

# Risk Disclosure and Disclaimer

## Risk Disclosure

This brief statement is not a full and exhaustive list of all of the risks and other significant aspects of trading in leveraged investments or direct investments in investment programs. In light of the risks, you should undertake such transactions only if you understand the nature of the transactions (and contractual relationships) into which you are entering and the extent of your exposure to risk. You should carefully consider whether trading and investing is appropriate for you in light of your experience, objectives, financial resources and other circumstances.

### 1. Effect of 'Leverage' or 'Gearing'

Transactions in OTC accounts carry a high degree of risk. The amount of initial margin for contracts for differences, commodities, foreign exchange, futures or indices is small relative to the value of the OTC contract so that transactions are highly 'leveraged' or highly 'geared'. A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit; this may work against you as well as for you. You may sustain a total loss of initial margin funds and any additional funds deposited with the firm to maintain your position. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, or to maintain sufficient usable margin in your account, your position may be liquidated at a loss without notice and at the sole discretion of SGT.

### 2. Risk-reducing Orders or Strategies

The placing of certain orders (e.g. 'stop-loss' order, where permitted under local law, or 'stop-limit' orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as 'spread' and 'straddle' positions may be as risky as taking simple 'long' or 'short' positions.

### 3. Terms and Conditions of Contracts

You should understand the terms and conditions of the specific contracts for differences, commodities, foreign exchange, futures, indices or direct program investments which you are trading or investing in, and any associated obligations.

### 4. Suspension or Restriction of Trading and Pricing Relationships

Market conditions, including, but not limited to, illiquidity, and/or the operation of the rules of certain markets (e.g., suspension of trading in any security due to price limits, government intervention or "circuit breakers") may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions.

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## 5. Deposited Cash and Property

You should familiarize yourself with the protections accorded money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may 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.

## 6. Commission and Other Charges

Before you begin to trade or invest, you should obtain a clear explanation of all commission, fees, markups, markdowns, rollovers, interest rate differential and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

## 7. Transactions in Other Jurisdictions

Transactions in currencies in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before you trade or invest, you should inquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been affected. You should understand about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade or invest.

## 8. Currency Risks

The profit and loss in transactions in foreign currency-denominated contracts or securities (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

## 9. Trading Facilities

OTC business is not traded on a regulated market and therefore does not require open-outcry. Even though quotations or prices are afforded by many computer-based component systems, the quotations and prices may vary due to market liquidity. Many electronic trading facilities are supported by computer-based component systems for the order-routing, execution or matching of trades. As with all facilities and systems, they are vulnerable to disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the bank and/or financial institution and such limits may vary.

## 10. Electronic Trading

Trading on an electronic trading system may differ not only from trading in the interbank or other regulated markets but also from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or is not executed at all.

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## 11. Off-Exchange Transactions

In OTC markets, firms are not restricted to effect off-exchange transactions. The firm with which you deal may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarize yourself with applicable rules and attendant risks.

### Disclaimers

- a. Internet Failures: Since SGT does not control signal power, its reception or routing via Internet, configuration of your equipment or reliability of its connection, we cannot be responsible for communication failures, distortions or delays when you trade on-line (via Internet).
- b. Market Risks and Online Trading: Trading contracts for differences, currencies, commodities, futures and indices involves substantial risks that may not be suitable for everyone. Investing in trading and placement programs can also be considered high risk. Trading online, no matter how convenient or efficient, does not necessarily reduce risks associated with securities trading and may increase the risks in the event of communication breakdowns.
- c. Password Protection: The Trader/Investor is obligated to keep passwords secret and ensure that third parties do not obtain access to the trading facilities. The Trader/Investor will be liable to SGT for trades executed by means of the Trader/Investor's password even if such use may be wrongful.
- d. Quoting Errors: Should quoting errors occur due to a dealer's mistype of a quote or an erroneous price quote from a pricing source, SGT will not be liable for the resulting errors in account balances. SGT reserves the right to make the necessary corrections or adjustments on the account involved. Any dispute arising from such quoting errors will be resolved on the basis of a fair market value of the contract or security at the time such an error occurred.

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### A. Product-Specific Risk Factors

Different financial instruments and products (Financial Instruments) involve different levels of exposure to risk and in deciding whether to trade in or purchase any Financial Instruments, potential investors should take note of the following.

An investment in any Financial Instruments involves risks. These risks may include, among others, equity market, bond market, foreign exchange, interest rate, market volatility and economic, political and regulatory risks and any combination of these and other risks. Some of these risks are briefly discussed below.

Prospective purchasers should be experienced with respect to transactions in instruments such as the relevant Financial Instruments and, where relevant, in the underlying relating to such Financial Instruments (the Underlying).

Prospective purchasers should understand the risks associated with an investment in the relevant Financial Instruments and should only reach an investment decision after careful consideration, with their legal, tax, accounting and other advisers, of

- a. the suitability of an investment in the relevant Financial Instruments in the light of their own particular financial, tax and other circumstances,
- b. the information set out in the offering document relating to the relevant Financial Instruments and, if applicable,
- c. the relevant Underlying.

Financial Instruments may decline in value and, where Financial Instruments are capital protected, investors should note that, whatever their investment in such Financial Instruments, the cash amount due at maturity will never be less than a specified minimum cash amount.

Where it is connected to an Underlying, an investment in any Financial Instrument should only be made after assessing the direction, timing and magnitude of potential future changes in the value of the relevant Underlying and/or in the composition and/or the method of calculation of the relevant Underlying, as the return of any such investment will be dependent, inter alia, upon such changes.

An investor in a Financial Instrument must generally be correct about the direction, timing and magnitude of an anticipated change in the value of the relevant Underlying. More than one risk factor may have simultaneous effect with regard to a Financial Instrument such that the effect of a particular risk factor may not be predictable. In addition, more than one risk factor may have a compounding effect which may not be predictable. No assurance can be given as to the effect that any combination of risk factors may have on the value of a Financial Instrument.

Financial Instruments linked to an Underlying represent an investment linked to the economic performance of the relevant Underlying and prospective investors should note that the return (if any) on their investment in such Financial Instruments will depend upon the performance of such Underlying.

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Potential investors should also note that whilst the market value of such Financial Instruments is linked to such Underlying and will be influenced (positively or negatively) by such Underlying, any change may not be comparable and may be disproportionate.

It is impossible to predict how the level of the relevant Underlying will vary over time.

In contrast to a direct investment in the relevant Underlying, such Financial Instruments represent the right to receive payment or delivery, as the case may be, of the relevant amount(s) on the specified or determinable date(s) in respect of such Financial Instruments which may include periodic payments of interest (if specified in the terms and conditions for such Financial Instruments), all or some of which may be determined by reference to the performance of the relevant Underlying.

The applicable terms and conditions will set out the provisions for the determination of the amount(s) payable or deliverable, as the case may be, on the specified or determinable date(s) in respect of the relevant Financial Instruments including any periodic interest payments.

Prospective investors in financial instruments linked to an underlying must review the terms and conditions of the relevant financial instruments to ascertain what the relevant underlying is and to see how both any amounts payable or deliverable, as the case may be, are determined and when any such amount(s) are payable and/or deliverable, as the case may be, before making any decision to purchase such financial instruments.

The only return on Financial Instruments may be the potential payment or delivery, as the case may be, of the amounts payable on exercise or redemption or otherwise due and payment of any periodic interest payments and prospective purchasers should review the terms and conditions of the relevant Financial Instruments to ascertain what amount(s) is/are payable and/or deliverable, what circumstances and when.

Sterling Gent Trading Ltd. (hereafter SGT) (or the relevant Third Party, as the case may be, may issue several issues of Financial Instruments relating to the same Underlying. However, no assurance can be given that SGT or the relevant Third Party, as the case may be, will issue more than one issue of Financial Instruments linked to such Underlying. At any given time, the number of Financial Instruments outstanding may be substantial.

## Equity Securities and Other Types of Equity Instruments

Equity securities represent a share in ownership of the issuing company. Equity securities may also give shareholders the right to vote at general meetings of the issuer and receive dividends. The issuer of equity securities has no obligation to repay the original cost of the share to the shareholder until and unless the issuer is wound up. There is a risk that, in the event of the issuer entering into insolvency or other similar proceedings, the shareholders will receive less than their original investment or will receive nothing.

The value of an equity security may go up or down based on the economic performance of the issuer. Equity securities could be exposed to volatility in the market or sector in which the issuer operates as well as the volatility of the general economy.

If the price of an equity security goes down, the issuer may find it difficult to raise further capital which may lead, in turn, to further reductions in the price of that equity security.

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The price of an equity security will be affected by the commercial decisions and behaviour of the issuer and its management. In particular, the relevant issuer of the equity securities may or may not elect to pay dividends to shareholders (although in some cases the issuer is required to pay the shareholders a fixed dividend). A failure by the issuer to pay dividends may lead, in turn, to a reduction in the price of the equity security. Furthermore, if they are not listed or traded on an exchange, or are listed but traded only infrequently, the equity securities may be illiquid, in which case it may be difficult to dispose of the equity securities. An investor with a significant position in equity securities may find it difficult to dispose of large volumes of equity securities even in a liquid market.

