Holborn Assets

RISK DISCLOSURE STATEMENT

Risk Disclosure

Holborn Assets Wealth Management (CY) Ltd would like to inform Investors of the risks undertaken when investing in the capital markets.

By dealing in the Capital Markets you are subjected to various risks that we would like you to be aware of in order to form a better view of your investment activities. In addition, we would suggest that you are regularly updated about the direction of global markets. It is possible, under various circumstances, to limit or constrain the risk involved in capital market transactions, it is not possible though to eliminate all risk involved.

The Client shall fully understand that investments made or other positions taken in financial instruments are at the Client's own risk.

We list below the major sources of risk. It is not exhaustive; therefore we strongly recommend further reading on the subject.

General

Every type of Financial Instrument has its own characteristics and entails different risks depending on the nature of each investment. The price or value of an investment will depend on fluctuations in the financial markets outside our control (and outside your control).
The Client **should NOT** carry out any transaction in any Financial Instruments unless is fully aware of their nature, the risks involved and the extent of his exposure in these risks. In case of uncertainty as to the meaning of any of the warnings described below, the Client must seek an independent legal or financial advice before taking any investment decision.

The Client should also be aware that:

a. The value of any investment in Financial Instruments may fluctuate downwards or upwards and the investment may even become worthless.

b. Previous results do not constitute an indication of a possible future return.

c. Trading in Financial Instruments may impose tax and/or any other duty.

d. Placing contingent Orders, such as "stop-loss" Orders, will not necessarily limit losses to the intended amounts, as it may be impossible to execute such Orders under certain market conditions.

e. Changes in the exchange rates, may negatively affect the value, price and/or performance of the Financial Instruments traded in a currency other than the Client's base currency (currency of the Client's country of residence).

Investing in some Financial Instruments and particularly derivatives entails the use of “leverage”. Leverage generally means the use of borrowed capital to multiply gains and losses. Trading in such financial instruments can amplify losses as well as gains with a relatively small movement in the underlying market. A high degree of leverage can result to a quick loss of the entire capital or even expose the Client to an additional loss. For this reason, we suggest that you invest in Derivatives only if you possess the necessary knowledge and expertise to carry out such investments.
In some countries companies are permitted to effect off-exchange transactions. The company 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.

Types of Risk

a. Market Risk: is the risk that the value of a portfolio will decrease due to the change in value of the market factors such as stock prices, interest rates, exchange rates and commodity prices. In case of a negative fluctuation in prices, investors in financial instruments run the risk of losing part or all of their invested capital.

b. Price risk: is the risk of unexpected change of prices on corporate, municipal or state securities and derivatives that may result in dramatic decrease of the value of client’s financial instruments.

c. Systemic Risk: is the risk of collapse of the entire market or the entire financial system. It refers to the risks imposed by interdependencies in a system or market, where the failure of a single entity or cluster of entities can cause a cascading failure, which could potentially bring down the entire system or market.

d. Credit Risk: is the risk of a borrower's failure to repay a loan or otherwise meet a contractual obligation (i.e. failure to pay interest to bond holders). Credit risk is closely tied to the potential return of an investment, the most notable being that the yields on bonds correlate strongly to their perceived credit risk.

e. Settlement Risk: is the risk that counterparty does not deliver a security or its value in cash per agreement when the security was traded after the other counterparty or counterparties have already delivered security or cash value per the trade agreement. This risk is limited where the investment involves financial instruments traded in regulated markets because of the regulation of such markets. This risk increases in case the investment involves financial instruments traded outside regulated markets or where their settlement takes place in different time zones or different clearing systems.

f. Liquidity Risk: is the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Liquidity risk becomes particularly important to investors who are about to hold or currently hold an asset, since it affects their ability to trade.

g. Operational Risk: is the risk of business operations failing due to human error. Operational risk will change from industry to industry, and is an important consideration to make when looking at potential investment decisions. Industries with lower human interaction are likely to have lower operational risk.

h. Political Risk: is the risk that an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers, or military control.

i. Issuer risk: is the risk of the Issuer's insolvency, changing of credit and other ratings of the Issuer, bringing suits or claims against Issuer that may results in dramatic decrease of value of the Issuer's securities or failure to redeem the debt securities.

j. Currency risk: is the risk of negatively changing of securities or derivatives contracts value at the client's account due to changing of the currency rate of client base currency to other currencies.

