

Terms of Business

Investment Management - Retail

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Key terms for your attention

This section highlights some of the key terms that you need to be aware of, including ones setting out your obligations under this agreement. You should still read the whole agreement and seek assistance if you do not understand any element of it.

Charges and fees

1. In addition to our charges and fees (section 3), you agree that you will be responsible for:
 - a. any other fees or charges that may be incurred as a result of our provision of services to you including third-party banking fees; and
 - b. any Value Added Tax ("VAT"), or any other applicable tax or levy that is due or chargeable in relation to any charges or fees.
2. We will ordinarily deduct any charges due from the proceeds of the relevant transaction where possible. You agree that we may deduct any sums that you owe us in relation to charges and fees directly from any assets held on your behalf.

Changes to your circumstances

3. It is important that you inform us of changes in your personal circumstances or investment objectives and risk profile. You agree to notify us promptly of any changes. You agree that we cannot be held liable for losses resulting from investments or decisions that could be considered unsuitable in light of circumstances that have not been notified to us. These changes can include buying or selling a property, death, retirement, marriage and divorce.

Statements

4. Every 3 months we will provide you with a valuation of your investments which are held under this arrangement. You are requested to review this and to notify us of any errors that it may contain. We will not be liable for errors in the statements that you have not notified us of. More details on how we will make reports to you are set out in section 17.

Tax

5. You will be responsible for obtaining your own advice on the taxation, legal, regulatory or accounting consequences of any investment or investment strategy.
6. In some countries the tax position is complex and subject to more frequent change than in western countries. It may not be possible to reclaim tax even where this is theoretically possible due to practical and timing issues. More details on non-UK taxation are set out in section 9.

Termination and complaints

7. Either party may terminate this Agreement at any time by giving the other party notice in writing which will be effective immediately although we would try to give you longer notice where reasonably practicable to allow you to make arrangements to transfer your investments. More details on termination rights are set out in section 32.
8. All complaints should be directed in the first instance to our Compliance Officer: Barbara.Kane@lgt.com (The Compliance Officer, LGT Wealth Management UK LLP, 14 Cornhill, London EC3V 3NR). More information on complaints and compensation are set out in section 30.

Terms of Business, Investment Management

This is an important document. Please read it carefully.

These terms and conditions and annexes ("the Terms") together with the Account Agreement, Schedule of Charges, Investment Risk Profile Questionnaire ("IRPQ"), Investment Policy Statement, any other ancillary documents and any product-specific supplemental terms and conditions ("Supplemental Terms") form a legal agreement between you and LGT Wealth Management US Limited ("LGT Wealth Management US", "LGT WMUS", "we" or "us").

These documents are referred to collectively as "this Agreement", and set out the terms on which we will provide services to you.

By signing the Account Agreement, you confirm that you accept these Terms and any Supplemental Terms and will be bound by this Agreement. This Agreement comes into effect on the later either:

- i. the date that we receive a satisfactorily completed and signed Account Agreement from you, or
- ii. the date that we take control of any relevant assets.

To the extent that there is any conflict or inconsistency between any provision of these Terms and any provision of any Supplemental Terms, then the provisions of the Supplemental Terms shall apply in respect of the products or services they cover.

Defined Terms

Associate	means another member of the LGT Wealth Management group;
Associated Companies	means other entities in the LGT Wealth Management group;
Business Day	means a day other than a Saturday, Sunday or public holiday in England when banks in London are open for business;
Client Bank Account	means a client bank account at an approved bank as defined by the FCA Regulations;
Corporate Events	means any right to attend and vote at shareholders', securities holders' or unit holders' meetings, or of any rights issues, calls, conversion, subscription or redemption rights, or take-over or other offers arising from capital re-organisations;
FCA	means the Financial Conduct Authority;
FCA Regulations	means all rules, regulations, orders and prohibitions imposed or issued by FCA including the FCA Handbook, non-Handbook guidance and other FCA materials;
Gearing	means the use of derivative products to magnify the gain on the money invested. It can also result in losses being magnified;
IRPQ	means the Investment Risk Profile Questionnaire;
ISA	means the in-house LGT WM Investment Savings Account managed in compliance with the ISA Regulations;



ISA Regulations	means Individual Savings Account Regulations 1998 as amended;
Limit Order	means an order that allows investors to enter a market and to take profit at predefined levels. This is explained in more detail in paragraph 8.3 of Annex 2;
LSE	means the London Stock Exchange;
Nominee	means a nominee company controlled by a sub-custodian selected by us in accordance with the FCA Regulations;
Non-UCITS Retail Schemes (NURS)	funds from jurisdictions outside the EU that meet the specific criteria set by the FCA, ensuring they offer similar levels of protection and transparency as UK-based funds;
Recognised Schemes	means UCITS (Undertakings for Collective Investment in Transferable Securities): funds domiciled in the European Union that meet the stringent regulatory requirements of the UCITS directive, allowing them to be marketed across the EU and in the UK;
SDR Label	means the four SDR investment labels: Sustainability Focus: Funds that primarily aim to achieve sustainability objectives, Sustainability Improvers: Funds that invest in companies or projects with the intention of improving their sustainability practices, Sustainability Impact: Funds that seek to generate measurable positive impacts on environmental and social issues, Sustainability Mixed-Goals: Funds that have a combination of sustainability objectives but do not focus exclusively on one area;
Sustainability Related Terms	means a fund defined by the FCA Regulations set out in Chapter 4 of the Environmental Social Governance sourcebook;
Trustee Act	means the Trustee Act 2000 as amended from time to time; and
UK Sustainable Fund	means funds that are subject to the UK Sustainability Disclosure Requirements (SDR) including SDR labelled funds and non-labelled funds with sustainable related terms in their naming or marketing materials.

1. Regulatory Status

- 1.1 LGT Wealth Management US Limited is a company registered in England (Registered No. 06455240) and our principal place of business and registered address is 14 Cornhill, London EC3V 3NR.
- 1.2 We are authorised and regulated by the FCA of 12 Endeavour Square, London, E20 1JN. We are required to act in accordance with the FCA Regulations.
- 1.3 LGT WMUS is a Registered Investment Adviser with the Securities & Exchange Commission in the United States of America.
- 1.4 **Your Client Classification**
On the basis of the information you have provided to us, we have classified you as a "Retail Client" for the purposes of the FCA Regulations. This provides you with the highest level of protection available under those rules. You have the right to request a different classification (e.g. as a "Professional Client"), but please note that we may not agree to such a request.

1.5 Where you act as agent

For the purposes of FCA Regulations, where you are acting as agent, we will treat only you as our client regardless of whether or not your principal has been identified to us. However, we may at our discretion enter into a contractual relationship with your principal in certain circumstances, for example where your principal may require provision by us of any credit facility or services to them.

There are further details on acting as principal in section 28 (Acting as Principal) and appointing an agent in section 34 (Delegation, Appointment of Agents and Assignment).

2. Investment Services

- 2.1 The specific terms on which we provide our discretionary, advisory and execution only services are set out in sections 4, 5 and 8 below. The terms which apply when we buy and sell investments on your behalf are set out in section 12 (Dealing). The terms on which we will hold the assets or cash in your discretionary, advisory or execution only account are set out in sections 14 (Custody Services) and 21 (Client Money).
- 2.2 You have the ability to select your service in the Account Agreement. Depending on the service you have selected, we will provide you with discretionary and advisory services or the Strategic Portfolio Service as hereinafter defined (collectively, the "Services") in relation to the sale and purchase of investments. This includes, without limitation, securities, bonds, warrants, collective investment schemes (including funds which are operated or managed by us or our Associates), derivatives, structured products, contracts for differences, options, hedge funds, private equity, property and real estate products, Venture Capital Trusts and Enterprise Initiative Schemes.
- 2.3 Except as set out in the IRPQ or otherwise agreed with you, there are no restrictions on the types of investments in which we may invest on your behalf; the markets on which you will permit transactions to be carried out; or the value of or proportion of the account value which any one investment or class of investment may have.

Strategic Portfolio Service

- 2.4 Your selection of the Strategic Portfolio Service means that we will manage the account on a discretionary basis in accordance with one or more investment mandates developed to meet specific client risk profiles and investment objectives (the "Investment Strategy Model(s)"). You acknowledge and understand that, whilst you may select Investment Strategy Model(s) to which your account is linked, you shall not have any involvement in the selection of the underlying investments held within your account. You may change your risk profile or investment objectives at any time by notifying us in writing; however, you acknowledge that any change shall only take effect upon our written acceptance thereof.
- 2.5 Investment Strategy Models range from low risk to very high risk. Each Investment Strategy Model consists of Designated Investments that we believe best reflect the assigned risk profile.
- 2.6 You acknowledge and accept that we are unable to accept instructions from you to purchase, sell or otherwise invest in/or redeem any specific security or securities, nor are we able to accept or take into account any specific investment or sector restrictions. If you wish to specify any restrictions, you should speak with your Investment Manager prior to the commencement of the Services.
- 2.7 LGT WMUS provides the Strategic Portfolio Service on an initial cash basis. This means that you may be required to transfer all relevant assets in cash form to the relevant custodian. Where applicable, we may require that existing holdings be sold and converted into cash prior to such a transfer.



