that the person designated therein is not entitled to dispose (e.g. following challenge or invalidity of the will) or if this has not come to the knowledge of the firm due to its own negligence.

9. Applicable law and place of jurisdiction

English law shall apply to the business relationship between the client and the firm. Place of jurisdiction shall be before an English court.

10. Client instructions and duties of the client to cooperate

Authority to give instructions

The firm will only accept instructions from the client or a person who has previously been designated as having authority to give instructions on behalf of the client. The firm may rely on and treat as binding any instruction which it reasonably believes to be from the client or its agent.

Clarity of orders and credit transfers

Orders given must be unequivocal. Orders that are not worded clearly may lead to queries, which may result in delays. Amendments, confirmations or repetitions of orders must be designated as such.

Change in the client's name, address or powers of representation towards the firm

A proper settlement of business requires that the client notify the firm without delay of any changes in the client's name and address, as well as the termination of, or amendment to, any powers of representation towards the firm conferred to any person (in particular, a power of attorney).

Special reference to urgency in connection with the execution of an order

If the customer feels that an order requires particularly prompt execution, the client shall notify the firm of this fact separately.

Examination of, and objections to, notification received from the firm

The client must immediately examine security transaction statements, statements of securities and of investment income, other statements, advices of execution of orders, as well as information on expected payments and consignments as to their correctness and completeness and immediately raise any objections relating thereto.

Notice to the firm in case of non-receipt of statements

The client must notify the firm immediately if advices expected by the client (e.g. security transaction statements, statements of account after execution of client orders or payments expected by the client) are not received

11. Charges

Charges for the firm's services will be individually negotiated and laid out in a written agreement between the client and the firm. A typical charging structure will be based on a percentage of assets under management/advice. For example, a client with GBP 1,000,000 under advice, who agreed a 0.5% p.a. advisory fee with the firm, would pay GBP 5,000 p.a. for the firm's services. No costs will be incurred before a Client Agreement is signed by both parties.

For any services (except advisory services for retail clients) not stated in the client agreement which are provided following the instruction of the client, or which are believed to be in the interests of the client and which can, in the given circumstances, only be expected to be provided against remuneration, the firm may at its reasonable discretion determine the charges.

12. Client Money

On occasion, the firm may hold client money in line with FCA rules. Such client money will be held in a client bank account, set up with statutory trust status. Client money may be pooled across clients in a pooled client bank account. Any client money received will be promptly placed in a client bank account. The firm may transfer client money to another organisation (for example, an exchange, intermediate broker, over-the-counter organisation or clearing house) to hold or control to carry out a transaction for the client or to meet a client's responsibility to provide collateral. The firm will have no responsibility for any acts (or failure to act) of any such other organisation. The firm may transfer client money to an intermediate broker, settlement agent or organisation which may be based outside the EEA. In these circumstances, the law and regulations which apply to the bank, broker, agent or organisation will be different from that of the UK or other EEA states. The firm will pay interest on client money balances every three month in line with the interest earned on the client money account. The firm reserves the right not to credit interest if the amount due is less than £10.

13. Termination rights of the client

Right of termination at any time

Unless the firm and the client have otherwise agreed to a term or a termination provision, the client may at any time, without notice, terminate the business relationship as a whole or particular business relationships.

Termination for reasonable cause

If the firm and the client have agreed a term or a contrary provision for a particular business relationship, such relationship may only be terminated without notice if there is reasonable cause therefore which makes it unacceptable to the client to continue the business relationship, after giving consideration to the legitimate concerns of the firm.

Legal termination rights

Legal termination rights shall not be affected.

14. Termination rights of the firm

Termination upon notice

Upon observing an adequate notice period, the firm may at any time terminate the business relationship as a whole or particular relationships for which neither a term nor a diverging termination provision has been agreed. In determining the notice period, the firm will take into account the legitimate concerns of the client. The minimum termination notice is six weeks.

Termination for reasonable cause without notice

Termination of the business relationship as a whole or of particular relationships without notice is permitted if there is reasonable cause which makes it unacceptable to the firm to continue the business relationship, after having given due consideration to the legitimate concerns of the client. If reasonable cause is given due to the breach of a contractual obligation, termination shall only be permitted after expiry, without result, of a reasonable period fixed for corrective action by the client or after a warning to the client has proved unsuccessful, unless this proviso can be dispensed with owing to the special features of a particular case.