## Debt securities

Debt securities represent participation in a loan to the issuing company, government or local authority. Although an issuer of debt securities has a contractual obligation to make principal and interest payments to the holders of those securities, the issuer may be unable to meet such obligations. This may reduce the value of the debt securities.

In the event that the issuer of the debt securities enters into insolvency or other similar proceedings, there is a risk that the holders of the debt securities will receive less than their original investment or will receive nothing. Where the issuer of debt securities is a financial institution within the scope of a national or EU resolution regime, there is a risk that debt securities will be subject to bail-in by resolution authorities.

If the collapse of the issuing financial institution poses a threat to financial stability, authorities may

- a. cancel or amend the obligations of the issuing financial institution to holders of debt securities (either in whole or in part), or
- b. convert such debt securities into another type of security, including an equity security.

The price of debt securities may also be affected by interest rates, inflation and other economic factors, market perception of the creditworthiness of the issuer, market liquidity and volatility, amongst other factors.

Exchangeable or convertible debt securities (i.e. those debt securities that can be exchanged or converted into an equity security) include embedded equity derivatives and before exchange or conversion may be subject to risks associated with derivatives as well as the above risks associated with debt securities.

Following conversion or exchange into an equity security, these Financial Instruments may be subject to the typical risks associated with equity securities.

The potential for exchange or conversion may also be affected by certain conditions, such as specified expiry dates.

## Money Market Instruments

Money market instruments are debt securities representing borrowings of cash for a short-term period (generally no longer than six months but occasionally up to one year). Because of their short-term nature, money market instruments are typically more liquid than other investments.

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Investments in money market instruments may be affected by the credit risk, market liquidity and volatility, amongst other factors. The speed and volume of money market transactions may also give rise to additional interest and market risks.

## Units in Collective Investment Schemes

A collective investment scheme typically enables a number of investors to pool their assets by purchasing units in the scheme. The pooled assets will then be managed and invested by an independent manager (who may invest in other Financial Instruments, among other assets). The price of the units in the collective investment scheme can fall as well as rise.

Investors in a collective investment scheme will be exposed to the risks associated with any investment made by the manager, although exposure to any single type of risk may be reduced by the fact that each investor's investments will be spread more widely.

The price of units in a collective investment scheme may be affected by the valuation of the scheme and the Financial Instruments and other assets held by the scheme (which may themselves go up or down). Valuations are typically performed by the manager in accordance with the terms and conditions governing the collective investment scheme and may be based on unaudited accounts or preliminary calculations.

The manager may vary certain quotations for Financial Instruments and other assets held by the collective investment scheme in order to reflect the manager's judgement as to the fair value (for example where Financial Instruments and assets are illiquid and reliable market prices are difficult to obtain).

Therefore, valuations may be subject to subsequent adjustments upward or downward.

Managers of collective investment schemes may use various strategies when investing pooled assets, including short-selling, securities lending and use of leverage, each of which could alter or magnify the risks investors are exposed to.

There may also be limited opportunities to realise an investment in a collective investment scheme (as a result of the terms and conditions that govern the collective investment scheme) and there may be no secondary market in the collective investment scheme, which means that an investment in the scheme may be highly illiquid and difficult to dispose of.

Please see the section entitled "Financial Instruments linked to fund shares including hedge funds" for further risks relating to units in certain collective investment schemes.

## Baskets

The value of baskets of products (such as equity securities, debt securities and indices) may be affected by the number and quality of the products included in the basket. If the products included in the basket are concentrated on a particular issuer, sector or market, the value of the basket may be disproportionately affected by the economic, financial, and other factors affecting that issuer, sector, or market.

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## Emission Allowances

Emission allowances are tradeable permits to emit a specified amount of greenhouse gases. These permits are recognised under the EU Emissions Trading Scheme (the EU ETS). The EU ETS works on a 'cap and trade' basis, so there is a 'cap' set on the total emissions allowed by all participants covered by the EU ETS, and this cap is converted into tradeable emission allowances. The value of emission allowances is therefore derived from the overall cap on emissions that is set at an EU level.

The UK government has announced its intention to establish a UK Emissions Trading Scheme (the UK ETS) running from 2021.

Similarly, to other commodities, the price of emission allowances may be affected by changes in demand (which may be driven by fuel prices and weather patterns), the availability of the EU ETS and UK ETS infrastructure that supports the market, legal and regulatory changes, as well as political factors.

Emission allowances may be traded in the spot markets and in the derivatives markets (as the reference instrument for forwards, options or swaps) in which case they may also carry the risks associated with those instrument and market types. For example, the emission allowance market may become illiquid, in which case it may be difficult to realise an investment in emission allowances.

## Structured Deposits

A structured deposit is a deposit that is invested for a fixed term and that is fully repayable at maturity. Structured deposits differ from conventional deposits as the return on a structured deposit is calculated according to certain factors (such as an index, a Financial Instrument, a commodity, a foreign exchange rate or a combination of factors). Depending on the structure of the structured deposit, and how the return is calculated, the return may be at risk. This risk will depend on the factors used in the particular structured deposit to calculate the return.

A structured deposit is also subject to counterparty risk in relation to the institution holding the deposit and may be subject to liquidity risk.

Structured deposits can be complex and non-standardized, and the exact nature of their risk will be subject to the particular terms of the documentation governing the structured deposit.

## Packaged and Combined Instruments

A Financial Instrument that is composed of two or more Financial Instruments is potentially exposed to the risk factors associated with all of its constituent Financial Instruments. Although certain packaged instruments contain risk mitigation features (which potentially reduces the risks to which investors are subject), it is possible that investors holding packaged instruments are exposed to more, and more types of, risks than their constituent Financial Instruments.

Financial Instruments may be linked to, inter alia, equity securities, indices, currencies, the credit of specified entities, derivatives, commodities and/or commodity futures, private equity or illiquid assets and real estate, low credit quality securities, distressed securities, investments in emerging or developing markets and/or fund shares including hedge funds.

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## Financial Instruments Linked to Equity Securities

In respect of Financial Instruments linked to an equity security or basket of equity securities, on the specified or determinable date(s) in respect of such Financial Instruments, investors may receive either physical delivery of a given number of the relevant equity securities and/or payment of an amount determined by reference to the value of the relevant equity securities on a given date or dates as compared to another date or dates.

Accordingly, an investment in such Financial Instruments may bear similar market risks to a direct investment in the relevant equity securities and investors should take advice accordingly. Interest (if any) payable on such Financial Instruments may be calculated by reference to the value of one or more equity securities on a given date or dates as compared to another date or dates or by reference to any dividends paid in respect of any such equity securities.

In relation to such Financial Instruments, no issuer of the relevant equity securities will have participated in the preparation of any offering document relating to the relevant Financial Instruments or the terms and conditions of the relevant Financial Instruments and SGT will not make any investigation or enquiry with respect to the information concerning any such issuer contained therein or in the documents from which such information was extracted.

Consequently, there can be no assurance that all events occurring prior to the issue date of the relevant Financial Instruments (including events that would affect the accuracy or completeness of any publicly available documents used by SGT in the preparation of any offering document relating to the relevant Financial Instruments) that would affect the trading price of the relevant equity securities will have been publicly disclosed.

Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning the issuer of such equity securities could affect the trading price of such equity securities and therefore the trading price or value of such Financial Instruments.

Except as otherwise provided in the terms and conditions of such Financial Instruments, holders of such Financial Instruments will not have voting rights or rights to receive dividends or distributions or any other rights with respect to the relevant equity securities to which such Financial Instruments relate.

## Financial Instruments linked to Benchmarks and Indices

In respect of Financial Instruments linked to a benchmark, an index or a basket of indices, on the specified or determinable date(s) in respect of such Financial Instruments, investors may receive payment of an amount determined by reference to the value of the relevant benchmark, index or indices on a given date or dates as compared to another date or dates and/or physical delivery of assets linked to the relevant benchmark, index or indices.

Interest (if any) payable on such Financial Instruments may be calculated by reference to the value of one or more of the relevant benchmarks or indices on a given date or dates as compared to another date or dates. Fluctuations in benchmarks or indices will affect the value of Financial Instruments linked to such benchmark or index. The value of such Financial Instruments may also be affected if the relevant benchmark or index ceases to be administered, updated, or made public or if it is subject to a change in regulatory treatment.

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## Financial Instruments linked to Currencies

In respect of Financial Instruments linked to one or more currencies, on the specified or determinable date(s) in respect of such Financial Instruments, investors may receive payment of an amount determined by reference to the value of the relevant currencies on a given date or dates as compared to another date or dates. Interest (if any) payable on such Financial Instruments may be calculated by reference to the value of one or more of the relevant currencies on a given date or dates as compared to another date or dates.