- 2.8 We will establish a benchmark against which to assess the performance of your account and will notify you of this in writing.

Discretionary Account Service

- 2.9 Where you have indicated that you wish to receive Discretionary Services (the "Discretionary Account Service"), we will manage your investments on a discretionary basis. This means that we will act as your agent in line with what is included in the IRPQ. We will have full authority and complete discretion without checking with you first, to invest and reinvest the assets within the account by entering into any kind of transaction or arrangement on your behalf.

We may include in your account investments of any value and may invest any proportion of your account in any way that we believe is suitable for you based on the information you have provided to us in your IRPQ or as communicated to us in writing. Based on information we hold, we will regularly review the investments made.

- 2.10 We will establish a benchmark that we will assess the performance of your account against, and will notify you of the benchmark in writing.
- 2.11 Where we allocate a proportion of your wealth towards sustainable investments, we may invest in both UK Sustainable funds and non-UK funds. This allocation may include EU sustainable funds and other recognised overseas schemes, such as UCITS (Undertakings for Collective Investment in Transferable Securities) from the European Union and non-UCITS retail schemes (NURS) from other jurisdictions that meet regulatory criteria.

Please note that non-UK Sustainable Funds and overseas Recognised Schemes included within our allocations are not subject to the UK's sustainable investment labelling and disclosure requirements ("SDR"). However, the UK sustainable funds are subject to the SDR framework, which may have different approaches and disclosure standards compared to non-UK requirements. As a result, the standards and methodologies used by Recognised Schemes in relation to their disclosure requirements may differ from the UK's standards.

We will continue to monitor and review the sustainability characteristics and performance of the funds and recognised schemes within our allocations to ensure they align with your investment objectives and values. If you have questions about how these differences may affect your investment, please contact us directly.

Advisory Account Service

- 2.12 Where you have indicated that you wish to receive advisory services, we will provide investment advice based upon the information you provide in the IRPQ or otherwise provide to us. We may provide advice orally or in writing.
- 2.13 It is important that you inform us of any changes in your personal circumstances, investment objective or risk profile. *You agree to notify us promptly of any changes.* These changes could include any changes in your regular income, buying or selling a property, or any major changes to your health.
- 2.14 Our investment advice is classified by the FCA as "restricted advice" because, while we do advise on investments from the whole of the investment market, we will not consider your wider financial planning and pension requirements. However, should you require advice in this regard, we will, on your request, refer you to our wealth planning team.
- 2.15 When we provide you with our advisory service, we will only make trades and orders based on your instructions. You have the power and authority to decide and instruct us on this.

We will not make trades or orders unless you give us clear instructions to do so.

- 2.16 When we advise you, we may say that a proposed investment transaction is not suitable for you. Where we have advised you of that, and you still ask us to make the transaction, *you agree and acknowledge that we can proceed with this on an 'execution only' basis.* This means that you agree that you accept responsibility for the transaction not performing as you hope it will. We can refuse to accept your instruction if this would put us in breach of any applicable rules. Where orders are accepted on an execution-only basis, this will be confirmed on the relevant trade confirmation.
- 2.17 Further information on this is in the Execution-Only Services section below at 8. Our execution policy is also included for reference in Annex 2.
- 2.18 When we provide you with our Advisory Account Service, you retain all power of decision and trading authority, and orders will only be placed on your express instructions.
- 2.19 When we give our advice to you, we may notify you that a proposed investment transaction is not suitable for you. Where we have provided the warning described above and you ask us to proceed with the transaction, you agree and acknowledge that we may proceed with the transaction on an execution-only basis, though you should note that we may also, at our discretion, refuse to undertake any transaction for you. Where orders are accepted on an execution-only basis, this will be confirmed on the relevant trade confirmation.
- 2.20 Our investment advice is classified by the FCA as "restricted advice" because while we do advise on investments from the whole of the investment market we will not consider your wider financial planning and pension requirements. However, should you require advice in this regard we will, on your request, refer you to our wealth planning team.
- 2.21 When we recommend a UK Sustainable Fund, we will provide a copy of the fund's SDR label or relevant Consumer Facing Disclosure (CFD) at the time we make our recommendation to you. This document is designed to help you understand the sustainability characteristics of the fund. It outlines the key sustainability-related features, including the fund's sustainability goals or label status, investment objective, sustainability approach, sustainability metrics, stewardship activities and any limitations. These recommended UK sustainable funds are subject to the SDR framework.

Please note that any non-UK sustainable funds we recommend as well as overseas recognised schemes (including UCITS - Undertakings for Collective Investment in Transferable Securities funds from the European Union and certain non-UCITS retail schemes from other jurisdictions that meet regulatory criteria) are not subject to the SDR. As a result, the standards and methodologies used by these Recognised Schemes in relation to their disclosure requirements may differ from the UK's standards.

We will continue to monitor and review the sustainability characteristics and performance of our recommended funds and recognised schemes to ensure they align with your investment objectives and values. If you have questions about how these differences may affect your investment, please reach out to us.

One-off Advice

- 2.22 Unless we agree to provide you with our Advisory Account Service, our advice will be on a one-off, transaction by transaction basis. Where we provide you with one-off advice we do not accept responsibility for: advising you on the continued suitability of individual investments; or a breach of



your investment objectives or guidelines if such breach occurs as a result of any change in value of an investment after it has been bought or sold.

- 2.22.1 Where we agree with you that we will provide you with ongoing advice we will review your account, and make such recommendations as we consider appropriate based on the investment objectives and the risk profile you selected, together with any investment guidelines and restrictions you may have set out in the IRPQ, or as you may separately agree with us in writing from time to time. Our ongoing advice may include, without limitation, advice to buy, sell, hold or otherwise acquire or dispose of particular assets held in your account, as well as advice on asset allocation and trading recommendations. If we provide you with Ongoing Services, we will keep your account under review and provide you with updated advice from time to time. If you would like to have a comparable for your portfolio, we will agree with you a benchmark against which to assess the performance of your account and will notify you of this in writing. Any initial benchmark will be indicated in the IRPQ.

Suitability and Appropriateness

- 2.23 In providing discretionary or advisory services, the FCA requires us to obtain information from you regarding your knowledge and experience in the investment field relevant to the specific type of investment services we provide to you, your financial situation, your appetite for risk and your investment objectives. This information will allow us to assess the suitability of our advice and of the transactions that we will enter into on your behalf. This suitability assessment enables us to act in your best interests.
- 2.24 Where we provide you with one-off advice we are required to provide you with a suitability statement before we commit you to a transaction. *You acknowledge that we may provide you with our suitability statement after you have been committed to a transaction* where after you are provided with our advice, you instruct us to enter into a transaction over the telephone or by some other means of distance communication that prevents the prior delivery of a suitability statement. In this circumstance, you will also be given the option of delaying the transaction.
- 2.25 When providing execution only services in relation to complex investments we are required to obtain information from you regarding your knowledge and experience in order for us to assess the appropriateness of the transaction for you.
- 2.26 Where you have indicated that you wish to undertake an execution-only transaction, we will, when instructed by you, instruct to the Custodian to buy and sell investment(s) on your behalf without advising you on the merits of the transaction. In these cases, we will not consider the information you provided about your investment objectives and requirements and we will not be required to ensure that the transaction is suitable for you.
- 2.27 However when providing execution-only services in relation to certain complex transactions or products (such as structured products) we may be subject to an obligation under FCA Regulations to assess the appropriateness of the transaction or product for you. To make our assessment we may need to ask you for additional information about your investment experience and knowledge. If, on the basis of the information received, we consider the product or service is not appropriate for you, we will warn you of that in writing or orally. Where we have provided you with this warning and you ask us to proceed with the transaction, you agree and acknowledge that we may proceed with the transaction. Please note that have the right to refuse to undertake any transaction for you.
- 2.28 Where orders are accepted on an execution-only basis, this will be confirmed on the relevant trade confirmation provided to you by the Custodian.

- 2.29 It is very important that you give us accurate and up-to-date information so we can carry out our suitability and/or appropriateness assessments as necessary. We are entitled to rely on any information you provide or any person authorised by you provides, unless we are aware that the information provided is manifestly out of date, inaccurate or incomplete.

- 2.30 It is important that you inform us of changes in your personal circumstances or investment objectives and risk profile. *You agree to notify us promptly of any changes. You agree that we cannot be held liable for losses resulting from investments or decisions that could be considered unsuitable in light of circumstances that have not been notified to us.*

These changes can include death, retirement, marriage and divorce.

- 2.31 If you fail to provide any information we request, either because you are unwilling or unable to provide it, we will not be able to provide you with investment advice or enter into any discretionary transactions on your behalf.