ANNEXE – RISK DISCLOSURE

Introduction

This Annex is intended to give you information on, and a warning of, the key risks associated with our investment products and services so that you are able to understand the most significant risks associated with the investment products and services being offered and, consequently, to take investment decisions on an informed basis. This Annex cannot disclose all the risks and other significant aspects of our investment products and services. You should satisfy yourself that you fully understand the conditions which apply to such investment products and services and the potential risk exposures.

You must not rely on the guidance contained in this Annex as investment advice based on your personal circumstances, nor as a recommendation to enter into any investment service or invest in any investment product. Where you are unclear as to the meaning of any of the disclosures or warnings described below, we would strongly recommend that you contact us or seek independent legal or financial advice.

All financial products carry a certain degree of risk. Even "low risk" investment strategies involve an element of uncertainty. The types of risk that might apply will depend on various matters, including how any relevant product instrument or service agreement is created or drafted. Different instruments involve different levels of exposure to risk. Risk factors may occur simultaneously and may compound each other resulting in an unpredictable effect on the value of any investment. The value of investments and the income from them can fall as well as rise and you might lose the original amount invested. Fluctuations in such value and income can result from factors such as market movements and variations in exchange rates. Past performance is not a reliable indicator of future results.

Products and investments

Set out below is an outline of the major risks that may be associated with an investment in certain types of financial instruments.

Shares and other types of equity investments

General

When you buy or subscribe for equities issued by a company, you are buying a part of that company and you become a shareholder in it. The aim is for the value of your shares to grow over time as the value of the company increases in line with its profitability and growth. In addition, you may also receive a dividend, which is an income paid out of the company's profits. A risk with an equity investment is that the company may not grow in value or make dividend payments as expected. Shares are generally a fairly volatile asset class – their value can go up and down more than other classes. Shares and other types of equity instrument also have exposure to the 'Generic Risk Types' listed below, which include market risk (e.g. problems in the company's industry sector), and liquidity risk (whereby shares could become very difficult to sell, particularly if the company is private (i.e. not listed or traded on an exchange), or is listed but only traded infrequently). Note that if a company goes into liquidation, its shareholders rank behind the company's creditors (including its subordinated creditors) in relation to the realisation and distribution of the company's assets – with the result that a shareholder will normally only receive money from the liquidator if proceeds of the liquidation remain once all of the creditors of the company have been paid in full.

Ordinary shares
Ordinary shares are issued by limited liability companies as the primary means of raising risk capital. The issuer has no obligation to repay the original cost of the share, or the capital, to the shareholder until the issuer is wound up (in other words, the issuer company ceases to exist). In return for the capital investment in the share, the issuer may make discretionary dividend payments to shareholders which could take the form of cash or additional shares. Ordinary shares usually carry a right to vote on certain issues at general meetings of the issuer. There is no guaranteed return on an investment in ordinary shares and in a liquidation of the issuer, ordinary shareholders are amongst the last who have a right to repayment of their capital and any surplus funds of the issuer, which could lead to a loss of a substantial proportion, or all, of the original investment.

Preference shares
Unlike ordinary shares, preference shares give shareholders the right to a fixed dividend, the calculation of which is not based on the success of the issuer company. They therefore tend to be a less risky form of investment than ordinary shares. Preference shares do not usually give shareholders the right to vote at general meetings of the issuer, but shareholders will have a greater preference to any surplus funds of the issuer than ordinary shareholders, should the issuer go into liquidation.

Depositary receipts
Depositary receipts include American or European Depositary Receipts (ADRs or EDRs), Global Depositary Receipts or Shares (GDRs or GDSs) or other similar global instruments that are receipts representing ownership of shares of a foreign-based issuer. They are typically issued by a bank and will represent a specific number of shares in a company. Depositary receipts are designed for U.S. and European securities markets as alternatives to purchasing underlying securities in their corresponding national markets and currencies. They are traded on a stock exchange which may be local or overseas to the issuer of the receipt. They may facilitate investment in the company due to the widespread availability of price information, lower transaction costs and timely dividend distributions. The risks involved relate both to the underlying share (see above) and to the bank issuing the receipt.

