FIRST LONDON BROKERS

RISK WARNING AND DISCLOSURE

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1. Introduction

The purpose of this Risk Warning Notice and Disclose is to provide a general description of the nature and risks associated with the financial instruments available through the trading services that First London Brokers offer.

Trading involves risk. The value of your Investments and the income derived from them is not guaranteed at any time. You may not get back the full amount at you invested. Information in respect of past performance is not a reliable indicator for future performance.

Our service is provided on an execution-only basis to clients meeting the requirements of the regulatory categorisation of a Professional Client. We will not provide you with any form of investment advice or tax advice, or advise you about the merits of a particular transaction or otherwise.

In providing our Services to you, we are not required to assess the suitability for you of the investments or Services and therefore you will not benefit from the protection of the FCA Rules on assessing suitability. An assessment of suitability takes into account an investor's knowledge and experience, financial situation and investment objectives and applies only when a firm makes a personal recommendation or manages investments.

In providing our Services, we are not required to assess whether the financial instruments are appropriate for you and therefore you will not benefit from the protection of the FCA Rules on assessing appropriateness. An assessment of appropriateness takes into account an investor's knowledge and experience in relation to their ability to understanding the risks involved in trading in complex financial instruments and applies only to those instruments when made available to clients categorised as Retail Clients.

The Services offered by us and the Investments that those services provide access to may not be suitable or appropriate for you. If you have any doubts as to the merits of an Investment, you should seek advice from an independent financial adviser who is authorised under the Financial Services and Markets Act 2000 to advise on such Investments.

2. Financial Instruments and Risk

a) Shares.

Shares are instruments that give their holders the right to ownership of a certain share of a company. Ordinary shares give their holder the right to vote at the general meeting of the shareholders and entitle the holder to a dividend and liquidation share proportionate to the nominal value of the shares held. The preferred shares issued by public companies, may entitle the shareholders to

additional or guaranteed dividends, or a guaranteed liquidation share or redemption privilege. Private companies may issue shares with other privileges. The preferred shares may not have voting rights. By increasing the capital of the company, the shareholders have the right to subscribe for new shares in proportion to their holdings prior to such an increase. Shareholders earn dividend income when a distribution of profits is made and capital gain or loss when there is a fluctuation in the market price of shares.

Risk related to transactions with shares include:

I. **Price risk**
Price risk arises from fluctuation in shares prices, as a result of which, shareholders could realise losses on the sale of their holdings. Fluctuation in the price of shares is influenced by the impact of a range of factors to varying degrees including: The net asset value of the company; financial results both predicted and actual; reputational issues, supply and demand; economic conditions; and jurisdictional outlook and growth forecasts. The issuer cannot guarantee that the price of offered securities offered will retain value or increase in value and may buy back their securities in order to maintain current market prices.

II. **Liquidity risk**
Liquidity risk arises from uncertainty about the level of active market demand for shares and the supply of shares over a certain period. Poor liquidity (an inability to dispose of shares) hampers the prevention of possible losses and the realisation of capital gains. This risk is relatively lower in respect of stocks traded on a regulated market in comparison to those traded privately.

III. **Inflation risk**
Inflation increases the general level of the prices of goods and services in an economy and indicates a decrease in the purchasing power of a nation's currency. Returns (dividends) may be reduced or not issued at all in relation to reduced profits caused by increased local costs that are not passed on to the customer. In addition: The real value of cash flows from an investment will be undermined. As the rate of inflation rises it will impact the real rate of return that an investor receives and may rise to the extent that its impact exceeds the rate of return. As an example, inflation risk can be seen very clearly with fixed-income investments. If you buy a bond with a coupon rate of 3%, then this is the nominal return of your investment. However, if the inflation rate rises by at 2%, your purchasing power is only really increasing by 1%.

IV. **Currency risk**
Currency Risk (sometimes referred to as foreign currency risk or exchange rate risk), is the risk that the investor will incur losses in respect of currency fluctuations. Currency fluctuations have an unpredictable impact on the value of an investor’s assets, investments, and their related interest and dividend payment streams, especially in respect of securities denominated in foreign currencies. Investors are able to manage the risk of incurring losses in a number of ways including the use of derivative instruments.

V. **Lack of guarantee for the payment of dividends.**
Financial results depend on many factors including the professional experience of the management team of the issuer, the development of the market in which the issuer operates; and prevailing economic circumstances both locally and globally. Moreover, the

decision to distribute profits as dividends is made by the shareholders of the Issuer in General Meeting. Investors should be aware that for any given year, the issuer may not make profit, and where there is profit, the shareholders are not bound to make a distribution and may not do so.

VI. **Macroeconomic risk**

Macroeconomic risk (sometimes referred to as Macro risk) in relation to the financial markets refers to market factors arising from economic and political events that impact countries at a macro level such as unemployment, inflation, prices, export/import. Such market factors can influence investment, assets and company evaluations.

Although a company may be functioning well as a business, systemic unforeseen circumstances can impact on its financial results and may lead to insolvency. Investors are able to manage their exposure to Macroeconomic risk to some extent through diversification.

VII. **Risk of accounting fraud**

Although accountancy and audit procedures for issuers are governed by international organisations (such as IASC, AICPA, ICAEW, etc.) the risk of accounting fraud and the provision of misleading data still exists including when trading shares.

VIII. **Brokerage risk**

Brokerage risk refers to the risk of failures in the carrying out of transactions. The level of capital adequacy and liquid assets held by a regulated firm is a requirement set in regulation. However, the risk remains that a broker is not sufficiently capitalised, or does not have sufficient liquid resources to meet its obligations to its counterparties. This may lead to issues concerning the settlement of a transaction and result in the transaction being declared invalid.

b) Derivatives

Derivative financial instruments include futures and options:

- Futures incorporate the right and the obligation to purchase or sell a certain number of securities, currencies, commodities or other instruments (the underlying assets), at a pre-agreed fixed price, on a given future date. Futures contracts are exchange traded standardised agreements.

- Options provide the buyer with the right (but not the obligation) to buy or sell a certain number of securities, currencies, commodities or other instruments (the underlying assets), at a pre-agreed fixed price, until the expiration of a fixed term, or on a fixed date.

Derivative financial instruments such as futures and options are used for speculation and the hedging of risk when investing in securities. Derivatives expose the investor to the risks attributable to the underlying assets and, in respect of the derivatives themselves the main risks are:

- Currency risk
- Price risk

- Liquidity risk

Derivatives are high risk complex financial instruments and may not be suitable for all clients.

3. Leverage

Trading using leverage means that the invested amount, in relation to the notional value of the position in the financial instrument, represents a lower proportion of that notional value than when not using leverage. At the same time, the investor's market exposure is to the notional value. As a result, any market fluctuation will have a greater impact on the investor's capital than if the client had opened the position without leverage. The investor may lose more than the initial investment.

Trading with leverage involves high risk and is not suitable for all clients.

4. Language of Communications

All First London Brokers Ltd. legal documents are available in English. Translations into other languages, where provided, are for referential purposes only. For avoidance of doubt, The English version shall prevail in the event of any inconsistencies or ambiguities.