- 2.32 When we confirm your order to invest in a UK sustainable fund, we will provide a copy of the fund's SDR label or relevant Consumer Facing Disclosure (CFD) at the time. This document is designed to help you understand the sustainability characteristics of the fund. It outlines the key sustainability-related features, including the fund's sustainability goals or label status, investment objective, sustainability approach, sustainability metrics, stewardship activities and any limitations.

Please note that non-UK sustainable funds and overseas recognised schemes (including UCITS - Undertakings for Collective Investment in Transferable Securities funds from the European Union and certain non-UCITS retail schemes from other jurisdictions that meet regulatory criteria) are not subject to the UK's sustainable investment labelling and disclosure requirements. As a result, the standards and methodologies used by these Recognised Schemes in relation to their disclosure requirements may differ from the UK's standards. Please note that UK sustainable funds are subject to the FCA's SDR framework.

We will continue to monitor and review the sustainability characteristics and performance of our recommended funds and recognised schemes to ensure they align with your investment objectives and values. If you have questions about how these differences may affect your investment, please reach out to us.

Performance

- 2.33 Your account will be assigned to a specific executive ("Investment Manager") and the performance of your account will depend on the decisions made by them and may differ from the performance of other accounts managed by us. In your Investment Manager's absence, we will ensure that your account remains managed in accordance with your instructions and may appoint another Investment Manager at our discretion.

- 2.34 Where you have notified us in the Account Agreement or IRPQ or subsequent correspondence that you have specific considerations or are subject to specific legal constraints which may affect our advice or exercise of discretion, we shall use reasonable endeavors to observe them. *You agree that this may affect performance, and may result in a lower overall return compared to an account without such constraints.* We are not under any circumstances responsible for the provision of, or the consequences of observing such considerations or following such legal advice.

3. Dealing and Custody Services

- 3.1 We are not authorised by the FCA to hold client assets or client money. You are required to appoint and enter an agreement



with a custodian, which will provide you with the custody, execution, settlement and ancillary account services relating to the assets registered in their name. The custodian will be responsible for all periodic reporting to you as required by the applicable legislation and/or regulatory authorities.

- 3.2 By entering into this Agreement, you hereby acknowledge and accept that you are required to engage the services of LGT Wealth Management UK LLP ("LGT Wealth Management"), LGT Wealth Management Jersey Limited ("LGT Wealth Management Jersey") and/or RBC Advisor Services ("RBC") (as appropriate) (each a "Custodian" together the "Custodians") as your Custodian. The Custodians will provide you with services relating to safe custody, execution, administration and other associated account services to you (collectively, the "Custody Services").
- 3.3 You acknowledge and accept that you will be required to enter into a direct relationship for Custody Services with the Custodian. This will require completion of the Custodian's applicable client on-boarding documentation, as their services are provided subject to their own terms and conditions and/or contractual arrangements (the "Custody Agreement"). The Custodian will be responsible for complying with the regulatory requirements relating to the provision of the custody and execution services and will treat you as a retail client, unless otherwise notified in writing by you.
- 3.4 You acknowledge and accept that the Custodian shall be solely responsible for all matters relating to dealing in investments and related execution and settlement matters, custody and administration for the assets that they hold and we shall not be liable and you shall hold us harmless in respect of any loss, damage or liability, claim or expense sustained or otherwise suffered by you as a direct or indirect result of the provision of these services by the Custodian.
- 3.5 You acknowledge and accept that the dealing instructions we provide to the Custodian may not be acted upon by the Custodian on the day of receipt. You authorise LGT WMUS to give instructions to the Custodian in respect of the cash and investments held by the Custodian on your behalf. You hereby authorise LGT WMUS to take all such steps as may be necessary to provide the Services.

4. Instructions, Communications and Statements

- 4.1 In respect of any account(s) you hold with us, the Custodian is obliged to provide you directly or indirectly with formal custody statements and valuations. The Custodian will only report on the assets held in their custody. Where possible, they will include a value on assets that are not custodied with them but which are managed by LGT WMUS.
- 4.2 On occasion, LGT WMUS may provide its own periodic reporting to you.
- 4.3 If the overall value of your account (as evaluated from the last report) depreciates by 10% (and after that multiples of 10%), we or the Custodian shall notify you of this depreciation within one Business Day. If your account has positions in contingent liability transactions and the initial value of each instrument depreciates by 10% (and thereafter at multiples of 10%) we shall notify you of the depreciation within one Business Day.
- 4.4 We will accept instructions by telephone, post or via email. Please note that all instructions sent to us are only agreed to be received by us when we expressly acknowledge the instructions by telephone, post, or via email. We may ask you to confirm some instructions orally or in writing. Specifically, you should note that we may, at our discretion, require you to confirm instructions orally prior to arranging the execution of instructions for payments to pre-nominated third party accounts, and we will

require written confirmation prior to executing instructions for payments to any other third party accounts.

- 4.5 We may refuse, without liability, on our part to accept or to act on any instruction if its authenticity is in doubt or if acting on it would be in breach of any of our policies, or of any law, market practice or rule of any relevant regulatory body. We are not obliged to give any reason for such a refusal but will notify you as soon as possible if an instruction is rejected.
- 4.6 We may act on and treat as binding any instruction that we have accepted in good faith and which we reasonably believe to be from you or from someone authorised to instruct us on your behalf without further enquiry as to the authenticity, genuineness, authority or identity of the person giving or claiming to give such instructions. If you wish to revoke or amend a person's authority to act on your behalf or to appoint another person to give us instructions on your behalf you must complete the relevant section of the Account Agreement or otherwise provide written authorisation. We will be entitled to rely on your written notification without further enquiry as to whether the authorisation has been granted, revoked or amended lawfully.
- 4.7 We may, as part of our services to you, offer Capital Gains Tax ("CGT") and/or other tax calculations or information. Such calculations and/or information will be provided in good faith, *but we do not give any representation or guarantee as to their accuracy or completeness*. We do not accept responsibility for the consequences of any action(s) that you may take in reliance on the CGT information we provide. *We expect that you will seek independent expert advice as appropriate to your requirements in this area.*
- 4.8 Telephone calls and electronic communications between us that result or may result in a transaction will be recorded. A copy of the recording will be available on request for a period of five years (or seven years if required by the FCA) from the date of the recording. We may charge a fee for providing a copy of the recording.
- 4.9 Communications between us will be in the English language.

5. Reporting, Exercise of Voting Rights and Corporate Events

- 5.1 The Custodian is responsible for notifying us of any right to attend and vote at shareholders', securities holders' or unit holders' meetings and of any offers, rights issues and any other corporate actions (together, "Corporate Events") relevant to your Account.
- 5.2 If we are notified about a Corporate Events attaching to your investments we will take the following steps:
- 5.2.1 where it relates to an investment held within a discretionary account we will decide what action to take and instruct the Custodian accordingly;
- 5.2.2 where it relates to an investment held within an advisory or execution-only account we will notify you of any voluntary corporate action (where there is a decision or an election to be made); and
- 5.2.3 we will not notify you of any mandatory corporate action (meaning that the outcome is not something over which you have a choice).
- 5.3 Where we have provided notice of a Corporate Event, you are responsible for ensuring that your instructions are sent to us by the time stated in the notice in order for us to instruct the Custodian accordingly. If we do not receive an instruction within the terms and timing of the notice, any default option specified



in the notice will be applied on your behalf. If a Corporate Event is a rights issue that requires additional funds from you, it is your responsibility to ensure that cleared funds are available in your account by the time stated in the notice. We are not responsible for the consequences of any failure to provide instructions to us by the stated time once notification has been given, or the consequences of any default option applied on your behalf or any alternative instructions we receive. We are not obliged to give more than one notification on each relevant matter.

5.4 We will not be obliged to arrange for you to attend shareholders' meetings or unit holders' meetings and vote in person or to direct how a Nominee should vote on your behalf, and we reserve the right to recover any reasonable expenses from you for making such arrangements.

5.5 Where we are acting as your discretionary investment manager, we will always deal with any Corporate Event in what we reasonably believe to be the best interests of our clients and notify the Custodian promptly of any action required. We will notify you of any decision we take regarding Corporate Events in our periodic reports to you.

6. Our Rights Over Your Assets

6.1 Subject to FCA Regulations, if, at any time, you have failed to pay us sums due under this Agreement or any Supplemental Terms, or we have reason to believe that you may be unable or unwilling to meet your future liabilities under this Agreement the Custodian shall be entitled (and are irrevocably authorised by you) to, without providing any advance notice, use any cash, or sell any investments, held by or registered with the Custodian or Nominee and use the proceeds (after deducting any costs in doing so) to eliminate or reduce debt you owe to us. If there is any money left after the debts you owe to us have been paid, we will pay this money to you. If the cash and proceeds of sales of your investments do not cover all the debt owed to us, you will still owe us the balance.