k. Operations risk: is the risk of losses as a consequence of the mistaken or illegal actions of the employees of the organized markets, custodians, registrars, clearing organizations in course of settlement of transactions in securities or derivatives.

l. Tax risk: is the risk concerning complexity of tax laws of the different countries applicable to the client. Therefore the client shall consider tax consequences of investments. It is possible that the current interpretation of tax laws or understanding of practice may change, and such changing may have retrospective effect.

m. Legal risk: is the risk due to the fact that markets are subject to ongoing and substantial regulatory changes. It is impossible to predict what statutory, administrative or exchange changes may occur in the future or what impact such changes may have on a client's investment results.

n. In emerging markets there is generally less government supervision and regulation of business and industry practices, stock exchanges, OTC markets, brokers, dealers and issuers than in more established markets. In certain areas, the laws and regulations governing investments in securities and other assets may not exist or may be subject to inconsistent or arbitrary interpretation.

Financial Instruments and related Risks

Equities or Shares:

Shares represent a share of ownership in a company. It is the unit in which the share capital of a company is divided in and which provides the shareholder with voting rights. Furthermore, the shareholder is entitled to receive a certain level of the company's earnings (dividend payments) that may arise from the company's operations. Dividends are not guaranteed and a company has the right to decide not to pay a dividend.

The investor may also buy a company's shares so that he/she can make a profit from reselling them. However, the return of the investment is not guaranteed because the share's price depends on the company's performance, the evaluation of the market's performance, the existing national and international economic circumstances, the relevant risk of each sector and/or the specific risk for each company. Investing into shares may also entail a risk regarding the dividend payment as well as the potential capital loss. Moreover, trading shares on regulated markets does not guarantee the liquidity of these shares (see 'Liquidity risk').

Money Market Instruments:

Money Market Instruments are usually debt securities which mature in one year or less (Treasury Bills) and which are usually traded in local money markets. Risks related to this type of instruments are the liquidity risk, interest rate risk and credit spread risk.

Rights Issue:

A Rights Issue is a way to increase the share capital of a listed company by issuing Rights to existing shareholders on a proportional basis. Rights are usually issued in organized markets and traded for a specific limited period of time. Rights are treated as high risk Financial Instruments as they entail all main types of financial risks. If Rights are not exercised until their expiration date, they lose their value.

Bonds:
Bonds are debt securities which represent the issuer's debt towards the investor. When an investor buys a bond, he/she lends a certain amount of money to the bond issuer. Therefore, the bond constitutes a debt towards the lender which must be paid at a specific date specified at the bond documentation. If provided for in the bond's documentation, the borrower is also obliged to pay interest to the bond holder. The interest rate, the frequency of interest payment and the amount of the interest are specified by in the bond's documentation. Possible bonds' issuers can be the Government, banks, municipalities or companies.
The bond's yield is determined by the difference between the capital paid at the bond's issue date and the amount due at the maturity of the bond. High-yield bonds are bonds with speculative characteristics and which are rated with a low credit rating by international credit rating agents such as Moody's rating of Ba1 or below and S&P rating of BB+ or below. These bonds carry a coupon that is relatively high to reflect the higher level of risk to investors.
The main risks faced by bond holders are credit spread risk and interest rate risk as the bond's price usually moves inversely to the direction of interest rates changes and/or the credit spreads. In general, the risks faced by bond holders are the following:

Credit Risk: This is the risk that refers to the possibility that the bond issuer will not be able to make expected interest rate payments and/or principal repayment.

Interest Rate Risk: This is the risk where if interest rates rise, the market value of the bond will decline. This is less of an issue if the investor can hold the bond until it matures.

Reinvestment Risk: This is the risk that the proceeds from a bond will be reinvested at a lower rate than the bond originally provided.

Call Risk: This is the risk that a bond with a call feature will be called by its issuer which might results in a lower return as compared to holding until maturity.

Inflation Risk: This is the risk where the rate of inflation increases deteriorates the returns associated with the bond. This has the greatest effect on fixed bonds, which have a set interest rate from inception.

Liquidity Risk: This is the risk which refers to the marketability of the bond. Certain issuers may be less marketable than others.
For an investor to have access to other Financial Instruments, notably shares, through an initial investment in bonds, the three most common types are the following:

Convertible Bonds: These bonds can be converted into shares of the issuing company upon request of the bond holder. The bond's maturity and conversion dates are specified in the bond's issued terms where the conversion ratio is defined and where it is specified that the bond issuer has the right to call the bond's early redemption. The bond holder's protection clauses are also described in detail in the bond's issue documentation.