Penny shares
A "penny share" is a term used to describe shares which have a speculative appeal because of their low value. It is likely that there will be a big difference between the buying price and the selling price of these shares. The price may change quickly and it may go down as well as up. If the equities in which you are invested include penny shares, you should be aware that there may be a significant difference between the purchase and sale price of such shares and, if you need to sell the shares, you may get back much less than you paid for them.

Warrants
A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the issuer of the warrant. The issuer of the warrant might be either the original issuer of the underlying securities or a third party issuer that has set aside a pool of the underlying securities to cover its obligations under the warrants (these are called covered warrants). A relatively small movement in the price of the underlying security could result in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be volatile. The right to subscribe for an investment product, which a warrant confers, is invariably limited in time with the consequence that if the investor fails to exercise this right within the pre-determined time-scale then the investment becomes worthless. 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. Each warrant is a contract between the warrant issuer and the holder. You are therefore exposed to the risk that the issuer will not perform its obligations under the warrant. A warrant is potentially subject to all of the 'Generic Risk Types' listed in below. You should not buy a warrant unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges. Some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a covered warrant). For these instruments, see below.

Money-market instruments

A money-market instrument is a borrowing of cash for a period, generally no longer than six months, but occasionally up to one year, in which the lender takes a deposit from the money markets in order to lend (or advance) it to the borrower. Unlike in an overdraft, the borrower must specify the exact amount and the period for which he wishes to borrow. Like other debt instruments, money market instruments may be exposed to all of the 'Generic Risk Types' listed below, in particular credit and interest rate risk.

Debt instruments/Bonds/Debentures

All debt instruments are potentially exposed to all of the 'Generic Risk Types' listed below, in particular credit risk and interest rate risk. Debt securities may be subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, general market liquidity, and other economic factors, amongst other issues. When interest rates rise, the value of corporate debt securities can be expected to decline. Fixed-rate transferable debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities.

Units in collective investment schemes

Collective investment schemes and their underlying assets are potentially exposed to all of the 'Generic Risk Types' listed below. There are many different types of collective investment schemes. Generally, a collective investment scheme will involve an arrangement that enables a number of investors to 'pool' their assets and have these professionally managed by an independent manager. Investments may typically include gilts, bonds and quoted equities, but depending on the type of scheme may go wider into derivatives, real estate or any other asset. There may be risks on the underlying assets held by the scheme and investors are advised, therefore, to check whether the scheme holds a number of different assets, thus spreading its risk. Subject to this, investment in such schemes may reduce risk by spreading the investor's investment more widely than may have been possible if he or she was to invest in the assets directly. The reduction in risk may be achieved because the wide range of investments held in a collective investment scheme can reduce the effect that a change in the value of any one investment may have on the overall performance of the portfolio. Although, therefore, seen as a way to spread risks, the portfolio price can fall as well as rise and, depending on the investment decisions made, a collective investment scheme may be exposed to many different major risk types.

Regulated collective investment schemes

Some collective investment schemes are regulated, which means that there are rules about (and limits on) the types of underlying investments in which the collective investment scheme can invest and the frequency and price at which investments in the collective investment scheme can be redeemed. In particular, the rules applicable to regulated collective investment schemes limit the extent to which they can invest in derivatives or leverage their portfolios. Regulated collective investment schemes include authorised unit trusts, OEICs (open ended investment companies, which are the same as ICVCs – Investment Companies with Variable Capital); SICAV (Société d'investissement à capital variable); and FCPs (Fonds communs de placement).

Unregulated collective investment schemes
Other collective investment schemes are unregulated, which means that there are very few rules (or no rules) about the types of investments in which they can invest or the frequency at which they can be redeemed. Four of the most common types of unregulated collective investment scheme are hedge funds and fund of funds, private equity funds and real estate funds.