6.2 *You agree that we may set off, transfer or apply (without further notice to you) any obligations or monies we owe you in order to satisfy in whole or in part any monies that are due from you to us.*

7. Joint Accounts and Trustees

7.1 Unless separate arrangements are put in place at the outset, we will assume that, where you have entered into this Agreement jointly with another person or other persons, you (the joint account holders) will hold any assets in your account as joint tenants. As a result all assets will be owned jointly by all of you and will not be allocated to any particular account holder whether by name of asset or by percentage share of the account. We shall be entitled to hold all of you jointly and severally liable for any debt or charge arising out of this Agreement and on the death of one of joint tenants, ownership of any assets in the account will pass to the survivor(s).

7.2 This Agreement will remain in force notwithstanding the death or other incapacity of any one or all of you until we confirm in writing that we have received either:

7.2.1 written notice from your personal representative(s) of the death or legal incapacity of all of you; or

7.2.2 notice of termination from any one of you.

7.3 Notice issued by us will be effective in relation to each of you if served on any one of you.

7.4 Unless you tell us otherwise, all communications that we send to you such as trade confirmations, statements and valuations *will be sent only to the first-named client in a joint account.*

Trustees

7.5 Where you are acting as trustees, you will be exclusively responsible for compliance with the Trustee Act. If we provide a discretionary service, the Trustee Act requires you to prepare and regularly review an appropriate policy statement. If you do not provide us with a policy statement of your own, you agree that we shall be entitled to treat your instructions and investment objectives as set in the IRPQ, once completed and signed by you, as your policy statement duly adopted by you.

7.6 If you provide us with a policy statement of your own, we draw your attention to the possibility that matters defined in it, such as risk profiles, account composition and investment objectives may differ from our own descriptions as set out in this Agreement. The Trustee Act requires you to ensure that we comply with the policy statement and that you keep under review the terms under which we provide our service. The effect of these obligations under the Trustee Act is that, as the contractual basis of the relationship between us is contained exclusively in this Agreement, it is your responsibility as trustees to set out, review and where necessary amend your instructions and investment objectives on the IRPQ or otherwise to ensure that they are, and remain, in conformity with your policy statement.

7.7 We will accept instructions on behalf of the account from one or more individual nominated trustees or their agent, provided that those trustees with authority to execute account agreements on behalf of the trust, signing jointly, authorise us to accept instructions given in this manner, either in the Account Agreement or by way of an original or certified copy of a mandate to this effect.

8. Charges and Fees

8.1 In consideration of the provision of our services on an ongoing basis as set out at section 2 above or any Supplemental Terms, you will pay us such charges and fees for our services as are set out in the accompanying Schedule of Charges or as we may agree separately in writing from time to time. In certain circumstances, and only where permitted by applicable law, we may be paid trail commission on the value of an investment made by you or on your behalf, payable by managers of unit trusts and other Retail Investment Products, where these investments were purchased before 31st December 2012 and you continue to hold them. If this is the case, we will always rebate these monies back to you.

8.2 Where a management fee is applied to your account the fee is debited by the Custodian from your cash account on a quarterly basis in arrears and paid to us. The management fee will be determined at the time of fee calculation, based on the actual portfolio value and in accordance with the calculation method detailed in our Schedule of Charges. As your portfolio varies from quarter to quarter, the management fee may increase or decrease accordingly.

8.3 When we enter into a foreign exchange transaction on your behalf you will be responsible for paying the market quoted exchange rate together with our applicable foreign exchange fee as set out in the Schedule of Charges or otherwise notified to you from time to time.

8.4 In addition to our fees and charges, *you agree that you will be responsible for;*

1. any other fees or charges that may be incurred as a result of our provision of services to you including third-party banking fees.
2. any Value Added Tax ("VAT"), or any other applicable tax or levy that is due or chargeable in relation to any charges or fees.



- 8.5 We will ordinarily deduct any charges due from the proceeds of the relevant transaction where possible. *You agree that we may deduct any sums that you owe us in relation to charges and fees directly from any assets held on your behalf.*
- 8.6 As set out in section 6 above (Custody Services) we may exercise a right to use any cash or sell and investments held within your account to cover any unpaid costs losses or claims which you are responsible for under this Agreement.
- 8.7 We may receive third party research material or services in return for direct payments by us out of our own resources.
- 9. Non-UK Taxation**
- 9.1 If you are a taxpayer and/or resident outside the UK or hold non-UK investments, you may be liable to account to non-UK tax authorities for any capital or income earned. These matters are solely your responsibility.
- 9.2 *You undertake to notify us immediately in writing of any change to your address or tax residency.*
- 9.3 Where, due to either UK legislation or to contractual arrangements that we have entered into with foreign tax authorities, we are required to identify your tax status and/or withhold tax, then you agree to provide us with all information as may be required, and you further confirm that in the absence of all requisite information, we may take steps including
- 9.3.1 notifying the relevant tax authority;
- 9.3.2 requiring the transfer of overseas investments to a Sub-Custodian;
- 9.3.3 arranging for the sale of such investments on your behalf; and
- 9.3.4 withholding the appropriate level of tax on such capital or income.
- 9.4 In particular, you should note that in accordance with US Internal Revenue Service regulations, we are required to identify beneficial owners of US securities. To enable us to deal in US securities on your behalf, you must complete relevant US tax documentation (e.g. a W-8BEN, W-8BEN-E, W-9 or W-8IMY Form) and provide us with certified copies of your passport and proof of address. Failure to do so may result in additional tax being withheld on income or capital gains originating from US securities.
- 9.5 Where you are a trust or an entity that is classified as a “financial institution” under the Organisation for Economic Co- operation and Development’s Common Reporting Standard you undertake to report any reportable persons to the applicable tax authority, where such persons are tax resident in a reportable jurisdiction.
- 10. Client Representations and Warranties**
Representations and Warranties are personal statements, assurances or undertakings given by you to us on which we rely when dealing with you. *Please read this section carefully.*
- 10.1 You warrant that you have full power to enter into this Agreement, and that the monies entrusted us to manage shall be free from all liens (rights other people have over your money) and charges, and undertake that no liens or charges will arise from any acts or omissions on your part, other than as agreed between us from time to time.
- 10.2 You undertake not to deal, except through us, with any of the cash or assets held in your account and not to authorise anyone else to deal in any of them other than with our prior agreement.
- 10.3 You warrant that any information which you have provided to us in relation to your status, residence and domicile for taxation purposes is complete and correct, and you agree to provide any further information properly required by any competent authority.
- 10.4 You will notify us promptly if there is any material change in any information you have provided to us, and will provide such other relevant information as we may from time to time reasonably request in order to fulfil our regulatory and contractual obligations. You acknowledge that any failure to provide such information may adversely affect the quality of the services that we may provide.
- 11. Liability and Indemnity**
Please read this section carefully. It includes details of situations where you will be responsible for making a payment to us above and beyond the fees and charges set out in the Schedule of Charges.
- 11.1 Neither we, nor any of our directors, employees, delegates or agents, shall be liable for any loss, damage liability, claim or expense sustained by you as a direct or indirect result of the provision by us of our services, save that nothing in this Agreement shall exclude or restrict any liability resulting directly from our negligence, fraud or wilful default or any contravention by us of FCA Regulations. We shall not be liable for any indirect or consequential loss or loss of profit or losses that were not reasonably foreseeable to both of us or for any losses that arise from any damage to your business or reputation.
- 11.2 You undertake to reimburse us and each of our employees, delegates and agents on an after-tax basis, against any liabilities, reasonable costs and expenses (including legal costs) and all duties and taxes (other than our corporation tax) which are caused by:
- 11.2.1 the provision by us of our services to you;
- 11.2.2 any material breach by you of any of the terms of this Agreement;
- 11.2.3 any default or failure by you in performing your obligations to make a delivery or payment when due; or
- 11.2.4 any defect in title or any fraud or forgery in relation to any investments delivered to the Custodian by you or on your behalf or in relation to any instrument of transfer in relation to such investments (including any electronic instruction) purporting to transfer such investments.
- 11.3 In relation to trustees, liability under this Agreement or the General Terms as a whole shall be limited, in the absence of fraud, to the assets of the trust.
- 11.4 We shall not be entitled to be indemnified against the consequences of our own negligence or wilful default or our breach of FCA Regulations.
- 11.5 We do not give any warranty or undertaking as to the performance or profitability of the account (or any part of it) or that any specific investment objectives can be successfully achieved.
- 11.6 You will be responsible for obtaining your own advice on the taxation, legal, regulatory or accounting consequences of any investment or investment strategy. We may occasionally engage third parties to give you advice on certain aspects of tax, but we accept no liability for their advice and you will always be responsible for obtaining this advice in relation to your overall situation.
- 11.7 Nothing in these Terms shall limit our liability for death or personal injury nor allow us to recover the same loss or cost more than once.



12. Force Majeure

12.1 Neither we, nor any of our directors, employees, delegates or agents shall be liable for any circumstance or failure to provide any of the services if such circumstance or failure results wholly or partly from any event or state of affairs beyond our reasonable control (including, without limitation, any failure of communication, settlement, computer or accounting system or equipment, any failure or interruption in the supply of data, any political crisis or terrorist action, the suspension or limitation of trading by any exchange or clearing house or any fire, flood or any other natural disaster) and, in such circumstances, any of our obligations shall be suspended pending resolution of the event or state of affairs in question.

