R.J. O'Brien Limited

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RISK DISCLOSURE STATEMENT

Information on the Nature and Risks of Certain Investments

1 **General:** The value of investments and the income from them may fluctuate and go down as well as up. There is no guarantee that you will recover the amount initially invested. The value of investments may be affected by a variety of factors, including economic and political developments, interest rates and foreign exchange rates, as well as issuer-specific events. Investments denominated in currencies other than your base currency carry the risk of exchange-rate movements. A movement in exchange rates may have a separate effect, which may be unfavourable or favourable, on your gains and losses. Hedging techniques may, in certain circumstances, be of limited success or not be successful. The market for some investments may be restricted or illiquid. There may be no readily available market and from time to time there may be difficulty in dealing in such investments or obtaining reliable information about the value and extent of risks associated with such investments.

2 **Equity Securities:** Buying equity securities (the most common form of which are shares) will mean that you will become a stakeholder of the issuer company and participate fully in its economic risk. Holding equity securities will generally entitle you to receive any dividend distributed each year (if any) out of the issuer's profits made during the reference period. Generally, holdings in equity securities will expose you to more risk than debt securities since remuneration is tied more closely to the profitability of the issuer. In the event of insolvency of the issuer, your claims for recovery of your equity investment in the issuer will generally be subordinated to the claims of both preferred or secured creditors and ordinary unsecured creditors of the issuer. There is an extra risk of losing money when shares are bought in some smaller companies, such as penny shares. There is a big difference between the buying price and the selling price of these shares, as well as the market depth. If they have to be sold immediately, you may get back much less than was paid for them. The price may change quickly and it may go down as well as up. If you buy equity securities you will be exposed to both the specific risks associated with individual securities held (and the financial soundness of their issuers), as well as the systemic risks of the equity securities markets.

3 **Derivatives:** The information contained in this notice cannot disclose all the risks and other significant aspects of derivative products such as futures, options, and contracts for differences. You should not deal in these products unless you understand their nature and the extent of your exposure to risk. You should also be satisfied that the product is suitable for you in the light of your circumstances and financial position. Certain strategies, such as a 'spread' position or a 'straddle', may be as risky as a simple 'long' or 'short' position. Although derivative instruments can be utilised for the management of investment risk, certain of these products may not be suitable for a number of investors. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments you should be aware of the following points:

3.1 **Futures**: Transactions in 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 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 transactions have a contingent liability, and you should be aware of the implications of this, including in particular the margining requirements, which are set out in paragraph 6.

3.2 **Options**: There are many different types of options with different characteristics subject to the following conditions. 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 will acquire the future. This will expose you to the risks described under 'futures' in paragraph 3.1 and 'contingent liability investment transactions' in paragraph 6.

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

3.4 **Traditional Options**: Certain 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 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.

3.5 **Contracts for Differences**: Futures and options contracts can also be referred to as contracts for differences. These can be options and futures on an exchange index or any other index, as well as currency and interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future or an option and you should be aware of these as set out in paragraphs 3 (a) and (b) above respectively. Transactions in contracts for differences may also have a contingent liability and you should be aware of the implications of this as set out in paragraph 6.

3.6 **Off-Exchange Transactions In Derivatives**: It may not always be apparent whether or not a particular derivative is arranged on exchange or in an off-exchange derivative transaction. You must ensure that it is clear to you if you are entering into an off exchange derivative transaction. While some off-exchange markets are highly liquid, transactions in off-exchange or 'non transferable' derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid prices and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

4 **Exchange Traded Funds**: Exchange traded funds ("ETFs") are closed-ended collective investment schemes, traded as shares on stock exchanges, and typically replicate a stock market index, market sector, commodity or basket of assets. As such, they generally combine the flexibility and tradeability of a share with the diversification of a collective investment scheme. Where you purchase ETFs, you will be exposed to similar risks as detailed in respect of equity securities, as well as the general risks detailed in paragraph 1.

5 **Foreign Markets**: Foreign markets will involve different risks from your local market. In some cases the risks will be greater. You should request from the firm with whom you trade an explanation of the relevant risks and protections (if any) which will operate in any foreign markets, including the extent to which it will accept liability for any default of a foreign firm through whom it deals. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

6 **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 the firm with whom you trade 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 will 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. Contingent liability investment transactions which are not traded on or under the rules of a recognised or designated investment exchange may expose you to substantially greater risks.

7 **Limited Liability Transactions**: Before entering into a limited liability transaction, you should obtain from the firm with whom you are dealing a formal written statement confirming that the extent of your loss liability on each transaction will be limited to an amount agreed by you before you enter into the transaction. The amount you can lose in limited liability transactions will be less than in other margined transactions, which have no predetermined loss limit. Nevertheless, even though the extent of loss will be subject to the agreed limit, you may sustain the loss in a relatively short time. Your loss may be limited, but the risk of sustaining a total loss to the amount agreed is substantial.

8 **Collateral**: If you deposit collateral as security with the firm with whom you trade, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of your collateral, depending on whether you are trading on a recognised or designated investment exchange, with the rules of that exchange (and the associated clearing house) applying, or trading off-exchange. Deposited collateral may lose its

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identity as your property once dealings on your behalf are undertaken. Even if your dealings should ultimately prove profitable, you may not get back the same assets which you deposited, and may have to accept payment in cash. You should ascertain from the firm with whom you trade how your collateral will be dealt with and whether they may impose requirements that vary from any standard exchange requirements, if applicable.

9 **Commissions**: Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), you should obtain a clear, written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. In the case of futures, when commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of your initial payment.

10 **Suspensions of Trading**: Under certain market 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.

11 **Clearing House Protections**: On many exchanges, the performance of a transaction by the firm with whom you trade (or third party with whom the firm is dealing on your behalf) is 'guaranteed' by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover you, the customer, and may not protect you if the firm with whom you trade or another party defaults on its obligations to you. You should request of the firm with whom you trade to explain any protection provided to you under the clearing guarantee applicable to any on-exchange derivatives in which you are dealing. There is no clearing house for traditional options, nor normally for off-exchange instruments which are not traded under the rules of a recognised or designated investment exchange.

12 **Insolvency**: The insolvency or default of the firm with whom you trade, or that of any other brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payments in cash. You should request of the firm with whom you trade information on the extent to which it will accept liability for any insolvency of, or default by, other firms involved with your transactions.