Hedge fund investments
A hedge fund is typically an unregulated collective investment scheme. It is an actively managed portfolio which aims to exploit market inefficiencies using a variety of sophisticated investment strategies in order to achieve a positive return in most market conditions. The investment return may not closely mirror familiar market indices. The managers may buy and sell a wide variety of financial securities including bonds, equities, options and derivatives. The investment techniques employed may include selling securities not already owned with a view to buying them back at a lower price in the future (a technique referred to as short selling), insofar as this technique is permitted under the applicable regulatory regime. Managers may also borrow funds in order to facilitate transactions and to generate improved returns (known as gearing or leverage). These and other techniques introduce additional financial risks, which may not be present in other investments. Sophisticated monitoring of the current investment positions by the hedge fund managers aims to limit the level of risk involved but unforeseen circumstances may result in part or total loss of your investment. A "fund of funds" may invest in a portfolio of hedge funds and accounts managed by third party managers, utilising a variety of strategies. Hedge funds are potentially subject to all of the 'Generic Risk Types' listed below. They may also be subject to the following additional risk factors:

(a) Borrowing Effect. Hedge funds use a variety of financial instruments, loans and short selling which can result in a substantial gearing effect. This gives rise to the possibility that small price movements can have a disproportionate effect on the fund value and sometimes a total loss of capital to the investor.

(b) Dealing. Purchases and sales are usually made through the hedge fund manager. Dealing dates for these funds are typically monthly or quarterly and in extreme market conditions dealing frequency may be extended. You may not be able to realise your investment at short notice. Hedge funds are long-term investments but under certain circumstances may be closed to new investment or may be redeemed.

(c) Pricing and Valuations. Hedge fund managers generally provide calculations of the net asset value on a monthly basis. Orders are placed in advance of the publication of the dealing price.

(d) Regulatory framework. Hedge funds are frequently domiciled in countries with minimal legal or regulatory framework (so-called "offshore funds"). The legal risks involved in enforcing possible claims may also need to be taken into account.

(e) Potential conflicts of interest. A substantial proportion of the manager's remuneration is based on a performance fee. Managers can hold a substantial stake in the funds they manage and may have a direct or indirect interest in the underlying investments.

(7) Tax. The tax treatment of hedge funds may differ from your other investments and we

recommend that investors get specialist tax advice where they have a concern.

Derivatives, including options, futures, swaps, forward rate agreements, derivative instruments for the transfer of credit risk, and financial contracts for difference

The risks set out below may arise in connection with all types of derivative contract, whether it is in the form of a listed instrument, an OTC instrument, or a securitised product such as a note or a certificate.

Derivatives generally

A derivative is a financial instrument, the value of which is derived from an underlying asset's value. Rather than trade or exchange the asset itself, an agreement is entered into to exchange money, assets or some other value at some future date based on the underlying asset. A premium may also be payable to acquire the derivative instrument. There are many types of derivative, but options, futures and swaps are among the most common. An investor in derivatives often assumes a high level of risk, and therefore investments in derivatives should be made with caution, especially for less experienced investors or investors with a limited amount of capital to invest. Derivatives usually have a high risk connected with them, predominantly as there is a reliance on the performance of underlying assets, which is unpredictable. Options or futures can allow a person to pay only a premium to have exposure to the performance of an underlying asset, and while this can often lead to large returns if the investor has made correct assumptions with regard to performance, it could lead to a 100% loss (the premium paid) if incorrect. Options or futures sold "short" or uncovered (i.e. without the seller owning the asset at the time of the sale) may lead to great losses if, depending on the nature of the derivative, the price of the underlying asset falls or rises significantly. If a derivative transaction is particularly large or if the relevant market is illiquid (as may be the case with many privately negotiated off-exchange derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price. On-exchange derivatives are subject, in addition, to the risks of exchange trading generally, including potentially the requirement to provide margin. Off-exchange derivatives may take the form of unlisted transferable securities or bi-lateral "over the counter" contracts ("OTC"). Although these forms of derivatives may be traded differently, both arrangements may be subject to credit risk of the Issuer (if transferable securities) or the counterparty (if OTCs) and, like any contract, are subject also to the particular terms of the contract (whether a one-off transferable security or OTC, or a master agreement), as well as all of the 'Generic Risk Types' listed below. In particular, with an OTC contract, the counterparty may not be bound to "close out" or liquidate this position, and so it may not be possible to terminate a loss-making contract. Derivatives can be used for speculative purposes or as hedges to manage other investment risks. In all cases, the suitability of the transaction for the particular investor should be very carefully considered. You are therefore advised to ask about the terms and conditions of the specific derivatives and associated obligations (e.g. the circumstances under which you may become obligated to make or take delivery of an underlying asset and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or Clearing House to reflect changes in the underlying asset. Normal pricing relationships between the underlying asset and the derivative may not exist in all cases. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to assess 'fair' value. The points set out below in relation to different types of derivative are not only applicable specifically to these derivatives but are also applicable more widely to derivatives generally. All derivatives are potentially subject to all of the 'Generic Risk Types' listed below, especially market risk, credit risk and any specific sector risks connected with the underlying asset.