13. Conflicts of Interest

13.1 We, or our associates may provide services or enter into transactions in relation to which we, or our associates have, directly or indirectly, a material interest or a relationship of any description with a third party which may involve a conflict of interest or potential conflict of interest with you. We will ensure that such transactions are effected on terms which are not materially less favourable than if the conflict had not existed.

13.2 We may accept minor non-monetary benefits from third parties in connection with our services to you (such as information relating to investments or investment services or participation in conferences or other training events on the benefits and features of specific financial instruments or investment services) where we believe they enhance the quality of the service provided to you and are of a scale and nature that they could not be judged to impair our compliance with our duty to act honestly, fairly and professionally in the best interests of our clients.

13.3 Summaries of actual and potential conflicts and conflict management policies and details of any conflicts we are not able to manage are set out in Annex 2.

13.4 We will ordinarily act as your agent and you will therefore be bound by our actions under this Agreement. The provision of services under this Agreement shall not give rise to any fiduciary or equitable duties which would oblige us to accept responsibilities more onerous than set out in the Terms, or which would prevent or hinder us in effecting transactions for you.

13.5 We may receive third party research material or services in return for direct payments by us out of our own resources.

14. Data Protection and Confidentiality of Information

14.1 In providing you with the services, we do not have to take into consideration information that does not come to the direct attention and notice of your Investment Manager, even if it was disclosed to an LGT employee, officer or agent. We also do not have to disclose or take into consideration information where doing so would be a breach confidence.

14.2 The information we hold about you is confidential and will not be used for any purpose other than in connection with the provision of the services. Information of a confidential nature will be treated as such where the information is not already in the public domain. We will only disclose your information to third parties in the following circumstances:

14.2.1 where required by law or if requested by any regulatory authority or exchange that we are supervised by or have to comply with;

14.2.2 to investigate or prevent fraud or other illegal activity;

14.2.3 in connection with the provision of services to you by us;

14.2.4 for purposes related to the servicing or administering your

account, including, without limitation, for the purposes of credit enquiries or assessments or the verification of your identity and/ or any other actions or enquiries we may be obliged to undertake pursuant to our obligations under applicable anti-money laundering legislation or regulations;

14.2.5 if it is in the public interest to disclose this information; or

14.2.6 at your request or with your consent, subject to the provision that we may disclose your information to certain permitted third parties, such as members of our own group and our professional advisers who are bound by confidentiality codes.

14.3 We will not sell, rent or trade your personal information to third parties for marketing purposes without your express consent.

14.4 We may use, store or otherwise process personal information provided by you or us in connection with the provision of the services of the purposes of providing the services, administering your account or for related purposes, including, without limitation, for the purposes of credit enquiries or assessments or the verification of your identity and/or any other actions or enquiries we may be obliged to undertake pursuant to our obligations under applicable anti-money laundering legislation or regulations. In the UK, we operate, and have made all appropriate notifications in accordance with, applicable data protection legislation. For the purposes of data protection legislation we are a data controller.

14.5 To the extent that you have provided medical information (or other sensitive personal information) to us and have explicitly consented to us using such information, either as part of your declaration in the Account Agreement or by granting consent at the time you provide us with the information, we may use this information to enable us to provide investment services to you. Sensitive personal information comprises personal data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, trade union membership, genetic data, biometric data, data concerning health or data concerning a natural person's sex life or sexual orientation.

14.6 The legal basis for us processing your personal information will typically be because the processing is necessary: (i) to fulfil our obligations under this Agreement; (ii) for our legitimate business interests; (iii) for compliance with a legal obligation to which we are subject; or (iv) because you have provided us with your consent or explicit consent in the case of sensitive personal information.

14.7 In accordance with data protection laws you are entitled to a copy of the information we hold about you and to be informed about the purposes for which it is being or will be processed and the recipients or classes of recipients to whom it is being or will be disclosed. In addition you have other rights under applicable data protection legislation that you may exercise against us along with the right to lodge a complaint with the applicable data protection supervisory authority (being the Information Commissioner's Office or any superseding or replacement body). If you would like to request copies of this information, please contact us. If you would like more information about how to exercise your other rights please contact us directly. We may charge a fee for providing this information to you (details of which are available upon request). If you make a written request to us, we will also correct, delete and/or block personal information from further processing if that information proves to be inaccurate. Where we may use an online provider(s) of Anti Money Laundering Services to store or otherwise process personal information, if you make a request for data deletion, we shall procure the data is deleted by the provider(s) save as required to be retained by the applicable laws and regulations.



- 14.8 We will retain your personal information for as long as is reasonably necessary for the purposes listed above or as required by local applicable law. Usually, we will retain our file and information in relation to you and your account after the termination of our agreement for such period as may be required by law or for 6 years (whichever is longer). All papers and files, including important original documents will be stored in our archive storage facilities. Please contact us directly for further details of applicable retention periods.
- 15. Complaints and Investor Compensation**
- 15.1 All complaints should be directed in the first instance to our Compliance Officer:
The Chief Compliance Officer
LGT Wealth Management US Limited
14 Cornhill
London EC3V 3NR
- 15.2 We will endeavour to resolve your complaint as quickly as possible. Details of our complaints handling procedure can be found on our website at www.lgtwm-us.com/content/legal or a copy of the full procedure is available on request.
- 15.3 If for any reason you are dissatisfied with our final response, or we have failed to resolve your complaint within eight weeks of receipt, you may be entitled to refer your complaint to the Financial Ombudsman Service ("FOS"). A leaflet detailing the procedure will be provided in our final response, and the FOS may be contacted on 0800 023 4 567 or at www.financial-ombudsman.org.uk. The address of the FOS is Exchange Tower, Harbour Exchange Square, London E14 9SR.
- 15.4 We are covered by the Financial Services Compensation Scheme (FSCS). Compensation may be available from the FSCS if we are unable to meet our obligations to you. Your possible entitlement to compensation will depend on the type of business and the circumstances of the claim. Most types of investment business are covered for £85,000 per person per firm. For information about the FSCS and details of your eligibility for compensation and applicable differing levels of cover, please refer to: www.fscs.org.uk/what-we-cover/.
- 16. Notices**
- 16.1 We will send any notices that we are required to send to you to the address (of, if you prefer, email address) that we hold for you in our records. This is also the address to which any trade confirmations, statements or valuations will be sent. *You agree to notify us of any change of address or notice details (including email address) immediately.*
- 16.2 You should send any notices for us by email or to our address as shown above and to your Investment Manager.
- 17. Termination**
- 17.1 Termination of your Custody Agreement automatically terminates this Agreement.
- 17.2 Either party may terminate this Agreement at any time by giving the other party notice in writing which will be effective immediately although we would try to give you longer notice where reasonably practicable to allow you to make arrangements to transfer your investments.
- 17.3 Termination of this Agreement shall in addition automatically terminate any service provided under any Supplemental Terms.
- 17.4 Additional services provided under Supplemental Terms may also be terminated in accordance with such Supplemental Terms without terminating this Agreement.
- 17.5 Termination of this Agreement shall in addition automatically terminate any service provided under any Supplemental Terms.
- 17.6 In the case of a sole account holder, this Agreement will terminate automatically if we are notified of his or her death.
- 17.7 In the case of our client being a company, *this Agreement will terminate automatically if we are notified of:*
- 17.7.1 the calling of a meeting to consider a resolution for winding up the company;
- 17.7.2 the presentation of a petition for winding up the company;
- 17.7.3 the making of, or any proposals for the making of, a composition or arrangement with any one or more of your creditors;
- 17.7.4 an application for the appointment of an administrator or trustee in bankruptcy; or
- 17.7.5 the appointment of a receiver (whether an administrative receiver or a receiver appointed over particular property).
- 17.8 Even where a party has given notice to terminate, any outstanding transactions will need to be settled, and any charges or amounts due under this arrangement should be paid
- 17.9 Termination of this Agreement automatically terminates any custody arrangements currently in place between us. Any securities held in custody will either be re-registered in your name or transferred to another custodian on your instruction.
- 17.10 You agree that you remain responsible for ensuring that any fees or costs associated with termination may be deducted from your account with the Custodian or paid to us before this Agreement is terminated.
- 17.11 The following sections will remain in force following any termination of these Terms: section 4.8 (Telephone Calls and Electronic Communications), sections 8 (Charges and Fees), section 11 (Liability and Indemnity), section 14 (Data Protection and Confidentiality of Information), section 15 (Complaints and Investor Compensation), section 16 (Notices) and section 21 (General).
- 18. Delegation, Appointment of Agents and Assignment**
- 18.1 We may delegate any function or service that we are required to provide under this Agreement to a third party, including an Associate, and may provide information about you for this purpose. Any such delegation will not affect our liability to you or our obligation to provide any services under this Agreement. We will not be required to provide you with any notice of any arrangements that we may make to delegate any function, but will not delegate all or a substantial part of our investment discretion unless we have your written consent. When we make any delegation under this Agreement, you can still hold us responsible for the actions of our delegate.
- 18.2 We may employ agents including an associate to perform any administrative dealing or ancillary services to enable us to perform our services under this Agreement. We will act in good faith and with reasonable skill and care in the selection of agents.
- 18.3 We may assign any part of our rights or obligations under this Agreement to any of an Associate(s) without your consent. However, should we do so, we will provide you with written notice of any assignment. You agree that you will enter into any documentation that we may require you to enter into in order to facilitate such an assignment. If you are unhappy with our decision to assign, we remind you that you have the right to terminate this Agreement immediately on written notice (see section 17.2). Where we assign any part of our rights or



obligations, our Associate will be responsible to you for these activities instead of us.

