

**GENERAL INFORMATION ON THE NATURE AND THE ASSOCIATED RISKS OF FINANCIAL
INSTRUMENTS**

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1 INTRODUCTION

This document provides a general overview of the main financial products and their associated risks with emphasis on the risks of Russian financial market. This notice does not intend to be exhaustive and there may be other risk factors, which the Client should take into account in relation to a particular investment on financial instrument. It is intended to give the Client information on and a warning of the risks associated with them so that the Client is reasonably able to understand the nature and risks of the services and of the specific types of financial instruments being offered and, consequently, to take investment decisions on an informed basis.

Clients should not rely on the guidance contained in this document as investment advice based on investor's personal circumstances, nor as a recommendation to enter into any of the services or invest in any of the financial instruments listed below. We would strongly recommend that Clients seek independent legal or financial advice where it is unclear as to the meaning of any of the disclosures or risk warnings.

The Client hereby acknowledges and accepts that he/she is properly notified by GPB Financial Services Ltd (GPBFS) with respect to the risks listed herein and acknowledges and accepts that any one or more of these risks could lead to loss, which could in certain circumstances, far exceed the initial Clients' investments and capital deposited.

2 BASIC INVESTMENT RISKS

2.1 Market Risk

Market risk is referred to investment losses due to adverse movements in financial market prices.

2.1.1 *Price Risk:*

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

2.1.2 *Currency Risk*

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

2.1.3 *Interest Rate Risk*

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

2.2 Liquidity Risk

A security is considered liquid by the extent to which it is possible for the investor to sell it at any time at fair market value. Sale of liquid securities may not cause noticeable price fluctuations irrespective of the volume. Narrow and illiquid markets can make it difficult to buy or sell securities. Liquidity risk is more evident in emerging markets (please refer to “Emerging Market Risks” below) which are substantially smaller, less liquid and more volatile than the securities markets in most developed markets. A few issuers represent a large percentage of market capitalization and trading volume. Due to these factors, it may be difficult for the investor to buy or sell some securities because of poor liquidity.

2.3 Credit Risk

Credit risk refers to the risk of losses due to the fact that debtors maybe unwilling or unable to fulfill their contractual obligations because of deteriorating credit quality or bankruptcy. Such defaults could result in losses for an investor. In addition, the credit quality of securities held by the investor may be lowered if an issuer’s financial condition changes. Lower credit quality may lead to greater volatility in the price of a security, affect liquidity and make it difficult for the investor to sell the security.

2.4 Inflation Risk

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

2.5 Volatility Risk

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

2.6 Tax Risk

Tax risk arises because of the uncertainty associated with tax laws. Changes in law may lead to changes in the tax treatment of capital gains and income from securities, in terms of both the amount and nature of taxes.

Double taxation treaties between countries can have positive effects on the capital market prices. However, there is no guarantee that applicable double tax treaties, will remain in place or will not be changed.

2.7 Settlement and Custody Risks

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

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

Concerning the Civil Law of the Russian Federation in case of bankruptcy of a custodian, the assets held on the account name of clients are protected from any claim made on behalf of the creditors of the Depository. However, in the Russian Federation there is no Central Securities Depository established to manage the clearing, settlement and safekeeping of all securities. All Russian registrars are supervised by the Federal Financial Markets Service (FFMS). As a result of this system it is possible that ownership rights could be lost through fraud or negligence an investor can have limited access to the custody securities or no access at all until the court proceeding have been resolved.

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

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

2.8 Foreign Markets Risks

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

2.9 Emerging Market Risks

Investments in emerging markets may involve certain risks not found in investments in developed markets. Emerging markets are usually smaller, less liquid and more volatile than developed markets and there is often substantially less information publicly available about these investments. In addition, there may be greater risks arising from political, social and economic uncertainties and from possible changes in currency exchange rates. Accounting, corporate governance and financial reporting standards that prevail in certain of these countries are often not equivalent to those in countries with more developed markets. Tax and legal regimes may be subject to uncertainty and to significant and unpredictable changes and repatriation of investments and profits may be restricted by exchange controls. There may also be less well developed regulation of markets, issuers and intermediaries. Markets may lack the liquidity of those in developed countries, leading to difficulty in valuing assets. Instability in such markets has previously led to and may continue to lead to investor losses. Settlement of transactions carried out on such markets may be lengthier and less secure than in developed markets. Investing in Emerging markets involves risks, including but not limited to the following:

- **Event risk:** On occasion, a country or region will suffer an unforeseen catastrophic event (for example, a natural disaster), which causes disturbances in its financial markets, including rapid movements in its currency, that will affect the value of instruments in, or which relate to, that country. Furthermore, the value of instruments and any income derived there from can be affected by global events, including events (political, economic or otherwise) occurring in a country other than that in which the instruments are issued or traded.
- **Political risk:** Many emerging markets countries are undergoing, or have undergone in recent years, significant political change which has affected government policy, including the regulation of industry, trade, financial markets and foreign and domestic investment. The relative inexperience with such policies and instability of these political systems leaves them more vulnerable to economic hardship, public unrest or popular dissatisfaction with reform, political or diplomatic developments, social, ethnic, or religious instability or changes in government policies. Such circumstances, in turn, could lead to a reversal of some or all-political reforms, a backlash against foreign investment, and possibly even a turn away from a market-oriented economy. For investors, the results may include confiscatory taxation, exchange controls, compulsory re-acquisition, nationalisation or expropriation of foreign-owned assets without adequate compensation or the restructuring of particular industry sectors in a way that could adversely affect investments in those sectors. Any perceived, actual or expected disruptions or changes in government policies of a country, by elections or otherwise, can have a major impact on the value of instruments linked to those countries.

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

3 **FINANCIAL INSTRUMENTS AVAILABLE FOR INVESTORS AND THEIR RELATED RISKS**

3.1 **Equities**

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

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

- **Company risk:** an equity purchaser does not lend funds to the company, but makes a special contribution and, as such, becomes a co-owner of the corporation. He/she thus participates in its development as well as in the profits and losses, which makes it difficult to forecast the precise yield on such an investment. An extreme case would be if the company went bankrupt, thereby wiping out the total sums invested.
- **Price risk:** equity prices may undergo unforeseeable price fluctuations causing risks of loss. Price increases and decreases in the short-medium and long term alternate without it being possible to determine the duration of those cycles. General market risk must be distinguished from the specific risk attached to the company itself. Both risks, jointly or in aggregate, influence the evolution of equity prices.
- **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.

3.1.1 **Depository receipts**

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

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

The risks involved relate both to the underlying share and to the bank issuing the receipt. First, ADR prices are subject to foreign market and exchange risks. Second, there are important differences between the rights of holders of ADRs and GDRs, and the rights of holders of the shares of the underlying share issuer represented by such Depositary Receipts. The rights and responsibilities of the depository (being the issuer of the Depositary Receipt), the underlying share issuer and holders of the Depositary Receipt may be different from the rights of holders of the underlying shares. For example, the underlying share issuer may make distributions in respect of its underlying shares that are not transferred on to the holders of its Depositary Receipts. Any such differences between the rights of holders of the Depositary Receipts and holders of the underlying shares of the underlying share issuer may be significant and may adversely affect the value of the relevant instruments. Fourth The Client bears settlement risk from the delivery of Depositary Receipts to Depository's account on a "free delivery" basis. Finally, there may be tax implications when DRs are converted from foreign currencies.

3.2 Money-market instruments

A money market instrument is a form of short-term cash borrowing usually no longer than one year, in which the lender takes a deposit from the money market in order to lend it to the borrower. Money-market instruments may be exposed to the same risks as Bond instruments (see 3.3 below).