Futures/Forwards/Forward rate agreements
Transactions in futures or forwards involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The 'gearing' or 'leverage' often obtainable in futures and forwards trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you. Futures and forwards transactions have a contingent liability, and you should be aware of the implications of this, in particular margining requirements: these are that, on a daily basis, with all exchange-traded, and most OTC off- exchange, futures and forwards, you will have to pay over in cash losses incurred on a daily basis and if you fail to, the contract may be terminated.

Options
An option gives the buyer of the option the right (but not the obligation) to acquire an underlying security or other asset at a future date and at a pre-agreed price. There are many different types of options with different characteristics subject to the following conditions.

Put option: a put option is an option contract that gives the holder (buyer) of the option the right to sell a certain quantity of an underlying security to the writer of the option at a specified price (the strike price) up to a specified date (the expiration date).

Call option: a call option is an option contract that gives the holder (buyer) the right to buy a certain quantity of an underlying security from the writer of the option, at a specified price (the strike price) up to a specified date (the expiration date).

Buying options: Buying options 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 must acquire the future. This will expose you to the risks described under 'futures' and 'contingent liability investment transactions'.

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 (known as 'covered call options') the risk is reduced. If you do not own the underlying asset (known as '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.

Traditional options: Certain London Stock Exchange member firms under special exchange rules write a particular type of option called a 'traditional option'. These 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

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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.

Contracts for differences
Certain derivatives are referred to as contracts for differences. These can be options and futures on the FTSE 100 index or any other index, as well as equity, currency and interest rate swaps, amongst others. However, unlike other futures and options (which may, depending on their terms, be settled in cash or by delivery of the underlying asset), 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 as referred to above. Transactions in contracts for differences may also have a contingent liability (see below).

Swaps
A swap is a derivative where two counterparties exchange one stream of cash flows against another stream. A major risk of off-exchange derivatives (including swaps) is known as counterparty risk, whereby a party is exposed to the inability of its counterparty to perform its obligations under the relevant Financial Instrument. If a party, A, wants a fixed interest rate loan and so swaps a variable rate loan with another party, B, thereby swapping payments, this will synthetically create a fixed rate for A. However, if B becomes insolvent, A will lose its fixed rate and will be paying a variable rate again. If interest rates have gone up a lot, it is possible that A will struggle to repay. The swap market has grown substantially in recent years, with a large number of banks and investment banking firms acting both as principals and as agents, utilising standardised swap documentation to cover swaps trading over a broad range of underlying assets. As a result, the swap market for certain underlying assets has become more liquid, but there can be no assurance that a liquid secondary market will exist at any specified time for any particular swap.

Combined instruments
Any combined instrument, such as a bond with a warrant attached, is exposed to the risk of both those products and combined products may contain a risk which is greater than those of its components, although certain combined instruments (such as principal protected instruments) may contain risk mitigation features.

Generic risk types

General
The price or value of an investment will depend on fluctuations in the financial markets outside of anyone's control. Past performance is no indicator of future performance. The nature and extent of investment risks varies between countries and from investment to investment. These investment risks will vary with, amongst other things, the type of investment being made, including how the financial products have been created or their terms drafted, the needs and objectives of particular investors, the manner in which a particular investment is made or offered, sold or traded, the location or domicile of the Issuer, the diversification or concentration in a portfolio (e.g. the amount invested in any one currency, security, country or issuer), the complexity of the transaction and the use of leverage.