- 18.4 You may not assign or transfer any rights or obligations under this Agreement without our prior consent.

19. Amendment

- 19.1 We reserve the right to amend the Terms (including any Supplemental Terms) at any time; when we give you 30 days' notice in advance or earlier if: (a) giving such notice is in our reasonable opinion impracticable; or (b) where necessary to allow us to comply with applicable laws and regulations; or (c) for minor technical changes. If you do not agree with any changes you must notify us in writing before the time specified for the changes to come into effect. If you do not send us a written notification objecting to the changes, you will be treated as having consented to the changes and they will take effect for you.

- 19.2 You may not amend these Terms unless we confirm in writing that any proposed amendment is acceptable to us. This confirmation will also set out details of the date from which such an amendment will become effective.

- 19.3 You may amend your investment objective, risk profile and/or any other matters agreed between us in the Account Agreement and IRPQ at any time by giving us details in writing.

20. Additional Terms for LGT Wealth Management ISAs

- 20.1 The following terms and conditions apply to the in-house LGT Wealth Management ISA Account (the "ISA").

- 20.2 The ISA will be categorised as a Stocks and Shares ISA under the ISA Regulations which means it offers a stocks and shares component only. All applications must be made in writing by means of a completed ISA Application Form (which can be accessed here: www.lgtwm.com/media/uploads/isa_application_form_-_individual.pdf). LGT Wealth Management is approved by HM Revenue & Customs ("HMRC") to act as manager of the ISA ("ISA Manager"). The terms under which LGT Wealth Management provides the ISA are set out in the LGT Wealth Management Custodian Agreement.

- 20.3 Unless you notify us to the contrary, we will manage the investments within your ISA in accordance with your client designation as discretionary, advisory or execution-only. The investments eligible for inclusion in your ISA ("ISA Investments") shall be those permitted by the ISA Regulations for a stocks and shares ISA and shall accord with the risk profile which you have selected, together with any investment objectives and investment restrictions you have provided in the IRPQ.

21. General

- 21.1 This Agreement shall replace all previous agreements entered into between you and us.

- 21.2 Our obligations to you shall be limited to those set out in this Agreement and that are imposed by applicable law which we have not excluded in this Agreement. In particular we will not owe you any wider duties of a fiduciary nature.

- 21.3 If any provision or term of this Agreement is declared to be illegal, invalid or unenforceable for any reason, that term or provision shall be treated as though it had never been part of this Agreement and will be ineffective without prejudice to the remainder of the term or any other term or provision thereof. Any deletion shall be considered not to materially affect this Agreement.

- 21.4 A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

- 21.5 Any failure by us (whether continued or not) to insist upon strict compliance with any of the terms of this Agreement shall not constitute nor be deemed to constitute a waiver by us of any of our rights or remedies. The rights and remedies conferred upon us shall be cumulative and the exercise or waiver of any part thereof shall not preclude or inhibit the exercise by us of any other additional rights and remedies.

- 21.6 This Agreement shall be governed by English law and you and LGT Wealth Management both agree that the courts of England and Wales shall have non-exclusive jurisdiction.



Annex 1

Risk Warnings

It is important that you understand the risks involved in investing in various instruments. All investments involve a degree of risk to your capital and/or income, but the level of risk can vary significantly. You should be aware that, even when an investment is labelled as capital protected, it does not mean that the return of your initial investment is guaranteed. *There are few investment products which provide total capital protection.* This document cannot cover all risks but is meant to act as a general guide to the most significant aspects of the risk associated with any products and services we may offer to you. Should you have any questions that are not dealt with herein, you should raise them with your Investment Director.

1. Product Risks

1.1 Equities

If you buy shares or equity in a company, you become a member of the company and therefore share in the financial risk of that company. Equity-based investments are subject to general risks (political risk, interest rate risk, dividend risk, price risk, exchange rate risk, changes in the economic or regulatory environment, tax changes) as well as risks specific to the particular company. If a company issues a dividend, you will be entitled to receive one. However, the dividend per share depends on the issuing company's earnings and on its dividend policy. In cases of low profit or losses, dividend payments may be reduced or suspended. In the event of the company going into insolvency, your claim for recovery of your investment will rank behind various creditors of the business, whether secured or unsecured. The value of the equity can go down as well as up and you may lose part or all of your capital.

There are specific risks associated with particular equities:

1.1.1 Penny Shares

There is an additional risk of losing money when buying shares in some smaller companies, including penny shares (unquoted securities with a bid/offer spread of 10% or more). Usually, there is a big difference between the buying price and the selling price of these shares. If you have to sell immediately, you may get back much less than you paid for them. Prices may change very quickly.

1.1.2 AIM Shares

AIM is a market operated by the London Stock Exchange for small and growing companies. AIM-traded shares may carry a higher degree of risk than those listed on the main market as AIM is less regulated and less information is available. Shares in smaller companies tend to be traded less frequently and in smaller amounts than those of larger companies. Price volatility may be greater, making the timing of sales and purchases more difficult.

1.1.3 Foreign Stocks

As well as the risks associated with the underlying company's business, there are additional risks associated with stock listed overseas, and these are covered in section 17 (Foreign Markets) and section 18 (Emerging Market Risk).

1.1.4 Regulation S Securities

We may on occasion purchase securities for your account which are exempt from the requirement of registration in the United States pursuant to Regulation S of the Securities Act 1933, as amended. These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act 1933, as amended, and the applicable state securities laws, pursuant to registration or exemption there from. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

Regulation S Securities can only be held by non-US residents and citizens and cannot be registered in the United States for twelve months from date of issue. The effect of this is that you can only sell these securities off-exchange during the twelve month period and only to non-US persons. Thereafter the securities can only be sold into US markets pursuant to securities registration or an applicable exemption from registration. No hedging transactions with respect to the securities may be conducted unless in compliance with US securities laws.

Consequently, in addition to the high risks inherent in dealing in small capital market securities, you run an extra risk of losing money when you buy shares in "restricted" or "non-readily realisable" securities due to the difficulties in selling such securities.

We and our Associated Companies may receive an additional fee, ultimately paid by the issuing company, in respect of our role as introducing broker for these securities.

1.2 Fixed Income/Debt Securities

In buying fixed income/debt securities, you are, in effect, lending money to a company or government, and you will be entitled to receive the interest payable on that security and for the principal sum to be repaid to you at the maturity date. Interest rates may be fixed or variable. If you buy or sell a fixed income security, other than at issue, you may pay more than the principal sum and therefore could suffer a reduction in the capital value on maturity or at any time you sell it before maturity. In the event of insolvency, you will share with other creditors of the firm in a claim against the firm's assets. Your ranking in the order of creditors will depend on the nature of the security. Dealing in fixed income/debt securities may involve risks such as insolvency risk, interest rate risk, credit risk or early redemption risk.

Additional risks may be associated with certain types of bonds, including without limitation floating rate notes, zero coupon bonds (bonds on which no interest is paid), convertible bonds; for these bonds you are advised to make inquiries about the risks referred to in the issuing prospectus.

1.3 Collective Investment Schemes

Collective investment schemes such as investment funds and open ended investment companies ("OEICs") and unit trusts invest monies on a pooled basis in a basket of investments, which typically might include gilts, bonds and quoted equities, but depending on the type of scheme, may also include derivatives, real estate or any other asset. The collective investment scheme then issues shares or units in the vehicle holding the pooled funds and investments. They allow for diversification at a lower cost than might be achieved otherwise. However, you still remain exposed to the risks associated with the underlying investments that the collective investment scheme makes, though potentially to a lesser degree. A collective investment scheme that holds a number of different assets will thus spread its risk and reduce the effect that a change in the value of any single component investment will have on the overall portfolio.

1.3.1 Investment Trusts

Investment trusts are companies listed on stock exchanges whose main business activity is investing in other companies. Most investment trusts can, and some do, borrow money to make investments. This can increase the volatility of the price of the shares of the investment trust itself, and can increase the risk of the investment in the trust.

The effect of the borrowing is that where there is a rise in the price of the underlying securities, the value of the net assets attributable to each investment trust security rises by a greater



percentage, and when the value of the underlying portfolio falls, the net assets attributable to each investment trust security falls by a greater percentage. Investment trusts often pursue a policy of “cross-investing” in other investment trusts, which in turn may also be borrowing money to leverage themselves. Where an investment trust uses a higher degree of direct or indirect leverage, its securities are likely to be subject to significant fluctuations in value, and as a result, holdings in such an investment trust may be subject to sudden falls in value.