Fluctuations in exchange rates of the relevant currency (or one or more of the currencies in a basket of currencies) will affect the value of Financial Instruments linked to such currency or currencies. Furthermore, investors who intend to convert gains or losses from the receipt of monies from or sale of such Financial Instruments into their home currency may be affected by fluctuations in exchange rates between their home currency and the relevant currency (or one or more of the currencies in a basket of currencies).

Currency values may be affected by complex political and economic factors, including governmental action to fix or support the value of a currency (or one or more of the currencies in a basket of currencies), regardless of other market forces. Purchasers of Financial Instruments linked to a currency or currencies risk losing their entire investment if exchange rates of the relevant currency (or one or more of the currencies in a basket of currencies) do not move in the anticipated direction.

If additional Financial Instruments or options relating to particular currencies or particular currency indices are subsequently issued, the supply of Financial Instruments and options relating to such currencies or currency indices, as applicable, in the market will increase, which could cause the price at which such Financial Instruments are traded in the secondary market to decline significantly.

## Financial Instruments linked to the Credit of Specified Entities

Financial Instruments may be linked to the credit of one or more specified entities and in the event of the occurrence of certain circumstances specified in the terms and conditions of such Financial Instruments, SGT or, as the case may be, the relevant Third Party's obligation to pay amounts under such Financial Instruments may be replaced by an obligation to pay other amounts calculated by reference to the value of obligations relating to one or more of such specified entities and/or to deliver any such obligations.

In addition, such Financial Instruments which are interest bearing may cease to bear interest on or prior to the date of occurrence of any such circumstance.

## Financial Instruments linked to Derivatives

Financial Instruments may be issued or otherwise entered into, the return on which is linked to derivative instruments (which may be complex) which seek to modify or replicate the investment performance of particular securities, commodities, currencies, interest rates, indices, or markets on a leveraged or unleveraged basis.

The Underlying in respect of such Financial Instruments generally has counterparty risk and may not perform in the manner expected, thereby resulting in greater loss or gain in value. Such Financial Instruments are subject to risks that can result in a loss of all or part of the value of the Underlying and thus adversely affect the value of the Financial Instruments. Such risks can include interest rate and credit risk, volatility, world and local market price and demand, and general economic factors and activity.

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The Underlying may be a derivative which may also have very high leverage embedded in it that can substantially magnify market movements, meaning that losses could in some cases exceed the value of the relevant derivative instrument and thus result in a total loss.

Some of the markets for derivative instruments are "over the counter" or "interdealer" markets, which may be illiquid and are sometimes subject to larger spreads between the bid and offer prices than exchange-traded derivative instruments. The participants in such markets are typically not subject to credit evaluation and regulatory oversight, which would be the case with members of "exchange-based" markets.

This exposes investors in Financial Instruments linked to any such derivatives to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because the counterparty has a credit or liquidity problem or because the counterparty defaults for some other reason. Delays in settlement may also result from disputes over the terms of the relevant derivative contract (whether or not bona fide) since such markets may lack the established rules and procedures for swift settlement of disputes among market participants found in "exchange-based" markets.

These factors may cause the value of a Financial Instrument to decrease.

Such "counterparty risk" is present in all "over the counter" or bilateral swaps and is accentuated in contracts with longer maturities where unforeseen events may intervene to prevent settlement. The valuation of over-the-counter derivative transactions is also subject to greater uncertainty and variation than that of exchange-traded derivatives and valuations provided by one party may differ from valuations provided by a third party or the value upon liquidation of the relevant transaction.

Under certain circumstances, it may not be possible to obtain market quotations for the value of an over-the-counter derivatives transaction.

## Financial Instruments linked to Commodities and/or Commodity Futures

In respect of Financial Instruments linked to a commodity or basket of commodities or commodity futures, on the specified or determinable date(s) in respect of such Financial Instruments, investors may receive payment of an amount determined by reference to the value of the relevant commodities or futures contracts on a given date or dates as compared to another date or dates.

Interest (if any) payable on such Financial Instruments may be calculated by reference to the value of one or more commodities on a given date or dated as compared to another date or dates or by reference to one or more commodity futures contracts.

Investors should note that the movements in the price of the commodity or basket of commodities may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant price of the commodity or commodities may affect the actual yield to investors, even if the average level is consistent with their expectations.

In general, the earlier the change in the price or prices of the commodities, the greater the effect on yield.

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Commodity futures markets are highly volatile. Commodity markets are influenced by, among other things, changing supply and demand relationships, weather, governmental, agricultural, commercial and trade programs and policies designed to influence commodity prices, world political and economic events, and changes in interest rates. Moreover, investments in futures and options contracts involve additional risks including, without limitation, leverage (margin is usually a percentage of the face value of the contract and exposure can be nearly unlimited).

A holder of a futures position may find such positions become illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits.

Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit.

This could prevent a holder from promptly liquidating unfavorable positions and subject it to substantial losses. Futures contract prices in various commodities occasionally have exceeded the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the liquidation of unfavorable positions and subject an investor in a Financial Instrument linked to such contract prices to substantial losses.

The market price of such Financial Instruments may be volatile and may depend on the time remaining to exercise or redemption and the volatility of the price of the commodity or commodities. The price of the commodity or commodities may be affected by economic, financial, and political events in one or more jurisdictions, including factors affecting the exchange(s) or quotation system(s) on which any such commodities may be traded.

## Financial Instruments Linked to Private Equity or Illiquid Assets

Financial Instruments may be linked to an Underlying which is subject to legal or other restrictions on transfer or for which no liquid market exists, such as equity securities in private companies. The market prices, if any, of such equity securities tend to be more volatile and it may be impossible to sell such equity securities when desired or to realize their fair value in the event of a sale. Such equity securities may neither be listed on a stock exchange nor traded in an over-the-counter market.

As a result of the absence of a public trading market for these equity securities, they are likely to be less liquid than publicly traded equity securities. There may be substantial delays in attempting to sell non-publicly traded equity securities. Although these equity securities may be sold in privately negotiated transactions, the prices realised from these sales could be less than those originally paid. Furthermore, companies whose equity securities are not registered or publicly traded are not subject to the disclosure and other investor protection requirements which would be applicable if their equity securities were registered or publicly traded.

In addition, an exchange or regulatory authority may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. The illiquidity of positions may result in significant unanticipated losses and thus investors in Financial Instruments linked thereto may also suffer significant unanticipated losses.

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## Financial Instruments Linked to Low Credit Quality Securities

Financial Instruments may be linked to particularly risky investments that also may offer the potential for correspondingly high returns. As a result, there is a significant risk that an investor in such Financial Instrument may lose all or substantially all of its investment. The Underlying relating to such Financial Instruments may be rated lower than investment grade and hence may be considered to be "junk bonds" or distressed securities (see also "Financial Instruments linked to distressed securities" below).

## Financial Instruments Linked to Distressed Securities

Financial Instruments may be linked to the securities of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. Such Financial Instruments may involve substantial risks that can result in substantial or even total losses of the amount invested in such Financial Instruments.

Among the risks inherent in Financial Instruments linked to such investments is that it frequently may be difficult to obtain information as to the true condition of the issuer of the relevant Underlying; the value of the relevant Underlying may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and a court's power to disallow, reduce, subordinate or disenfranchise particular claims; the market price of the relevant Underlying may be subject to abrupt and erratic market movements and above-average price volatility,

and the spread between the bid and offer prices of the relevant Underlying may be greater than those prevailing in other securities markets; it may take a number of years for the market price of the relevant Underlying to reflect its intrinsic value; in a corporate reorganization, it may not be possible to affect the reorganization (due to, for example, failure to obtain requisite approvals).

and in a liquidation (both in and out of bankruptcy) and a reorganization there exists the risk that the liquidation or reorganization will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the relevant Underlying.

## Financial Instruments Linked to Investments in Emerging or Developing Markets

Financial Instruments may be linked to securities of issuers that are not located in, or subject to regulation in, developed countries or securities which are not denominated in the currency of, or are not traded in, developed countries. Investment in such Financial Instruments involve certain special risks, including risks associated with political and economic uncertainty, adverse governmental policies, restrictions on foreign investment and currency convertibility, currency exchange rate fluctuations, possible lower levels of disclosure and regulation, and uncertainties as to the status, interpretation, and application of laws, including, but not limited to, those relating to expropriation, nationalization, and confiscation.

Companies not located in developed countries are also not generally subject to uniform accounting, auditing and financial reporting standards, and auditing practices and requirements may not be comparable to those applicable to companies in developed countries. Further, securities not traded in developed countries tend to be

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less liquid and the prices of such securities more volatile. In addition, settlement of trades in some such markets may be much slower and more subject to failure than in markets in developed countries.

Increased custodian costs as well as administrative difficulties (such as the applicability of the laws of the jurisdictions of emerging or developing countries to custodians in such jurisdictions in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may also arise from the maintenance of assets in such emerging or developing countries.

Financial Instruments linked to fund shares including hedge funds.