Exchangeable Bonds: These types of bonds allow the investor to exchange them with existing shares of a third company. Issuers of such bonds are companies holding shares in other companies.

Bonds Redeemable in Shares: Such bonds are only redeemable in shares, on the issuer's option. The bond holder is exposed to the same risks inherent in shares. The risks entailed in all the above mentioned instruments are related to their complex nature. For as long as they remain in the investor's possession, the investor is exposed to risks as well as to possible fluctuations and/or volatility of the principal shares' value. After the conversion, exchange or redemption of the bonds, the investors are exposed to risks similar to those of shares.

Warrants:
Share Warrants constitute an alternative way for an Issuer to raise capital. Warrant holders have the right and not the obligation to buy a specific number of shares at an agreed-upon price (called exercise price) at specific dates until their expiration.
Share warrants do not offer a dividend or any other type of payment and if they are not exercised until their expiration date, they expire and they lose their value. Their trading price is directly linked to the share's performance and, usually, their price fluctuation is higher (as a percentage) than the share's price. Share warrants are treated as Financial Instruments of higher risk due to severe fluctuations to their value and the higher risks that they entail.

Derivatives:
A derivative is a financial instrument:
• Whose value changes in response to the change in a specified interest rate, security price, commodity price, foreign exchange rate, index of prices, a credit rating, or similar variable (the underlying).
• That requires no initial net investment or little initial net investment relative to other types of contracts that have similar responses to changes in market conditions.
• Is settled at a future date.

Common types of derivatives are futures, options, swaps and forwards. While some off-exchange markets are highly liquid, transactions in off-exchange derivatives may involve greater risk than investing in on-exchange derivatives (including structured products) because there is no exchange market on which to close out an open position. It may be impossible to liquidate the existing position, to assess the value of the position arising from an OTC transaction.

Options:
Options are financial derivatives that offer the buyer the right but not the obligation to buy (call) or sell (put) an underlying instrument (e.g. share) at an agreed-upon price (exercise price) before (American-type option) or after (European-type option) a specific future date. The counter-party undertakes the relative obligation. The amount the option buyer must pay to the option seller (called premium) in order to receive the right but not the obligation to buy (call option) but not to sell (put option) the underlying value at or by the expiration date is the price of the contract. This payment is made to the seller irrespective of whether the option is exercised or not.
Therefore, the maximum imminent risk for the buyer is limited to the first part of the contract's price while the seller's imminent risk is unlimited. Hence, the total value of the option contract is determined by the demand and supply and it has intrinsic value and extrinsic value (Premium = Intrinsic value + Time (extrinsic) value).
Other financial risks that may be associated with options are price volatility risk, liquidity risk and interest rate risk. Options lose their value if they are not exercised until their expiration date.

Contracts for Differences:
Contracts for difference are transactions in relation to shares where it is not necessary for the parties to hold the shares themselves. These are short-term contracts following an agreement between the counterparties and they reflect the performance of a specific share or index. As in the case of shares, potential earnings or losses depend on the difference between the purchase price and the sale price of the Financial Instrument.

Futures:
A Future is a contractual agreement to buy or sell when due a certain Financial Instrument at a specified date and at a determined price. Futures constitute essentially a bilateral agreement between two parties who agreed to proceed to a certain buying and selling at a specific date in the future at a specified price.
The terms of the future trade are precisely defined on the futures contract (quantity of shares of specific company, date of trade, etc.) except for the price of the trade which is specified by the parties' agreement (offer and demand) and which is constantly changed depending on the fluctuation of the share's price). Other financial risks that may be associated with futures contracts are price volatility risk, liquidity risk and interest rate risk.