1.3.2 Exchange Traded Funds (ETFs)

ETFs are open-ended investment companies comprised of units traded on a regulated market or designated investment exchange. Like an index fund, an ETF represents a basket of stocks that reflects an index such as the FTSE100. Unlike a typical collective investment scheme (e.g. a unit trust), it trades like any other company on a stock exchange. An ETF’s price changes throughout the day, fluctuating with supply and demand. This is different from a typical collective investment scheme that has its net-asset value (NAV) calculated at the end of each trading day. It is important to note that while an ETF attempts to replicate the return on indices, there is no guarantee that they will do so exactly. It is not uncommon to see a 1% or more difference between the actual index’s year-end return and that of an ETF. By owning an ETF, you get the diversification of an index fund with the flexibility of an equity investment. Because ETFs trade like stocks, you can margin them and purchase them in very small quantities. The expense ratio of an ETF is often lower than that of a typical collective investment scheme.

1.3.3 Venture Capital Trusts (VCTs)

VCTs are professionally managed collective investment schemes listed on the London Stock Exchange, and are similar to investment trusts. They invest in fledgling venture capital backed unquoted companies. These unquoted companies will ordinarily be at an earlier stage of development than larger quoted companies and will therefore carry a greater risk of failing.

VCTs must be approved by HMRC for the purpose of the scheme. Once invested an investor may be entitled to various income tax and CGT reliefs, and VCTs are exempt from corporation tax on any gains arising on the disposal of their investments. However, in order to take advantage of the tax relief associated with VCTs, you should be aware that you must hold your investments therein for at least 5 years from the date of purchase.

1.3.4 Enterprise Investment Schemes (EISs)

EISs are tax efficient schemes approved by HMRC to encourage investment into small unquoted companies carrying on a qualifying trade in the United Kingdom. Investment in companies that are not listed on a stock exchange often carries a high risk and the tax relief is intended to offer some compensation for that risk. As such, EIS investments are inherently high risk in nature. The specific risks vary depending on the particular EIS (e.g. an EIS based on investment in a single company is, of its nature, riskier than a more widely diversified EIS). Because the underlying holdings are not listed, the manager of an EIS cannot sell them, and unlike a VCT, the EIS itself is not traded on any market. Investors accordingly have to wait until the manager realises the cash value of the underlying holding(s) before they can redeem the value of their investment. Investors also face risk in relation to CGT. If a capital gain is deferred by means of investment in an EIS, the same gain is re-crystallised when the EIS is sold. If the CGT rate falls, investors benefit, but if it rises then they will lose out.

1.3.5 Property Funds

These funds are often structured as limited liability partnerships which are not regulated and invest in properties directly (although

they may also be set up as unit trusts or OEICs). As such they may also be set up to be highly illiquid and you may not be able to realise your investment immediately or the price may reflect a forced seller discount. They also carry many of the risks detailed immediately below in section 1.4 (Alternative Investments).

1.4 Alternative Investments (including Hedge Funds and Private Equity Funds)

1.4.1 Hedge funds and other alternative investment funds (“alternative investments”) may involve complex tax and legal considerations and can give rise to considerable risks. Such schemes may deal infrequently and may limit redemptions. It is not possible to generalise on the associated investment risk of such schemes. Alternative investment vehicles are often operated in offshore centres where the level of investor protection is unlikely to be equivalent to that available in the UK. If established in the EU they are regulated as Alternative Investment Funds but are not subject to the same regulatory requirements or oversight as other regulated collective investment schemes, such as a UCITS fund. Additionally, the tax status of such funds, which often will not have reporting fund status, should be considered prior to investment.

1.4.2 Alternative investments often engage in leverage and other speculative investment practices, which involve a high degree of risk. Such practices will often increase the volatility of the performance of the alternative investment and the risk of investment loss, including the loss of the entire amount that is invested. Interests in alternative investments are often highly illiquid as there is no public market for such interests and are often only transferable with consent. The illiquid nature of such investments can mean interests can be difficult to value and can render transfer (particularly within a required timeframe) difficult.

1.4.3 Investors in alternative investments may also have limited rights with respect to their investment interest, including limited voting rights and participation in the management of the alternative investment.

1.4.4 Alternative investments will often invest in other products or vehicles that may be highly illiquid and difficult to value. Alternative investments may not be required to provide you with regular periodic pricing or valuation information. This may limit your ability to redeem or transfer your investment or delay receipt of redemption proceeds.

1.4.5 It should be noted that alternative investments may impose significant fees and charges, including management fees that are based upon a percentage of the realised and unrealised gains or management fees that are set at a fixed percentage of assets under management regardless of performance returns.

1.5 Warrants

1.5.1 A warrant ordinarily gives the holder of the warrant the right to subscribe for shares, debentures, loan stock or government securities at a specific price within a certain time frame and is exercisable against the original issuer of the underlying securities. The prices of warrants can be volatile as a relatively small movement in the price of the underlying security may result in a disproportionately large movement, unfavourable or favourable, in the price of the warrant.

1.5.2 It is essential when considering purchasing warrants to understand that the right to subscribe which a warrant confers is invariably limited in time with the consequence that if you fail to exercise this right within the predetermined timescale then the investment becomes worthless.

1.5.3 You should not buy a warrant unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges.



1.6 Covered Warrants

A covered warrant is a type of warrant that allows the holder to buy or sell a specific quantity of shares, currency or other financial instruments from an issuer, usually a bank or similar financial institution at a specific price and time.

The main differences between normal warrants and covered warrants are:

Normal Warrant

- only have the issuing company's stock as their underlying asset
- only issued by the company that issued the underlying stock
- ordinarily have only one exercise price
- allow the warrant holder only to buy the underlying assets

Covered Warrant

- can have a wide variety of underlying assets
- only issued by financial institutions
- can have a variety of exercise prices depending on the conditions set forth in each issue
- allow the warrant holder to buy or sell the underlying assets

1.7 Futures

Futures involve the obligation to make, or to take delivery of the underlying physical asset of the contract at a future date, or in some cases to settle the position with cash. The 'gearing' or 'leverage' often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains and carry a high degree of risk. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you.

Futures transactions have a contingent liability, meaning that you may be called upon to pay additional sums during the life of the contract and on maturity. It is very important that you understand the potential amounts you could be liable for, and are comfortable that you will be able to afford to pay such amounts when they fall due if required to do so. Futures are different to options as options give the holders the right to buy or sell an underlying asset at expiration while the holder of a futures contract is obligated to fulfil the terms of their contract.

1.8 Options

1.8.1 An option is the right either to buy or to sell a specified amount or value of a particular underlying interest at a fixed exercise price by exercising the option before its specified expiration date. An option that gives the right to buy is called a "call" option, an option which gives the right to sell is called a "put" option.

1.8.2 There are two types of options – physical delivery options and cash settled options:

Physical Delivery Option

- Gives the owner the right to receive physical delivery (if it is a call) when the option is exercised
- Gives the owner the right to make physical delivery (if it is a put) of the underlying interest

Cash Settled Option

- Gives the owner the right to receive a cash payment based on the difference between the determined value of the underlying interest at the time the option is exercised and the fixed exercise price of the option
- You may be required to pay monies as well as receive monies

1.8.3 Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if you buy a call option on a future contract and you later exercise the option, you will acquire the future. This will

expose you to the risks described under 'futures' (section 1.7 above) and 'contingent liability transactions' (section 2 below).

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

1.8.5 Certain London Stock Exchange firms under special exchange rules write a particular type of option called a 'traditional option'. These may involve greater risk than other options. Two way prices are not usually quoted and there is no exchange market on which to close out an open position or to effect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage their exposure to risk.

1.8.6 Certain options markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to provide margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position.

1.9 Contracts for Differences (CFDs)

1.9.1 A CFD is a derivative contract that gives the holder exposure to the underlying equity or index, but without paying the full price of the total value of the position. Contracts for difference are traded on margin, and the profit/loss is determined by the difference between the buy and the sell price. CFDs may be suitable for short-term trading but become expensive for holding long-term positions.

1.9.2 When trading on margin, a sudden drop in the price of an instrument (i.e., the underlying equity) could cause you to receive a margin call. In that case, you would be required to deposit additional collateral into your account. If you do not respond in a timely manner, the existing collateral in your account could be sold, or your positions liquidated, in order to cover the call, and you would be responsible for any losses to your account.

1.9.3 Some CFDs are known as swaps. Typical forms of this type of contract can be similar to an agreement to purchase or sell a series of options over an underlying asset or index at an average price specified today. Swaps and other CFDs are contingent liability investments, meaning that if the underlying price moves in an unfavourable direction, an investor can be called to pay additional cash on final settlement.

1.10 Structured Products

1.10.1 Structured products are synthetic investments specially created to meet specific needs that ordinarily cannot be met from the standardised financial investments available in the markets. Structured products can be used: as an alternative to a direct investment; as part of an asset allocation process to reduce the risk exposure of a portfolio; or to take advantage of a current market trend.