The 'Generic Risk Types' set out below could have an impact on each type of investment product or service.

Liquidity
The liquidity of an instrument is directly affected by the supply and demand for that instrument and also indirectly by other factors, including market disruptions (for example a disruption on the relevant exchange) or infrastructure issues, such as a lack of sophistication or disruption in the

securities settlement process. Under certain trading conditions it may be difficult or impossible to liquidate or acquire a position. This may occur, for example, at times of rapid price movement if the price rises or falls to such an extent that under the rules of the relevant exchange, trading is suspended or restricted. Placing a stop-loss order will not necessarily limit your losses to intended amounts because market conditions may make it impossible to execute such an order at the stipulated price. In addition, unless the contract terms so provide, a party may not have to accept early termination of a contract or buy back the relevant product.

Credit risk

Credit risk is the risk of loss caused by borrowers, bond obligors, or counterparties failing to fulfil their obligations, or the risk of such parties' credit quality deteriorating.

Market risk

General

The price or value of an investment will depend on fluctuations in the financial markets outside our control such as market supply and demand, investor perception and the prices of any underlying or allied investments.

Overseas markets

Any overseas investment or investment with an overseas element will be subject to the risks of overseas markets, which may involve different risks from your home market. In some cases the risks will be greater. The potential for profit or loss from transactions on overseas markets, or from contracts denominated in a currency that is different from your home currency, will be affected by fluctuations in exchange rates.

Emerging markets

Price volatility in emerging markets, in particular, can be extreme. Price discrepancies can be common and unpredictable movements in the market not uncommon. Additionally, as news about a country becomes available, the financial markets may react with dramatic upswings and downswings in prices during a very short period of time. Emerging markets generally lack the level of transparency, liquidity, efficiency, market infrastructure, and regulation found in more developed markets. For example, these markets might not have regulations governing manipulation and insider trading or other provisions designed to "level the playing field" with respect to the availability of information and the use or misuse thereof in such markets. They may also be affected by political risk. It may be difficult to employ certain risk and legal uncertainty management practices for emerging markets investments, such as forward currency exchange contracts or derivatives.

Clearing house protections

On many exchanges, the performance of a transaction may be "guaranteed" by the exchange or clearing house. However, this guarantee is usually in favour of the exchange or clearing house member and cannot be enforced by the client who may, therefore, be subject to the credit and insolvency risks of the firm through whom the transaction was executed.

Insolvency

The insolvency or default of the firm with whom you are dealing, or of any brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent or, indeed, investments not being returned to you. There is also insolvency risk in relation to the investment itself, for example of the company that issued the bond or of the counterparty to off-exchange derivatives (where the risk relates to the derivative itself and to any collateral or margin held by the counterparty).

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Currency risk

In respect of any foreign exchange transactions and transactions in derivatives and securities that are denominated in a currency other than that in which your account is denominated, a movement in exchange rates may have a favourable or an unfavourable effect on the gain or loss achieved on such transactions. The weakening of a country's currency relative to a benchmark currency or the currency of your portfolio will negatively affect the value of an investment denominated in that currency. Currency valuations are linked to a host of economic, social and political factors and can fluctuate greatly, even during intra-day trading. Some countries have foreign exchange controls which may include the suspension of the ability to exchange or transfer currency, or the devaluation of the currency. Hedging can increase or decrease the exposure to any one currency, but may not eliminate completely exposure to changing currency values.

Interest rate risk

Interest rates can rise as well as fall. A risk exists with interest rates that the relative value of a security, especially a bond, will worsen due to an interest rate increase. This could impact negatively on other products.