Mutual Funds – UCITS - (Undertakings for Collective Investment in Transferable Securities):
UCITS are specially constituted collective investment portfolios exclusively dedicated to the investment of assets raised from investors into transferable securities and liquid financial assets. In plain terms, UCITS are open-ended collective funds raised from investors.
Mutual Funds are divided into several categories depending on their investment policies and diversification rules. They are divided into domestic or foreign funds, equity funds, mixed funds, bond funds or cash funds. Depending on the category, mutual funds may entail different risk but may have different performances. The composition of each portfolio contains a type of risk similar to its type (aggressive, balanced or defensive). Any investment in Mutual Funds is, amongst others, related to market risk, interest rate risk, default risk and foreign exchange risk.
These joint funds are being managed by a Management company and are being safe kept by a Custodian. The funds (assets) of a UCITS are divided into equal units which belong in their entirety to the unit holders depending on the units that every unit holder possesses. Unit holders have a share in profits as well as in loss and costs that may arise while managing and investing UCITS's assets.
The net value of a UCITS unit is calculated upon the value of the UCITS's assets minus the liabilities and expenses divided by number of the units in circulation. Some of the UCITS liabilities and expenses include the remuneration of the Management company, the Custodian's remuneration and other expenses and costs arising from the management and administration of a UCITS.
The price at which an investor will purchase a UCITS unit is equal to its Issue Price (Issue price = net unit value + issue's commission percentage). The price at which an investor will redeem his/hers units is equal to the unit's redemption price (Redemption Price = net unit value – Redemption Commission Percentage).
The Issue price and the Redemption price of a UCITS unit is possible to exceed or to fall short of the net unit value respectively, calculated in accordance with the issue's and Redemption's commission percentage respectively, according to the UCITS Regulation, Status or Articles of Incorporation.

Collective Investment Schemes:
Involve an arrangement that enables a number of investors to 'pool' their assets and have these professionally managed by an independent fund manager. Investments typically include bonds and shares of listed companies but depending on the type of the scheme, they may include broader investments such as property.
The ability to liquidate certain Schemes may be limited, depending on the terms of operation and the long time period of notice required for redemption during which the value of each unit may exhibit high volatility and possibly decrease. It is possible that there is no secondary market for such Schemes and hence such an investment may be liquidated only through redemption.

Structured Products:
Structured products are Financial Instruments in the form of securities or contracts which are adapted to the needs of the client. These products are identified by one or more of the following characteristics:
• The performance is determined by the underlying instrument, to a combination of underlying instruments (interest rates, equities, indices, etc.) or based on a formula.
• A leveraged effect.
• Other characteristics agreed upon the parties such as terms on the redemption or the existence of a guarantee.
• A product that does not allow a preliminary request for quote from different financial institutions, or
• A nonexistence secondary market or a secondary which is not liquid.
Every structured product has a different risk profile. Due to the large number of possible combinations, it is impossible to describe in detail every structured product's risk.
Before making any transaction in structured products, the client has to be informed on the special characteristics of the product and the entailed risks in order for him/her to make informed investment decisions after accepting the terms and the special characteristics of the specific products.

Hedge Funds:
Hedge Funds are aggressively managed portfolios of investments that use advanced investment strategies such as leveraged, long, short and derivative positions in both domestic and international markets with the goal of generating high returns (either in an absolute sense or over a specified market benchmark).
Hedge funds are considered a riskier investment than traditional funds and are suitable for more experienced investors, since they are not regulated and lack transparency. They usually invest in risky or illiquid securities and although they target absolute returns, if they fail to manage risk, they may realize significant losses. Beyond the liquidity risk, Hedge Funds have the ability to leverage which means that a relative small fluctuation in the price of the underlying security may lead to a disproportionately larger fluctuation, favorable or unfavorable, to the value of the investment.

Foreign Exchange Trading:
Engaging in foreign exchange ('FX') trading (buying one currency in exchange for another) exposes you to the risk of adverse changes in exchange rates. Exchange rates can be volatile and are driven by a variety of factors affecting the economies of the jurisdictions whose currencies you are trading.
The 'gearing' or 'leverage' often obtainable in FX trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you

as well as for you. Some FX transactions have a contingent liability which means that you may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium received.

You may sustain a total loss of any margin you deposit with your broker to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated by your broker at a loss and you will be responsible for the resulting deficit.
The insolvency or default of your broker/dealer, or that of any other dealers involved with your FX transaction, may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payments in cash.

Exchange Traded Funds (ETFs):
ETFs are securities that track an index, a commodity or a basket of assets like an index fund, but trade like a stock on an exchange. ETFs experience price changes throughout the day as they are bought and sold. An investment in ETFs exposes investors to the same risks as the underlying securities but to a significantly lower degree due to the diversification of investments.

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