Where the Underlying is or relates to one or more funds the relevant Financial Instruments reflect the performance of such funds, which may be "hedge funds".

A hedge fund may trade and invest in a broad range of investment interests such as debt and equity securities, commodities and foreign exchange and may enter into derivative transactions, including, without limitation, futures, and options. A hedge fund may often be illiquid and may only be traded on a monthly, quarterly or even less frequent basis. For all these reasons and those described below, investing directly or indirectly in hedge funds is generally considered to be risky.

If the Underlying is a hedge fund which does not perform sufficiently, its value will fall, possibly to zero. The hedge fund(s) reflected in the relevant Underlying from time to time and its/their hedge fund trading advisors, as well as the markets and instruments in which they invest, are often not subject to review by governmental authorities, self-regulatory organizations, or other supervisory authorities.

The following is a non-exhaustive list of the risks associated with investing in hedge funds:

- a. **Investment Manager:** The performance of a hedge fund will depend on the performance of the investments selected by key individuals associated with the day-to-day operations of the investment manager of the relevant hedge fund and upon the expertise of such key individuals. Any withdrawal or other cessation of investment activities on behalf of the investment manager by any of these individuals could result in losses and/or the termination or the dissolution of the relevant hedge fund.

The investment strategy, investment restrictions and investment objectives of a hedge fund give its investment manager considerable discretion to invest the assets thereof and there can be no guarantee that the investment manager's investment decisions will be profitable or will effectively hedge against the risk of market or other conditions and thus such decisions may cause the value of the relevant hedge fund to decline.

An investment manager may receive performance related fees, which may be substantial. The manner of calculating such fees may create an incentive for the investment manager to make investments that are riskier or more speculative than would be the case if such fees were not paid to the investment manager.

In addition, since the performance fees may be calculated on a basis that includes both unrealized and realized gains on the relevant hedge fund's assets, such fees may be greater than if they were based solely on realized gains. If a hedge fund does not perform or does not perform sufficiently to cover the fees, the

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value of the relevant hedge fund will fall and may fall to zero.

- b. **Lack of Segregation of Assets:** A prime broker may be, or may have been, appointed in relation to a hedge fund and will accordingly be responsible for custody, clearing, financing, and reporting services with respect to the securities transactions entered into by the relevant investment manager. This may result in the hedge fund's assets being rehypothecated, pooled or placed in an omnibus account. In such cases the hedge fund's assets may not be segregated from those of the prime broker's other clients, the prime broker itself or third-party sub-custodians.

Please see the section entitled "Considerations Relating to Use of Prime Brokerage Arrangements" for further information on the risks that hedge funds may face when using prime brokerage arrangements.

- c. **Hedging Risks:** An investment manager may utilize warrants, futures, forward contracts, swaps, options and other derivative instruments involving securities, currencies, interest rates, commodities and other asset categories (and combinations of the foregoing) for the purposes of establishing "market neutral" arbitrage positions as part of its trading strategies and to hedge against movements in the capital markets.

Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value.

Such hedging transactions may also limit the opportunity for gain if the value of the portfolio position should increase. Moreover, it may not always be possible for the investment manager to execute hedging transactions, or to do so at prices, rates or levels advantageous to the hedge fund. The success of any hedging transactions will be subject to the movements in the direction of securities prices and currency and interest rates, and stability or predictability of pricing relationships.

Therefore, while a hedge fund might enter into such transactions to reduce currency exchange rate and interest rate risks, unanticipated changes in currency or interest rates may result in poorer overall performance for the hedge fund than if it had not engaged in any such hedging transactions.

In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Moreover, for a variety of reasons, the investment manager may not be able to, or may not seek to, establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. An imperfect correlation may prevent a hedge fund from achieving the intended hedge or expose a hedge fund to risk of loss.

- d. **Leverage:** Hedge funds may be able to borrow (or employ leverage) without limitation and may utilize various lines of credit and other forms of leverage, including swaps and repurchase agreements. While leverage presents opportunities for increasing a hedge fund's total return, it has the effect of potentially increasing losses as well. If income and appreciation on investments made with borrowed funds are less than the required interest payments on the borrowings, the value of the hedge fund will decrease.

Additionally, any event which adversely affects the value of an investment by a hedge fund would be

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magnified to the extent such hedge fund is leveraged. The cumulative effect of the use of leverage by a hedge fund in a market that moves adversely to such hedge fund's investments could result in a substantial loss to the hedge fund that would be greater than if the hedge fund were not leveraged.

Furthermore, any use by the hedge fund of swaps and other derivatives to gain exposure to certain investments may leverage the hedge fund's assets, and subject it to the risks described above.

- e. **Risks Associated with the Use of Margin Borrowings:** An investment manager's anticipated use of short-term margin borrowings will result in certain additional risks to the relevant hedge fund. For example, if securities pledged to brokers to secure a hedge fund's margin accounts decline in value, such hedge fund could be subject to a "margin call", pursuant to which it must either deposit additional funds with the broker or be the subject of mandatory liquidation of the pledged securities to compensate for the decline in value.

In the event of a sudden drop in the value of the hedge fund's assets, the investment manager might not be able to liquidate assets quickly enough to pay off the margin debt.

In such a case, the relevant prime broker may liquidate additional assets of the hedge fund, in its sole discretion, in order to satisfy such margin debt. The premiums for certain options traded on non-US exchanges may be paid for on margin. If the investment manager sells an option on a futures contract, it may be required to deposit margin in an amount equal to the margin requirement established for the futures contract underlying the option and, in addition, an amount substantially equal to the premium for the option.

The margin requirements imposed on the writing of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Whether any margin deposit will be required for over-the-counter options will depend on the agreement of the parties to the transaction.

- f. **Low Credit Quality and Distressed Securities:** Hedge funds may invest in securities linked to particularly risky investments or to securities of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings.

Investments of this type may involve substantial risks that can result in substantial or, at times, even total losses. Some of the risks inherent in investments in such entities are described in "Financial Instruments linked to low credit quality securities" and "Financial Instruments linked to distressed securities".

- g. **Derivatives:** Hedge funds may invest in derivative instruments (some of which may be complex) which seek to modify or replicate the investment performance of particular securities, commodities, currencies, interest rates, indices or markets on a leveraged or unleveraged basis. These instruments generally have counterparty risk and are subject to the risks described in "Financial Instruments linked to Derivatives" above.

Hedge funds may also buy or sell options on a variety of underlying assets.

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The risk of writing (selling) options is unlimited in that the writer of the option must purchase (in the case of a put) or sell (in the case of a call) the underlying security at a certain price upon exercise. There is no limit on the price a hedge fund may have to pay to meet its obligations as an option writer. As assets that can have no value at settlement, options can introduce a significant additional element of leverage and risk to a hedge fund's market exposure.

The use of certain options strategies can subject a hedge fund to investment losses that are significant even in the context of positions for which the relevant investment manager has correctly anticipated the direction of market prices or price relationships.

- h. **Special Risks Associated with Trading in Over-The-Counter Derivatives:** Some of the markets in which a hedge fund may affect derivative transactions are "over the counter" or "interdealer" markets, which may be illiquid and are sometimes subject to larger spreads between the bid and offer prices than exchange-traded derivative transactions. The participants in such markets are typically not subject to credit evaluation and regulatory oversight, which would be the case with members of "exchange-based" markets. This exposes the hedge fund to the risk of counterparty default or a delay in settlement and thus the risks described in "Financial Instruments linked to Derivatives" above.

These factors may cause a hedge fund to suffer a loss due to adverse market movements while replacement transactions are executed or otherwise. Such "counterparty risk" is accentuated where the hedge fund has concentrated its transactions with a single or small group of counterparties. A hedge fund generally is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty.

In addition, if an investment manager engages in such over-the-counter transactions, the relevant hedge fund will be exposed to the risk that the counterparty (usually the relevant prime broker) will fail to perform its obligations under the transaction. The valuation of over-the-counter derivative transactions is also subject to greater uncertainty and variation than that of exchange-traded derivatives.

The "replacement" value of a derivative transaction may differ from the "liquidation" value of such transaction, and the valuation provided by a hedge fund's counterparty to such transactions may differ from the valuation provided by a third party or the value upon liquidation of the transaction.

Under certain circumstances it may not be possible for a hedge fund to obtain market quotations for the value of an over-the-counter derivatives transaction.

A hedge fund may also be unable to close out or enter into an offsetting over-the-counter derivative transaction at a time it desires to do so, resulting in significant losses. In particular, the closing-out of an over-the-counter derivative transaction may usually only be affected with the consent of the counterparty to the transaction. If such consent is not obtained, a hedge fund will not be able to close out its obligations and may suffer losses.

- i. **Illiquid Investments:** Hedge funds may make investments which are subject to legal or other restrictions on transfer or for which no liquid market exists, such as equity securities in private companies and are subject to the risks described in "Finance Instruments linked to private equity or illiquid assets and real estate" above.