3.3 Bonds

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

3.3.1 Government Bonds

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

3.3.2 Corporate Bonds

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

3.3.3 Eurobonds

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

In general, investing in bonds involves risks, including but not limited to the following:

- **Insolvency risk:** the issuer risks becoming temporarily or permanently insolvent, resulting in its incapacity to repay the interest or redeem the bond. The solvency of an issuer may change according to changes specific to the issuing company, the issuer's economic sector and/or the countries concerned, as well as political developments with economic consequences. The deterioration of the issuer's solvency will influence the price of the securities that it issues.
- **Interest rate risk:** uncertainty concerning interest rate movements means that purchasers of fixed-rate securities carry the risk of a fall in the prices of the securities if interest rates rise. The longer the duration of the loan and the lower the interest rate, the higher is a bond's sensitivity to a rise in the market rates.
- **Credit risk:** the value of a bond will fall in the event of a default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer.
- **Sovereign risk:** the risk that the issuer is unwilling or unable to make coupon and principal payments when due.
- **Early redemption risk:** the issuer of a bond may include a provision allowing early redemption of the bond if market interest rates fall. Such early redemption may result in a change to the extended yield.
- **Reinvestment risk:** the risk that interest received from the issuer may not be possible to be reinvested in such a way that it generates the same rate of return as the invested funds.
- **Inflation risk:** the risk that the purchasing power of the cash flows received from a bond (coupon and principal) might decline over time as a result of inflation.
- **Currency risk:** for bonds denominated in a different currency than the investor's home currency, the risk that the exchange rate between the two currencies moves.
- **Event risk:** the risk that some unusual events (e.g. terrorist attacks, natural disasters) could impair the issuer's ability to make payments (coupon and principal) when due.
- **Risks specific to bonds redeemable by drawing:** bonds redeemable by drawing have a maturity which is difficult to determine, so unexpected changes in the yield on these bonds may occur.

3.4 Derivatives

A derivative is a financial instrument, the value of which is derived from an underlying asset's value. Derivatives are used for hedging investment risks or for arbitrage purposes. The Client should carefully assess all risks from such transactions. All derivatives are subject to the main risk types Part 2 above, in particular market risk, credit risk and any specific risks related with the underlying asset. The main derivative instruments are options, futures/forwards, and swaps.

Whilst derivative instruments can be utilised for the management of investment risk, some investments are unsuitable for many investors. Different instruments involve different levels of exposure to risk, and in deciding whether to trade in such instruments you should be aware that derivatives transactions involve risks, including but not limited to the following:

- **Market risk:** Market risk is the risk of loss arising from adverse changes in the value of a derivative instrument as a result of movements in the underlying market rate.
- **Credit Risk:** Credit risk is the risk that a counterparty may fail to meet its contractual payment obligations through insolvency or default. For derivatives, the amount at risk is not the face value of the transaction but the positive fair value or replacement value of the transaction.
- **Liquidity risk:** Liquidity risk is the risk of losses attributable to a lack of liquidity (i.e. very few market participants) in a particular market. This is usually indicated by wide bid/offer spreads and very few transactions being done in a particular product or market. The risk is that changes in the underlying market price may be infrequent but very large, and that an open position in the market is not able to be effectively hedged.
- **Pricing risk:** For complex derivative transactions, pricing is completed using various assumptions and mathematical models. Pricing risk is the risk that these models do not accurately reflect conditions
- **Operational risk:** Operational risk is a wide-ranging area of risk. It can cover risks such as, but not limited to, the following:
 - transactional details are not accurately input into computer systems;
 - computer systems break down;
 - computer files are lost;
 - experienced staff leave the organisation;
 - documentation relating to a transaction is incorrect; and
 - relying on a third party for the performance of any operational functions which are critical for the provision of continuous and satisfactory service to clients.

3.4.1 *Call/Put options*

Options are instruments that give their holder the right (but not the obligation) to buy or sell an asset at a specified price until a specified expiration date.

Options to buy a stock are called call options and options to sell a stock are called put options. The buyer of the option pays a premium to the seller for entering the option contract. Transactions with options are considered more complex than transactions with equities and bonds.

Adequate market expertise is required from the investor's site before entering into any transactions with options. As hedging instruments, options are bought to decrease exposure to certain types of market price movers of the investor's position. By hedging a position, it does not mean that the risk is eliminated. Options can be used for hedging or speculating.