Regulatory/legal risk

All investments could be exposed to regulatory or legal risk. Returns on all, and particularly new, investments are at risk from regulatory or legal actions and changes which can, amongst other issues, alter the profit potential of an investment. Legal changes could even have the effect that a previously acceptable investment becomes illegal. Changes to related issues such as tax may also occur and could have a large impact on profitability. Such risk is unpredictable and can depend on numerous political, economic and other factors. For this reason, this risk is greater in emerging markets but does apply everywhere. In emerging markets, there is generally less government supervision and regulation of business and industry practices, stock exchanges and over-the-counter markets. The type of laws and regulations with which investors are familiar in the EEA may not exist in some places, and where they do, may be subject to inconsistent or arbitrary application or interpretation and may be changed with retroactive effect. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. Companies are exposed to the risk that legislatures will revise established law solely in response to economic or political pressure or popular discontent. There is no guarantee that an overseas investor would obtain a satisfactory remedy in local courts in case of a breach of local laws or regulations or a dispute over ownership of assets. An investor may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in overseas courts.

Operational risk

Operational risk, such as breakdowns or malfunctioning of essential systems and controls, including IT systems, can impact on all financial products. Business risk, especially the risk that the business is run incompetently or poorly, could also affect shareholders of, or investors in, such a business. Personnel and organisational changes can severely affect such risks and, in general, operational risk may not be apparent from outside the organisation.

Liquidity and discretionary investment services accounts

Withdrawals that you make from Discretionary Investment Management accounts or debt repaid from such accounts may adversely affect the overall performance of your portfolio. Furthermore, where you instruct us to purchase or liquidate sizeable assets in a given portfolio with concentrations in a particular market, then this may affect the price: e.g. a significant withdrawal from a portfolio may compel us to sell positions at a price that we normally would not have sold at.

U.S. depositor preference

In the liquidation or other resolution of a U.S. insured depositary institution, deposits in U.S. offices and certain claims for administrative expenses and employee compensation are afforded a priority over other general unsecured claims, including deposits in offices outside the U.S.

Transaction and service risk

Contingent liability investment transactions

Contingent liability investment transactions, which are margined, require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately. If you trade in futures, contracts for differences or sell options, you may sustain a total loss of the margin you deposit with your firm to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and you must be responsible for the resulting deficit. Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered the contract. Margined or contingent liability transactions that are not traded on a recognised or designated investment exchange may be exposed to substantially greater risks. Where we are managing investments for you and your account includes an uncovered open position in a contingent liability transaction, we will report to you any loss exceeding any predetermined threshold agreed between us no later than the end of the business day on which the threshold is exceeded or (where it is exceeded on a non-business day), the next business day.

Short sales

Selling "short" means to sell equity shares that you do not own at the time of the sale. You have an obligation to deliver the product sold at the settlement date which will generally be a few days later than the trade date, so you will either go into the market to buy the shares for delivery or you will "borrow" the shares under a stock lending arrangement (for further detail on this see below).

Short selling is a technique used by investors who want to try and profit from the falling price of a share. If the price of the share drops after the investor has sold short (in other words at the time when he is buying or borrowing the shares for delivery), the investor will make a profit. If however the price of the share rises after the investor has sold short, the investor will have automatically made a loss, and the loss has the potential to get bigger and bigger if the price of the share continues to rise before the investor has gone into the market to buy or borrow the share to settle the short sale.

Off-exchange transactions

Certain financial services authorities have categorised certain exchanges as recognised or designated investment exchanges. A list of these exchanges can be found on the relevant regulators website. Transactions which are traded elsewhere (i.e. "off-exchange") may be exposed to substantially greater risks. Unless you instruct us otherwise, we may deal for you in circumstances in which the relevant transaction is off-exchange. Such transactions may not be subject to the same investor protection standards as transactions executed on a recognised or designated investment exchange.

Suspension of trading and grey market investments

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted.

Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price. Transactions may be entered into in: (a) a security whose listing on an exchange is suspended, or the listing of or dealings in which have been discontinued, or which is subject to an exchange announcement suspending or prohibiting dealings; or (b) a grey market security, which is a security for which application has been made for listing or admission to dealings on an exchange where the security's listing or admission has not yet taken place (otherwise than because the application has been rejected) and the security is not already listed or admitted to dealings on another exchange. There may be insufficient published information on which to base a decision to buy or sell such securities.