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In addition, futures positions taken by a hedge fund may become illiquid because, for example, certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits" as described in "Financial Instruments linked to Commodities and/or Commodity Futures" above.

- j. **Legal and Regulatory Risks:** Legal and regulatory changes could adversely affect a hedge fund. Regulation of investment vehicles, such as hedge funds and of many of the investments an investment manager is permitted to make on behalf of a hedge fund, is still evolving and therefore subject to change. In addition, many governmental agencies, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The effect of any future legal or regulatory change on a hedge fund is impossible to predict but could be substantial and adverse.
- k. **Short Selling:** A hedge fund may use a short-selling strategy and therefore be subject to, inter alia, the risks described in the section entitled "Considerations Relating to Short-Selling".
- l. **Securities Financing Transactions:** A hedge fund may authorize its prime broker to enter into securities financing transactions in relation to the securities which the prime broker holds on behalf of the hedge fund. The hedge fund may therefore be subject to, inter alia, the risks described in the section entitled "Considerations Relating to Securities Financing Transactions".
- m. **Commodities and Commodity Futures:** A hedge fund may invest in commodities and/or commodity futures and therefore be subject to, inter alia, the risks described in "Financial Instruments linked to Commodities and/or Commodity Futures".
- n. **Hedge Fund Compensation:** A hedge fund typically provides for a performance fee or allocation, over and above a basic advisory fee, to its general partner, investment manager or person serving in an equivalent capacity. Performance fees or allocations could create an incentive for an investment manager to choose riskier or more speculative underlying investments than would otherwise be the case.
- o. **"Soft Dollar" Payments:** In selecting brokers, banks and dealers to effect transactions on behalf a hedge fund, an investment manager may consider such factors as price, the ability of the brokers, banks and/or dealers to effect transactions promptly and reliably, their facilities, the operational efficiency with which transactions are effected, their financial strength, integrity and stability and the competitiveness of commission rates in comparison with other brokers, banks and dealers, as well as the quality, comprehensiveness and frequency of any products or services provided, or expenses paid, by such brokers, banks and dealers.

Products and services may include research items used by the investment manager in making investment decisions, and expenses so paid may include general overhead expenses of the investment manager. Such "soft dollar" benefits may cause an investment manager to execute a transaction with a specific broker, bank, or dealer even though it may not offer the lowest transaction fees. An investment manager is not required to:

- i) obtain the lowest brokerage commission rates or
- ii) combine or arrange orders to obtain the lowest brokerage commission rates on its brokerage business.

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If an investment manager determines that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and research products or services provided by such broker, it may execute transactions for which such broker's commissions are greater than the commissions another broker might charge.

Such brokerage commissions may be paid to brokers who execute transactions for the relevant managed account and which supply, pay for or rebate a portion of the hedge fund's brokerage commissions to the hedge fund for payment of the cost of property or services (such as research services, telephone lines, news and quotation equipment, computer facilities and publications) utilized by the relevant investment manager or its affiliates.

An investment manager will have the option to use "soft dollars" generated by its investment activities to pay for the property and services described above. The term "soft dollars" refers to the receipt by an investment manager of property and services provided by brokers (or futures commission merchants in connection with futures transactions) without any cash payment by such investment manager based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment manager.

An investment manager will consider the amount and nature of research services provided by brokers, as well as the extent to which such services are relied upon and will attempt to allocate a portion of the brokerage business of the relevant managed account on the basis of those considerations.

- p. **Special Risks Associated with Trading in Forward Contracts:** Hedge funds may engage in forward trading. Forward contracts, unlike futures contracts, are not traded on exchanges and are not standardized, rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable.

The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have been unable to quote prices for certain currencies or commodities or have quoted prices with an unusually widespread between the price at which they were prepared to buy and that at which they were prepared to sell.

Disruptions can occur in any market traded by hedge funds due to unusually high trading volume, political intervention, or other factors. Market illiquidity or disruption could result in major losses to a hedge fund.

- q. **Concentration of Investments:** Although in general a hedge fund will aim to invest in diversified investments, the investment manager in respect of a hedge fund may invest such hedge fund's assets in a limited number of investments that may be concentrated in a few countries, industries, sectors of an economy and/or issuers.

As a result, although investments by hedge funds should be diversified, the negative impact on the value of

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the relevant hedge fund from adverse movements in a particular country, economy, or industry or in the value of the securities of a particular issuer could be considerably greater than if such hedge fund were not permitted to concentrate its investments to such an extent.

- r. **Turnover:** Hedge funds may invest on the basis of certain short-term market considerations. As a result, the turnover rate within hedge funds is expected to be significant, potentially involving substantial brokerage commissions, fees, and other transaction costs.
- s. **Operational and Human Error:** The success of a hedge fund depends in part upon the relevant investment manager's accurate calculation of price relationships, the communication of precise trading instructions and ongoing position evaluations. In addition, an investment manager's strategies may require active and ongoing management of durations and other variables, and dynamic adjustments to a hedge fund's positions.

There is the possibility that, through human error, oversight or operational weaknesses, mistakes could occur in this process and lead to significant trading losses and an adverse effect on the net asset value of the relevant hedge fund.

- t. **Reliability of Valuations:** Hedge funds are valued pursuant to the hedge fund's instrument governing such valuations. The governing instruments of hedge funds generally provide that any securities or investments which are illiquid, not traded on an exchange or in an established market or for which no value can be readily determined, will be assigned such fair value as the investment manager may determine in its judgement based on various factors.

Such factors include, but are not limited to, aggregate dealer quotes or independent appraisals. Such valuations may not be indicative of what the actual fair market value would be in an active, liquid, or established market.

- u. **Investment Strategies:** Hedge funds are a relatively heterogeneous asset class in which the investment managers may determine their strategies in their sole discretion. As a consequence, there is no commonly accepted definition for the strategies employed by hedge funds. It can even be impossible to associate certain hedge funds with only one specific definition of a strategy.

Furthermore, there are various levels on which classifications can be made: any general strategy consists of various sub-strategies which may be very different from each other.

Financial Instruments may be linked to or be futures or options or issued as "over the counter" or bilateral contracts for which there is no trading market.

- v. **Financial Instruments Linked to, or Which are 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 movement can lead to a proportionately much larger movement in the value of the investment, and this can work against an investor as well as for it.

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Futures transactions have a contingent liability, and investors should be aware of the implications of this, in particular any margining requirements.

Margined transactions require the purchaser to make a series of payments against the purchase price, instead of paying the whole purchase price immediately. If an investor trades in contracts for differences or sell options, it may sustain a total loss of the margin it deposits to establish or maintain a position. If the market moves against an investor, it may be called upon to pay substantial additional margin at short notice to maintain the position.

If it fails to do so within the time required, its position may be liquidated at a loss, and it 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 it entered the contract.

- w. **Financial Instruments Linked to, or which are Options:** Financial Instruments may be lined to options with different characteristics subject to the following conditions:
- i) **Buying Options:** Buying options involves less risk than selling options because, if the price of the Underlying asset moves against the investor, it can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges.
  - ii) **Writing options:** If an investor writes an option, the risk involved is considerably greater than buying options. It may be liable for margin to maintain its position and a loss may be sustained well in excess of the premium received. By writing an option, the investor accepts a legal obligation to purchase or sell the Underlying if the option is exercised against it, however far the market price has moved away from the exercise price.

If the investor already owns the Underlying which it has contracted to sell (when the option will be known as a 'covered call option') the risk is reduced. If it does not own the Underlying (an 'uncovered call option') the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing all details of the applicable conditions and potential risk exposure.

- x. **Financial Instruments Linked To or Which Are Contracts for Differences:** Futures and options contracts can also be referred to as contracts for differences. These can be options and futures on any index, as well as currency and interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash. Investment 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 above.
- y. **Financial Instruments Linked To or Which Are Off-Exchange Transactions In Derivatives:** 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.

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## B. Issuer Risk Factors

### 1. SGT as Issuer or Counterparty

Where SGT is the issuer or counterparty of the relevant Financial Instruments, an investment in any such Financial Instruments bears the risk that SGT is not able to fulfil its obligations under the relevant Financial Instruments on any relevant due date.

In order to assess the risk, prospective investors should consider all information provided in the offering documents relating to the relevant Financial Instruments and consult with their own professional advisers if they consider it necessary.

The risk related to SGT's ability to fulfil its obligations in respect of any such Financial Instruments is described by reference to the credit ratings assigned by independent rating agencies. A rating is not a recommendation to buy, sell or hold Financial Instruments and may be subject to suspension, reduction, or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of any rating assigned may adversely affect the market price of some Financial Instruments where SGT is the issuer.

#### **Rating of Subordinated Obligations:**

Any Financial Instruments which are subordinated obligations of SGT may be rated lower than other obligations of SGT because, in the case of an insolvency, liquidation or resolution of SGT, the claims resulting from these obligations are subordinated to those claims of creditors of SGT that are not also subordinated.