3.4.2 *Interest Rate Swaps*

Companies use interest rate swaps to alter their interest rate exposure. A company paying floating interest rate can obtain fixed rate exposure by entering into a fixed-floating swap. Therefore, the company can enter a fixed-floating swap in which they receive floating rate

and pay the fixed rate. Lenders of long-term debt bear both interest and credit risk. Credit risk is mostly borne by the long-term bondholders since the firm could go bankrupt. Potential credit risk is largest during the middle period of the swap's life because at the beginning of a swap's life we assume that the involved counterparties have performed sufficient current credit analysis on one another in order to enter into the agreement. At the end of the swap's life, the credit risk is diminished because most of the risk has been amortized through periodic payment process.

3.4.3 *Currency Swaps*

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

3.4.4 *Credit Default Swap (CDS)*

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

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

3.4.5 *Futures/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 as well as gains. It also means that 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.

3.5 Collateral Arrangements (e.g. Repos)

A repurchase agreement or "repo" is a type of Title Transfer Collateral Arrangement (TTCA) and is the sale of a security with a commitment by the seller to buy the same security back from the purchaser at a specified price at a designated future date. Repo agreements resemble a collateralized loan where the collateral is the security that is sold and afterwards repurchased. Both parties in a repo transaction are exposed to credit risk.

When entering into TTCAs or Security Collateral Arrangements containing a right of use (together, "Collateral Arrangements") with us, the following risks ("Re-use Risks and Consequences") may arise:

Where you provide financial instruments to us under a title transfer collateral arrangement or if we exercise a right of use in relation to any financial instruments or funds that you have provided to us by way of collateral under a security collateral arrangement containing a right of use, we draw your attention to the following Reuse Risks and Consequences:

- (i) any rights, including any proprietary rights that you may have had, in those financial instruments or funds will be replaced by an unsecured contractual claim for delivery of equivalent financial instruments or return of funds subject to the terms of the relevant Collateral Arrangement;
- (ii) those financial instruments will not be held by us in accordance with client asset rules, and, if they had benefited from any client asset protection rights, those protection rights will not apply (for example, the financial instruments will not be segregated from our assets and will not be held subject to a trust);
- (iii) those funds will not be held by us in accordance with client funds rules and, if the funds had benefited from any client funds protection rights, those protection rights will not apply (for example, the funds will not be segregated from our assets and deposited with another bank or banks);
- (iv) in the event of our insolvency or default under the relevant agreement your claim against us for delivery of equivalent financial instruments or return of funds will not be secured and will be subject to the terms of the relevant Collateral Arrangement and applicable law and, accordingly, you may not receive such equivalent financial instruments or recover the full value of the financial instruments or funds (although your exposure may be reduced to the extent that you have liabilities to us which can be set off or netted against or discharged by reference to our obligation to deliver equivalent financial instruments or return funds to you);
- (v) in the event that a resolution authority exercises its powers under any relevant resolution regime in relation to us any rights you may have to take any action against us, such as to terminate our agreement, may be subject to a stay by the relevant resolution authority and:
 - (A) your claim for delivery of equivalent financial instruments or return of funds may be reduced (in part or in full) or converted into equity; or
 - (B) a transfer of assets or liabilities may result in your claim on us, or our claim on you, being transferred to different entities although you may be protected to the extent that the exercise of resolution powers is restricted by the availability of set-off or netting rights;
- (vi) as a result of your ceasing to have a proprietary interest in those financial instruments you will not be entitled to exercise any voting, consent or similar rights attached to the financial instruments, and even if we have agreed to exercise voting, consent or similar rights attached to any equivalent financial instruments in accordance with your instructions or the relevant Collateral Arrangement entitles you to notify us that the equivalent financial instruments to be delivered by us to you should reflect your instructions with respect to the subject matter of such vote, consent or exercise of rights, in the event that we do not hold and are not able to readily obtain equivalent financial instruments, we may not be able to comply (subject to any other solution that may have been agreed between the parties);
- (vii) in the event that we are not able to readily obtain equivalent financial instruments to deliver to you at the time required: you may be unable to fulfil your settlement obligations under a hedging or other transaction you have entered into in relation to those financial instruments; a counterparty, exchange or other person may exercise a right to buy-in the relevant financial instruments; and you may be unable to exercise rights or take other action in relation to those financial instruments;
- (viii) subject to any express agreement between you and us, we will have no obligation to inform you of any corporate events or actions in relation to those financial instruments;
- (ix) you will not be entitled to receive any dividends, coupon or other payments, interests or rights (including securities or property accruing or offered at any time) payable in relation to those financial instruments, although the express written terms of the relevant Collateral Arrangement or Transaction may provide for you to receive or be credited with a payment by reference to such dividend, coupon or other payment (a “manufactured payment”);
- (x) the provision of title transfer collateral to us, our exercise of a right of use in respect of any financial collateral provided to us by you and the delivery by us to you of equivalent financial instruments or the return of funds may give rise to tax consequences that differ from the tax consequences that would have otherwise applied in relation to the holding by you or by us for your account of those financial instruments or funds;