Deposited cash and property

You should familiarise yourself with the protections accorded to you in respect of money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. Certain property may be held by a third party outside the UK (which may also be outside the European Economic Area ("EEA")), and as such, the legal and regulatory regime applying to (and therefore your rights relating to) any such property may be different from that of the UK (or elsewhere in the EEA). It may not be possible for that property (other than cash) to be separately identifiable. For this reason, you may not get back the same assets which you deposited. The extent to which you may recover your cash or other property may also be governed by specific legislation or local rules. In some jurisdictions, property, which had been specifically identifiable as your own, will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall. Your cash or other property may be deposited with a third party who may have a security interest, lien or right of set-off in relation to that property.

Stabilisation

Transactions may be carried out in securities where the price may have been influenced by measures taken to stabilise it.

Stabilisation enables the market price of a security to be maintained artificially during the period when a new issue of securities is sold to the public. Stabilisation may affect not only the price of the new issue but also the price of other securities relating to it. Regulations allow stabilisation in order to help counter the fact that, when a new issue comes on to the market for the first time, the price can sometimes drop for a time before buyers are found.

Stabilisation is carried out by a 'stabilisation manager' (normally the firm chiefly responsible for bringing a new issue to market). As long as the stabilising manager follows a strict set of rules, he is entitled to buy back securities that were previously sold to investors or allotted to institutions which have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation.

The Stabilisation Rules:

(a) limit the period when a stabilising manager may stabilise a new issue;

(b) fix the price at which he may stabilise (in the case of shares and warrants but not bonds); and

(c) require him to disclose that he may be stabilising but not that he is actually doing so.

The fact that a new issue or a related security is being stabilised should not be taken as any indication of the level of interest from investors, nor of the price at which they are prepared to buy the securities.

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Non-readily realisable investments

Both exchange listed and off-exchange investments may be non-readily realisable. These are investments in which the market is limited or could become so. Accordingly, it may be difficult to assess their market value and to liquidate your position.

Stock lending/Repo

The effect of lending (or repo'ing) securities to a third party is to transfer title to them to the borrower (or repo purchaser) for the period that they are lent (or repo'ed). At the end of the period, subject to default of the borrower (or repo purchaser), the lender (or repo seller) receives back securities of the same issuer and type. The borrower's (or repo purchaser's) obligation to transfer equivalent securities is secured against collateral (which is usually transferred by a title transfer mechanism pursuant to market standard agreements). There is, accordingly, credit risk. Lending (or repo'ing) securities may affect your tax position.

Strategies

Particular investment strategies will carry their own particular risks. For example, certain strategies, such as 'spread' position or a 'straddle', may be as risky as a simple 'long' or 'short' position.

Professional disclosures

This part of the Risk Disclosure Annex will not apply to you unless you have been classified as a Professional Client.

Please note that we will send you regular reports on the services we provide to you and will include in those reports the costs associated with the transactions and services we undertake for you.

We may provide you with services in relation to all types of financial instruments, including:

- transferable securities
- money market instruments
- units in collective investment undertakings
- options, futures, swaps, forward rate agreements and any other derivatives contracts relating to commodities, whether cash or physical settled and whether or not traded on a regulated market or MTF, climatic variables, freight rates, commission allowances or inflation rates or other official economic statistics
- derivative instruments for the transfer of credit risk
- financial contracts for differences
- other derivative contracts

We will send you a confirmation of each transaction undertaken with or for you, promptly after entering into that transaction with or for you. We will promptly send you the essential information concerning the execution of the order. In deciding to deal with us in such financial instruments generally, and in any particular case, you must have already assessed the risks involved in those financial instruments and in any related services and strategies, which may (as relevant) include any of, or a combination of any of, the following:

- credit risk
- market risk

- liquidity risk
- interest rate risk
- FX risk business, operational and insolvency risk
- the risks of OTC, as opposed to on exchange, trading, in terms of issues like the clearing house 'guarantee', transparency of prices and ability to close out positions
- contingent liability risk
- regulatory and legal risk

In relation to any particular product or service there may be particular risks which are drawn to your attention in the relevant term sheet, offering memorandum or prospectus. You must not rely on the above as investment advice based on your personal circumstances, nor as a recommendation to enter into any of the services or invest in any of the products listed above. Where you are unclear as to the meaning of any of the above disclosures or warnings, we would strongly recommend that you contact us or seek independent legal or financial advice.