The value of Financial Instruments where SGT is the issuer or the counterparty is expected to be affected, in part, by investors' general appraisal of SGT's creditworthiness. Any reduction in the creditworthiness of SGT could result in a reduction in the value of such Financial Instruments. If a bankruptcy proceeding is commenced in respect of SGT, the return to the holder of, or a party to, such Financial Instrument may be limited, and any recovery will likely be substantially delayed.

SGT is within the scope of the European Bank Recovery and Resolution Directive resolution regime. There is therefore a risk that SGT may be subject to bail-in by resolution authorities, in which case the value of shares or certain debt instruments issued by SGT may be written down in whole or in part.

### 2. Third Party as Issuer or Counterparty

Where a Third Party is the issuer or counterparty of the relevant Financial Instruments, an investment in any such financial Instruments bears the risk that the relevant Third Party is not able to fulfil its obligations under the relevant Financial Instruments on any due date.

In order to assess the risk, prospective investors should consider all information provided in the offering documents relating to the relevant Financial Instruments and consult with their own advisers if they consider it necessary. SGT accepts no obligation or liability whatsoever in relation to any Third Party and makes no representation, warranty, or other assurance as to the ability or otherwise of any Third Party to perform any of its obligation in relation to any Financial Instrument issued by it.

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If the obligations of the Third Party are subordinated, then the same considerations as those described above under "Rating of Subordinated Obligations" apply.

The value of Financial Instruments where a Third Party is the issuer or the counterparty is expected to be affected, in part, by investors' general appraisal of the Third Party's creditworthiness. Any reduction in the creditworthiness of the Third Party could result in a reduction in the value of such Financial Instruments. If a bankruptcy proceeding is commenced in respect of the Third Party, the return to the holder of, or a party to, such Financial Instrument may be limited, and any recovery will likely be substantially delayed.

Third Party issuers that are financial institutions may fall within the scope of national or EU resolution regimes. There is therefore a risk that such Third-Party issuers may be subject to bail-in by resolution authorities, in which case the value of the issuer's shares or certain debt instruments may be written down in whole or in part.

## C. General Risk Factors Relating to Financial Instruments

### 1. No Payments or Deliveries until Settlement

Prospective investors should note that where no periodic interest payments or other distributions are to be made during the term of a Financial Instrument, where such Financial Instruments are in the form of securities or are otherwise tradeable, a realization in the secondary market of such Financial Instruments may be the only return potentially available to the investor prior to settlement of such Financial Instruments. However, investors should note the risk factors described under the headings "Market value" and "Financial Instruments may be Illiquid" set out under the heading "D. Market Factors and Other Considerations" below in this regard.

### 2. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If so indicated in the terms and conditions of any Financial Instruments, if SGT or the relevant Third Party, as the case may be, determines that, for reasons beyond its control, the performance of its obligations in relation to the relevant Financial Instruments has become illegal or impractical in whole or in part for any reason, or SGT or the relevant Third Party, as the case may be, determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to such Financial Instruments for any reason, SGT or the relevant Third Party, as the case may be, may, at its discretion and without obligation, terminate early such Financial Instruments.

Prospective purchasers should review the terms and conditions of the relevant Financial Instruments to ascertain whether and how such provisions apply to such Financial Instruments and what are the consequences of such termination, including as to what if anything, is payable as a result thereof.

### 3. Market Disruption Events, Adjustments and Early Termination of Financial Instruments

If so, indicated in the terms and conditions of any Financial Instruments, the relevant Calculation agent may determine that a market disruption event has occurred or exists at a relevant time. Any such determination may delay valuation in respect of the relevant Underlying which may have an effect on the value of the relevant Financial Instruments and/or may delay settlement in respect of such Financial Instruments.

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In addition, if so, indicated in the terms and conditions of any Financial Instruments, the calculation agent may make adjustments to such terms and conditions to account for relevant adjustments or events in relation to the Underlying including, but not limited to, determining a successor to the relevant Underlying or its issuer or its sponsor, as the case may be. In addition, in certain circumstances, SGT or the relevant Third Party, as the case may be, may terminate early the relevant Financial Instruments following any such event.

Prospective purchasers should review the terms and conditions of the relevant Financial Instruments to ascertain whether and how such provisions apply to such Financial Instruments and what constitutes a relevant adjustment or event.

#### **4. Taxation**

Potential purchasers and sellers of Financial Instruments should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the relevant Financial Instruments are transferred.

Payment and/or delivery of any amount due in respect of Financial Instruments may be conditional upon the payment of certain taxes, duties and/or expenses as provided in the terms and conditions of the relevant Financial Instruments. SGT or the relevant Third Party, as the case may be, has the right, but may not be obliged, to withhold or deduct from any amount payable or deliverable under such Financial Instruments such amount or portion as shall be necessary to account for or to pay any tax, duty, charge, withholding or other payment.

Prospective investors should review the terms and conditions of the relevant Financial Instruments to ascertain whether and how such provisions apply to such Financial Instruments.

Potential purchasers who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, potential purchasers should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

#### **5. Exercise Notice and Certifications**

If any Financial Instruments are subject to provisions concerning delivery of an exercise notice and such notice is received by the party or parties specified after the latest time specified in the terms and conditions of the relevant Financial Instruments, it may not be deemed to be duly delivered until some later day. Such deemed delay may in the case of cash settled Financial Instruments increase or decrease the cash amount payable at settlement from what it would otherwise have been but for such deemed delay.

In the case of Financial Instruments which are exercisable on one day only or only during an exercise period and are not expressed to be automatically exercised, any exercise notice, if not delivered by the latest time specified in the terms and conditions of the relevant Financial Instruments, shall be void.

The failure to deliver any certifications required by the terms and conditions of an issue of Financial Instruments could result in the loss or inability to receive amounts or deliveries otherwise due under such Financial

#### **Risk Disclosure and Disclaimer**



Instruments. Prospective purchasers should review the terms and conditions of the relevant Financial Instruments to ascertain whether and how such provisions apply to such Financial Instruments.

Financial Instruments not exercised in accordance with their terms and conditions will expire worthless. Prospective purchasers should review the terms and conditions of the relevant Financial Instruments to ascertain whether such Financial Instruments are subject to automatic exercise, and when and how an exercise notice may be validly delivered.

## 6. Time Lag After Exercise

Where Financial Instruments are to be exercised and settled by a cash payment, then, upon their exercise, there may be a time lag between the time exercise occurs and the time the applicable cash amount relating to such exercise is determined.

Any such delay between the time of exercise and the determination of the cash amount will be specified in the terms and conditions of the relevant Financial Instruments. However, such delay could be significantly longer, particularly in the case of a delay in exercise of such cash settled Financial Instruments arising from any daily maximum exercise limitations or upon the determination by the calculation agent that a market disruption has occurred at any relevant time. The applicable cash amount could decrease or increase from what it would have been but for such delay.

Prospective purchasers should review the terms and conditions of the relevant Financial Instruments to ascertain whether and how such provisions apply to such Financial Instruments.

## 7. Highly Volatile Markets

Financial Instruments may be linked to the prices of commodities contracts and derivative instruments, including futures and options which are highly volatile. Price movements of forward contracts, futures contracts, and other derivative contracts to which a Financial Instrument may be linked are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, and national and international political and economic events and policies.

In addition, governments from time to time intervene, directly or indirectly and by regulation in certain markets, particularly those in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Any such intervention may have an adverse effect on the value of certain Financial Instruments.

## 8. Electronic Trading Systems

Electronic trading systems rely on IT infrastructure for, among other things, the order-routing, execution, and clearing of trades. They may therefore be susceptible to temporary disruption or failure. The result of any system failure may be that orders placed through that system is either not executed according to instructions or is not executed at all. This may affect an investor's ability to acquire or dispose of Financial Instruments.

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## 9. Commission

Before an investor purchases any Financial Instrument, it 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 percentage of contract value), it should obtain a clear and 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 any initial payment.

## 10. Leverage

Investors may be able to borrow funds or may utilize various lines of credit and other forms of leverage, including swaps and repurchase agreements in order to invest in Financial Instruments. While leverage presents opportunities for increasing an investor's total return, it has the effect of potentially increasing losses as well.

Any event which adversely affects the value of an investment may be magnified to the extent an investor is leveraged. The cumulative effect of the use of leverage by an investor in a market that moves adversely to such investor's investments could result in a substantial loss to the investor that would be greater than if the investor were not leveraged.

## D. Market Factors and Other Considerations

### 1. Market Factors

#### 1.1 Valuation of an Underlying

An investment in any Financial Instrument involves risk regarding the value of the relevant Underlying or the basket constituents comprising the relevant Underlying. The value of the relevant Underlying or the relevant basket constituents may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macroeconomic factors and speculation.

#### 1.2 The Historical Performance of the Underlying or the Basket Constituents is not an Indication of Future Performance

The historical value (if any) of the relevant Underlying or the basket constituents comprising the relevant Underlying does not indicate its or their future performance. Changes in the value of the relevant Underlying or one or more of the relevant basket constituents, as applicable, will affect the trading price of the relevant Financial Instruments.