(xi) where you receive or are credited with a manufactured payment, your tax treatment may differ from your tax treatment in respect of the original dividend, coupon or other payment in relation to those financial instruments.

3.6 Alternative Investments

Alternative investments are usually indirect investments with risk and return characteristics different from the conventional investments i.e stocks and bonds. The main characteristics of alternative investments are the limited liquidity, high due diligence costs, diversification benefits and performance appraisal difficulty.

3.6.1 *Commodities*

Commodities markets are characterized by high volatility. On a stand-alone perspective, commodities are considered a high-risk investment. If commodities form part of portfolio of stocks and bonds they offer risk diversification benefits due to their low correlation with stocks and bonds. In addition, commodities in the portfolio serve as inflation hedge, offsetting the losses to bonds which usually lose value during periods of unexpected inflation.

3.7 Direct Market Access System (DMA)

Direct Market Access (DMA) refers to platforms sponsored by brokers that permit buy-side investors to directly access equities, fixed income, futures, and exchange markets, clearing via the broker. An individual can enter their limit orders directly into the market via the order book.

The order book is a two column listing of those wanting to buy at a specific (limit) price and no higher, in the other column a list of those that want to sell at a specific price and no lower. The columns are both arranged on a price/time priority basis, the highest price someone will pay for a stock will be at the top of the buy column and the lowest price someone is prepared to sell is at the top of the sell column. The order book is populated by limit orders placed by private investors, institutions and market makers.

All orders on the order book are stable and orders away from the market price may be there to profit from volatility in the stock when it would be possible to buy cheaply or sell at a high price.

The major risks associated with transacting through DMA system are the following:

- System risks. Possible failure of the system, unintentional disconnection from the exchange network may delay execution process and create uncertainty about the status of working orders.
- Erroneous transactions,
- Risk of trading in front of the order. For example if a large size purchase order is posted in the limit order book, other individuals may take long positions in the security in the hope of realizing a profit by selling the stock at a higher price.
- Execution uncertainty. There is uncertainty of whether any trades will be made on the specified prices posted by the individual in the limit order book.

GPBFS is responsible for all orders submitted by or through it to the order book and has controls in place to help prevent erroneous orders from being submitted. One of these controls is to require a certain level of expertise from its clients. Clients should read and familiarize themselves with all above risk warnings.

3.8 Exchange Traded Funds (ETFs)

ETFs are organized as either open-end investment companies or unit investment trusts (“UITs”). Each ETF must prepare and make available to prospective investors a prospectus and statement of additional information that contains detailed information about the ETF’s investment objectives, investment strategies, specific risks and fees and expenses as well as other information. ETFs are comprised of baskets of stocks, bonds or other assets. Unlike mutual funds that always trade at exactly at its stated “net asset value” (NAV), may trade below or above their NAV because you can buy and sell ETFs intraday, like any other stock shares. Depending on the investment strategy and objective an ETF is exposed to all the risks mentioned in Part 2.

3.9 Structured Products

The objective of structured products is to provide enhanced returns through linking an investment to another market(s) depending on the characteristics of the structure. Generally, a structure product invests in a variety of underlying assets such as shares, debt securities, commodities or mutual funds and derivatives linked to another market for generating returns. Risks depend on the investment characteristics of the structure product and can include loss of capital if the product structure involves leverage, rate of return may depend on specific conditions that should be met. Some structured products may provide a degree of capital protection, others do not. Products that come with ‘100 per cent capital protection, will still have exposure to inflation risk and counterparty risk because the guarantees behind the majority of such products are provided by a third party.