#### 1.3 The Basis of Calculating the Level of the Underlying or any Basket Constituents may Change over Time

The basis of calculating the level of the relevant Underlying or any basket constituent may from time to time be subject to change (as described in the offering documents relating to the issue of the relevant Financial Instruments) which may affect the market value of the relevant Financial Instruments at any time and therefore any amount payable or deliverable on settlement.

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#### 1.4 The Value of an Underlying or any Basket Constituents will Affect the Value of the relevant Financial Instruments

The value of the relevant Underlying will affect the value of the relevant Financial Instruments. Where the relevant Underlying is a basket, the value of such Underlying on any day will reflect the value of the relevant basket constituents on such day. Changes in the composition of the relevant Underlying and factors (including those described herein) which either affect or may affect the value of the relevant Underlying or any relevant basket constituents will affect the value of the relevant Financial Instruments.

Where the value of the Underlying or any basket constituents is determined in a different currency to the settlement currency of the relevant Financial Instruments, investors may be exposed to exchange rate risk.

#### 1.5 Exchange Rate Risk

Prospective investors should be aware that an investment in Financial Instruments may involve exchange rate risks. For example, the settlement currency of the relevant Financial Instruments may be different from the currency of an investor's home jurisdiction or the currency in which an investor wishes to receive funds. Exchange rates between currencies are determined by factors of supply and demand in the international currency markets which are influenced by macroeconomic factors, speculation and central bank and government intervention or other political factors (including the imposition of currency controls and restrictions). Fluctuations in exchange rates may affect the value of Financial Instruments and any amounts payable in respect of Financial Instruments.

#### 1.6 Interest Rate Risk

Uncertainty regarding significant fluctuations and sudden movements in short term or long-term interest rates may increase the volatility of the value of Financial Instruments. An investment in Financial Instruments may also involve interest rate risk where there are fluctuations in the interest rates payable on deposits in the settlement currency of the relevant Financial Instruments. This may influence the market value of such Financial Instruments.

Interest rates are determined by factors of supply and demand in the international money markets which are influenced by macroeconomic factors, speculation and central bank and government intervention or other political factors. Where an Underlying or a basket constituent is a fixed income security, the value of the Financial Instruments relating to such Underlying or such basket constituent is expected to be particularly affected by interest rate fluctuations.

## 2. Market Value

The market value of Financial Instruments during their term depends primarily on the value and the volatility of the relevant Underlying or the relevant basket constituents and the level of interest rates for instruments of comparable maturities.

The level of market volatility is not purely a measurement of the actual volatility but is largely determined by the prices for instruments which offer investors protection against such market volatility. The prices of these instruments are determined by forces of supply and demand in the options and derivative markets generally. These forces are, themselves, affected by factors such as actual market volatility, expected volatility, macroeconomic factors and speculation.

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Interest rate changes generally have the same impact on the value of Financial Instruments as for fixed rate debt securities. Rising interest rates will under normal conditions result in a lower, falling interest rates in a higher, value of the relevant Financial Instruments.

If Financial Instruments are capital protected, the value of such Financial Instruments during their term will under normal market conditions, not fall below the value of a zero-coupon bond with comparable maturity.

### 3. Certain Hedging Considerations

Certain risks apply to purchasers that acquire Financial Instruments for hedging purposes.

Prospective purchasers intending to purchase Financial Instruments for the purpose of hedging their exposure to an Underlying or any basket constituents should recognize the risks of utilizing Financial Instruments in such manner.

No assurance is or can be given that the value of Financial Instruments will correlate with movements in the value of an Underlying or any basket constituents and the composition of the relevant Underlying or any relevant basket constituents may change over time. Furthermore, it may not be possible to liquidate Financial Instruments at a price which directly reflects the value of the relevant Underlying or any relevant basket constituents.

Therefore, there can be no assurance as to the level of any correlation between the return on an investment in an issue of Financial Instruments and the return on a direct investment in the relevant Underlying or any relevant basket constituents.

Hedging transactions in order to limit the risks associated with Financial Instruments might not be successful.

### 4. Financial Instruments May Be Illiquid

Financial Instruments which are bilateral contracts, or "bespoke over-the-counter contracts" may have no secondary market and therefore may not be tradeable.

It is not possible to predict if and to what extent a secondary market may develop in any Financial Instruments or at what price Financial Instruments will trade in the secondary market or whether such market will be liquid or illiquid. Application may be made to list or quote or admit to trading Financial Instruments on a stock exchange(s) or quotation system(s) as so indicated in the offering documents relating to an issue of Financial Instruments.

If an issue of Financial Instruments is so listed or quoted or admitted to trading, no assurance is given by SGT that any such listing or quotation or admission to trading will be maintained. The fact that Financial Instruments may be so listed or quoted or admitted to trading does not necessarily lead to greater liquidity than if they were not so listed or quoted or admitted to trading.

### 5. "Over the counter" Transactions in Financial Instruments

Some Financial Instruments may be bought or sold in "over the counter" or "interdealer" markets, which may be illiquid and are sometimes subject to larger spreads between the bid and offer prices than exchange-traded Financial Instruments.

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There exists potential settlement risk in respect of these over-the-counter transactions. Settlement risk is the risk that a counterparty does not deliver the Financial Instrument in accordance with the agreed terms after the other counterparty has already fulfilled its part of the agreement. This settlement risk may increase where different parts of an over-the-counter transaction settle in different settlement systems or in settlement systems where it is not possible to exercise netting.

Investors carrying out over-the-counter transactions may be exposed to counterparty risk. Counterparties to over-the-counter transactions may not be subject to the same level of credit evaluation and regulatory oversight as would be the case with members of "exchange-based" markets. This exposes investors in Financial Instruments to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because the counterparty has a credit or liquidity problem or because the counterparty defaults for some other reason.

If Financial Instruments are not listed or quoted or admitted to trading on any stock exchange or quotation system, pricing information for such Financial Instruments may be more difficult to obtain and the liquidity of such Financial Instruments may be adversely affected. The liquidity of Financial Instruments may also be affected by restrictions on offers and sales of Financial Instruments in some jurisdictions.

SGT may, but is not obliged to, at any time purchase Financial Instruments at any price in the open market or by tender or private agreement. Any Financial Instruments so purchased may be held or resold or surrendered for cancellation. Since SGT may be the only market-maker in the relevant Financial Instruments, the secondary market may be limited.

The more limited the secondary market is, the more difficult it may be for holders of such Financial Instruments to realize value for such Financial Instruments prior to settlement of such Financial Instruments. In relation to SGT acting as market-maker, see "6. Market-Making for Financial Instruments" in "E. Conflicts of Interest" below.

These factors may cause the value of a Financial Instrument to decrease.

A Financial Instrument that is traded over the counter is also exposed to the risk factors associated with that type of Financial Instrument – please see further the section entitled "Product Specific Risk Factors".

## 6. Considerations Relating to Use of Prime Brokerage Arrangements

Certain risks apply to investors that use the services of prime brokers in order to carry out their investment strategies.

Rehypothecation: where Financial Instruments are rehypothecated by the prime broker, they may not be segregated by such prime broker from its own Financial Instruments. As a result, such Financial Instruments may be available to the creditors of such prime broker in the event of its insolvency or resolution, which may cause the loss of some or all of an investor's interest in such Financial Instruments.

Pooled securities: Financial Instruments held by a prime broker on behalf of its clients may be pooled with segregated securities belonging to other clients of the prime broker. Given that securities are typically fungible in nature, the prime broker's clients may not have the right to specific Financial Instruments but to Financial Instruments of the same issuer, class and quantity as the Financial Instruments initially deposited or purchased.

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Omnibus accounts: a prime broker may hold Financial Instruments for its clients with a sub-custodian in a single omnibus account that is identified as belonging to clients of the prime broker. The prime broker may be able to identify in its books and records that part of the Financial Instruments held by a sub-custodian as is held for each relevant client.

The prime broker may also require any sub-custodian to ensure that any Financial Instruments belonging to its customers are identifiable from the Financial Instruments belonging to it or to the sub-custodian, by means of differently titled accounts on the books of the sub-custodian or other equivalent measures that achieve the same level of protection (i.e. to ensure that any client's Financial Instruments will be recorded as being separate from those of the prime broker) but this may not always be possible.

If a prime broker does not take these protective measures, there is a possibility that its clients risk losing some or all of their interest in such Financial Instruments.

Where the Financial Instruments belonging to a prime broker's clients are held in an omnibus account on the books of a sub-custodian, each client may not necessarily have the right to any specific Financial Instruments. As a result of certain of a prime broker's other clients also beneficially owning Financial Instruments held in the omnibus account, each client may be exposed to settlement risks arising from the transactions of other clients in those Financial Instruments.

A prime broker's client's Financial Instruments may also be pooled with Financial Instruments of the same description of those of other clients, in the course of settlement, and as a result may be used by the prime broker for its own account or for the account of other clients. In the event of a loss of Financial Instruments held in an omnibus account that was not made good, it is likely that the prime broker's client would share in the shortfall together with other clients who hold Financial Instruments in the omnibus account on a pro rata basis.

## 7. Considerations Relating to Securities Financing Transactions

An investor may enter into or may permit someone holding Financial Instruments on its behalf to enter into, securities financing transactions in relation to the Financial Instruments. Where a client provides Financial Instruments under a securities financing transaction, it may not have the right to any specific Financial Instruments but will instead be entitled, subject to any applicable laws, rules and regulations and the provisions of any agreements relating to such transactions, to the transfer or delivery of a number of Financial Instruments of the same description and amount.

Those Financial Instruments may not be held in accordance with client asset rules and the client's ability to exercise rights (such as voting rights, corporate events and receipt of payments or distributions) attaching to the Financial Instruments may also be limited. The tax treatment that would have otherwise applied in relation to the Financial Instruments may differ. Further, the client may not be fully protected in the event of the entry into insolvency or resolution of the counterparty to the prime broker's securities financing transaction.

## 8. Considerations Relating to Short-Selling

A short sale involves the sale of a Financial Instrument that an investor does not own in the hope of purchasing the same Financial Instrument (or a Financial Instrument exchangeable therefor) at a later date at a lower price.

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To make delivery to the buyer, the investor must borrow the Financial Instrument and is obligated to return the Financial Instrument to the lender, which is accomplished by a later purchase of the security. The investor may therefore be exposed to 'recall risk' if the lender recalls the loaned Financial Instrument prior to the term of the loan, or otherwise upon short notice.

In such cases the investor will have to make other arrangements to obtain the Financial Instrument to satisfy its obligation to the lender and may be exposed to settlement risk if it wishes to keep open its short position.

Generally, an investor realizes a profit or a loss as a result of a short sale if the price of the Financial Instrument decreases or increases respectively between the date of the short sale and the date on which the investor covers its short position, i.e., purchases the Financial Instrument to replace the borrowed Financial Instrument. A short sale involves the theoretically unlimited risk of an increase in the market price of the Financial Instrument that would result in a theoretically unlimited loss.

## E. Conflicts of Interest

### 1. Transactions Involving an Underlying

SGT and/or its affiliates may from time to time engage in transactions involving an asset comprising an Underlying for its/their proprietary accounts and/or for accounts under its/their management. Such transactions may have a positive or negative effect on the value of the relevant Underlying and consequently upon the value of the relevant Financial Instruments. As used in this section "Conflicts of Interest", references to an Underlying shall be deemed to include any of its constituents, if applicable.

### 2. Acting in Other Capacities

SGT and/or its affiliates may from time-to-time act in other capacities with regard to Financial Instruments, such as calculation agent, agent and/or index sponsor. Such functions can allow SGT to determine the composition of an Underlying or to calculate its value, which could raise conflicts of interest where securities or other assets issued by SGT itself and/or any of its affiliates can be chosen to be part of the relevant Underlying, or where SGT maintains a business relationship with the issuer of such securities or assets.

### 3. Issuing of Other Derivative Instruments in Respect of an Underlying

SGT and/or its affiliates may issue other derivative instruments in respect of an Underlying and the introduction of such competing products into the marketplace may affect the value of other Financial Instruments linked to the same Underlying.

### 4. Conducting Hedging and Risk Management

SGT may use all or some of the proceeds received from the sale of Financial Instruments to enter into hedging and risk management transactions. SGT believes that such hedging and risk management activity will under normal circumstances do not have a material impact on the value of the relevant Financial Instruments. However, it cannot be assured that SGT's hedging and risk management activities will not affect such value. In the ordinary course of its day-to-day trading or market making or in order to manage the risk of its exposure in relation to any Financial Instrument (or a transaction in a Financial Instrument) entered into, or which it

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contemplates entering into, with an investor, SGT and/or its affiliates or any third party may enter into, unwind, terminate or close-out in whole or in part transactions with third parties (Third Party Transactions) before, at or after the time at which:

- a. the Financial Instrument (or a transaction in a Financial Instrument) is entered into.
- b. the valuation of the Financial Instrument is determined.
- c. the valuation of a market price or level, and/or an external market fixing or benchmark to which a Financial Instrument (or a transaction in a Financial Instrument) makes reference is determined (each, a Fixing);
- d. the Financial Instrument (or a transaction in a Financial Instrument) becomes due to settle; or
- e. a party's rights to require settlement of the Financial Instrument (or a transaction in a Financial Instrument) become exercisable (all or any of these times being a Relevant Time).

It is possible that entry into Third Party Transactions at a Relevant Time may affect market prices or rates directly or indirectly, which, in turn, may have an impact on the value of a Financial Instrument to an investor, or the value of a Fixing and/or may trigger certain provisions of a Financial Instrument (or a transaction in a Financial Instrument).

## 5. Issue Price

The issue price charged for Financial Instruments can, in addition to loading charges, management or other fees charged, comprise a premium on the original mathematical ("fair") value of the relevant Financial Instruments which is not visible to investors. Such premium is determined by SGT in its discretion and can differ from premiums charged by other issuers for comparable securities.

## 6. Market-Making for Financial Instruments

SGT, or an agent on its behalf, may act as market-maker for Financial Instruments. In such market-making, SGT or its agent will, to a large extent, determine the price of the relevant Financial Instruments itself. The prices quoted by such market-maker will usually not correspond to the prices which would have prevailed without such market-making and in a liquid market.

Circumstances considered by the market-maker when setting the quoted bid-offer prices in the secondary market notably include Financial Instruments' fair value, which, among other things, depends on the value of the relevant Underlying, as well as a certain bid-offer spread targeted by the market-maker.

The market-maker will in addition regularly consider a loading charge originally raised for the relevant Financial Instruments and any fees or costs which at maturity of the relevant Financial Instruments are to be subtracted from any amount payable or deliverable (including management, transaction or other fees charged on the basis of the terms and conditions relating to the relevant Financial Instruments).

Furthermore, the prices quoted in the secondary market will be influenced, for example, by a premium on the relevant Securities' original value contained in their issue price (see paragraph 5. above), and, where relevant, by dividends paid or received by the relevant Underlying or other proceeds which, due to the relevant Securities' structure, are economically attributable to SGT.

The bid-offer spread for Financial Instruments will be set by the market-maker based on supply and demand for the relevant Financial Instruments and certain revenue considerations.

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Certain costs, like for example management fees charged on the basis of the terms and conditions of the relevant Financial Instruments, are in many cases not taken out of the quoted prices on a consistent basis over the term of the relevant Financial Instruments, but are subtracted in their entirety from the relevant Financial Instruments' fair value at an earlier point in time, as determined by the market-maker in its discretion. The same applies for a premium contained in the issue price and, where relevant, for dividends and other proceeds of the relevant Underlying which are economically attributable to SGT, often are not subtracted when the relevant Underlying, or its constituents, are traded "ex dividend", but which are subtracted at an early stage of the term of the relevant Financial Instruments' based on expected dividends for the entire term or a certain time span. The rate at which and when such costs are subtracted depends, inter alia, on the net flow back of Financial Instruments to the market-maker.

Subsequently, the prices quoted by the market-maker can substantially differ from the fair value of the relevant Financial Instruments, or the value to be expected economically on the basis of the factors mentioned above, at the relevant time. In addition, the market-maker can at any time alter the methodology used to set the quoted prices, e. g. increase or decrease the bid-offer spread.

## 7. Market-Making for an Underlying

SGT and/or its affiliates may also act as underwriter in connection with future offerings of an Underlying or may act as financial adviser to the issuer of an Underlying or in a commercial banking capacity for the issuer of an Underlying. Such activities could present certain conflicts of interest and may affect the value of Financial Instruments linked to such Underlying.

## 8. Acting as Underwriter or otherwise for the issuer of an Underlying

SGT and/or its affiliates may also act as underwriter in connection with future offerings of an Underlying or may act as financial adviser to the issuer of an Underlying or in a commercial banking capacity for the issuer of an Underlying. Such activities could present certain conflicts of interest and may affect the value of Financial Instruments linked to such Underlying.

## 9. Obtaining of Non-public Information

SGT and/or its affiliates may acquire non-public information with respect to an Underlying, and neither SGT nor any of its affiliates undertakes to disclose any such information to any holder of Financial Instruments. In addition, one or more of SGT' affiliates may publish research reports with respect to an Underlying. Such activities could present conflicts of interest and may affect the value of Financial Instruments.

## 10. Stabilization

The price of certain Financial Instruments may be influenced by measures taken to stabilize the price of such Financial Instruments. Stabilization 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.

Stabilization may affect not only the price of the new issue but also the price of other securities relating to it. Local regulators may allow stabilization in order to help counter the fact that, when a new issue comes into the market for the first time, the price may sometimes drop for a time before buyers are found.

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