1.10.2 A structured product is ordinarily a pre-packaged investment strategy, which is based on derivatives (i.e. options and, to a lesser extent, swaps). They may feature protection of the principal if held to maturity. You should always check whether a structured product is principal protected or not.



- 1.10.3 More often than not structured products are not 100% principal protected. The return of the capital you initially invested may be linked to the performance of an index, a basket of selected stocks or other factors. If the product has performed within specified limits, you will be repaid the capital you initially invested but if not, you could lose some or all of your initial capital. Investing in these products can put the capital you invested at risk.
- 1.10.4 The range of products may include those where the return is linked to an index or indices, a basket of securities or other specified factors which relate to one or more of the following: equity or debt securities, interest rates, currency exchange rates or commodities.
- 1.10.5 As mentioned above, some of the products include an element of principal protection, at a level which is stated at the time of the initial investment, so that on maturity of the investment you are assured of the return, at a minimum, of the stated proportion of your initial capital invested (subject always to the credit of the issuer of the product). In respect of some products which include an element of principal protection, the return of the stated proportion of your initial capital invested may depend on a pre-agreed level of performance being achieved or the product being held to maturity. If the performance is not attained or the product is not held to maturity the element of principal protection will not apply.
- 1.10.6 Different products involve different levels of exposure to risk (and reward) and in deciding whether to trade in such products you should be aware of the following points:
- 1.10.6.1 There is no guarantee that all of the initial capital invested by you will be returned to you on maturity of the investment. You may therefore get back a lesser amount than you originally invested;
- 1.10.6.2 These investments may involve a degree of gearing, which means that a small percentage fall in the related index may result in a larger reduction in the amount paid out to you“;
- 1.10.6.3 Investments linked to the performance of an index do not include an allowance for any return or reinvestment of dividend income from the underlying constituents of the index;
- 1.10.6.4 If you decide to redeem or sell the investment before its stated maturity, you may not gain the maximum benefit of the investment and may receive a poor return or less than the initial capital invested. Early redemption penalties may apply in some circumstances as some investments are targeting investors who hold the investment for a set period of time and their teams aim to discourage early withdrawals.
- 1.10.6.5 The initial capital you invest may be placed into high risk investments such as non-investment grade bonds/ instruments linked to commodities or indices on commodities;
- 1.10.6.6 The stated rate of growth or income in relation to an investment may depend on specified conditions being met, including the performance of the relevant index/indices, basket of selected stocks or other specified factor(s);
- 1.10.6.7 *You should not deal in these investments unless you are prepared to sustain a loss of the money you have invested (a loss which may be total or may be partial as specified in the relevant terms and conditions) plus any commission or other transaction charges; and*
- 1.10.6.8 Some structured products may have a limited secondary market; it may therefore be difficult to deal in such investments or to obtain reliable information about their value.

1.11 Securitised Derivatives

- 1.11.1 These instruments may give you:
- a time-limited right or an absolute right to acquire or sell one or more types of investment, which is normally exercisable against someone other than the issuer of that investment; or
 - Rights under a contract for difference, which allows for speculation on fluctuations in the value of the property of any description or an index, such as the FTSE 100 index.

In both cases, the investment or property may be referred to as the “underlying instrument”.

- 1.11.2 These instruments often involve a high degree of gearing or leverage, so that a relatively small movement in the price of the underlying investment results in a much larger movement, unfavourable or favourable, in the price of the instrument. The price of these instruments can therefore be volatile.
- 1.11.3 These instruments have a limited life, and may (unless there is some form of guaranteed return to the amount you are investing in the product) expire worthless if the underlying instrument does not perform as expected.
- 1.11.4 *You should only buy this product if you are prepared to sustain a total or substantial loss of the money you have invested plus any commission or other transaction charges.*
- 1.11.5 *You should consider carefully whether or not this product is suitable for you in light of your circumstances and financial position, and if in any doubt please seek professional advice.*

1.12 Listed Securities where gearing is involved

In relation to listed securities where Gearing is involved, the Gearing strategy used by the issuer may result in movements in the price of the securities being more volatile than the movements in the price of the underlying investments. Your investment may be subject to sudden and large falls in value and you may get back nothing at all if there is a sufficiently large fall in your investment.

2. Contingent Liability Investment Transactions

Contingent liability investment transactions are derivative transactions (such as futures, contracts for differences or options) which are structured so that the investor will or may be liable to make further payments when the transaction is to be completed or on closing out a position.

If you undertake contingent liability investment transactions using “margin” (i.e. money you are borrowing to purchase securities), you may sustain a loss of the margin you deposit to establish or maintain a position. If the market moves against you, you may be called upon to pay additional margin at short notice to maintain a position. If the request for additional margin is not met, your position may be liquidated at a loss, and you will be responsible for the resulting deficit.

Save as specifically provided by the FCA Regulations, we may only carry out margined contingent liability transactions with or for you if they are traded on or under the rules of a recognised or designated investment exchange. Contingent liability investment transactions which are not so traded may expose you to substantially greater risks.

3. Margin for Purchasing Securities

If you purchase securities using “margin” (i.e. money you are borrowing to purchase securities), you are subject to a greater risk than you would be if you purchased fully paid for securities. If the value of the assets in your account(s) falls then you may be required to deposit additional securities or monies to secure the loan, which has been made to you to purchase securities. If you fail to meet the additional requests for payment, then we may



realise your assets to pay down or pay off your loan (without prior notice and potentially at a loss or lower price than in other circumstances). You are liable for any debits as a result of such enforced sales.

4. Stabilisation

- 4.1 We may, from time to time, recommend transactions in securities to you, or carry out such transactions on your behalf, where the price may have been influenced by stabilisation.
- 4.2 Stabilisation 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. Stabilisation may affect not only the price of the new issue but also the price of other securities relating to it. The FCA allows stabilisation in order to help counter the fact that, when a new issue comes onto the market for the first time, the price can sometimes drop for a time before buyers are found.
- 4.3 Stabilisation is carried out by a "stabilisation manager" (ordinarily the firm chiefly responsible for bringing a new issue to market). As long as the stabilising manager follows a strict set of rules, they are entitled to buy back securities that were previously sold to investors or allotted to institutions which have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation.
- 4.4 The stabilisation rules:
- 4.4.1 limit the period when a stabilising manager may stabilise a new issue;
- 4.4.2 fix the price at which they may stabilise (for shares and warrants but not bonds); and
- 4.4.3 Requires managers to disclose that they may be stabilising but not that he is actually doing so.
- 4.5 The fact that a new issue or a related security is being stabilised should not be taken as any indication of the level of interest from investors, nor of the price at which they are prepared to buy the securities.

5. Clearing House Risk

On many exchanges, the performance of a transaction by us (or third party with whom we are dealing on your behalf) is 'guaranteed' by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover you, the client, and may not protect you if we default in our obligations to you or another party defaults on its obligations to you. On request, we will endeavour to explain any protection provided to you under the clearing guarantee applicable to any on-exchange derivatives in which you are dealing. There is no clearing house for traditional options, nor ordinarily for off-exchange instruments which are not traded under the rules of a regulated market.

6. Trading Facilities Risk

Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms. Such limits may vary: you should ask the firm with which you deal for details in this respect.

7. Electronic Trading Risk

Trading on a particular electronic trading system may differ

not only from trading in an open-outcry market 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 that 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, is not executed at all and a lack of capability to keep you informed continuously about your positions and fulfilment of the margining requirements.

8. Off-Exchange Transactions in CFDs

These transactions are not carried out on a recognised exchange or designated exchange and this may mean a higher level of risk is incurred by the investor. It is important that you fully understand the risks involved before making a decision to enter into an off-exchange transaction in a CFD with us. The structure of a CFD and the roles of the parties to a CFD are established solely by us. This means, for example, that if you wish to close the CFD earlier than at the time at which it would otherwise automatically expire, you will have to close it at our quotation, which may reflect a premium or discount to the underlying market. When the underlying market is closed, our quotation can be influenced by the weight of other clients buying or selling. CFDs entered into with us can only be closed with us, and are not transferable to any other person. *No CFDs provide any right to the underlying instruments or voting rights.*

9. Off-Exchange Transactions in Derivatives

It may not always be apparent whether or not a particular derivative is arranged on exchange or in an off-exchange derivative transaction. We must make it clear to you if you are entering into an off-exchange derivative transaction.

While some off-exchange markets are highly liquid, transactions in off-exchange or non-transferable derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid prices and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what a fair price is.

10. Non-Readily Realisable Investments

We may arrange or enter into transactions in non-readily realisable investments. This means that the investment is neither a government security, nor a listed investment, nor an investment that regularly trades on an exchange. In this case there may be no secondary market available, and it may be difficult to obtain any reliable independent information about the value and risks associated with such an investment. You may have difficulty selling this investment at a reasonable price and, in some circumstances, it may be difficult to sell it at any price. Do not invest in such an investment unless you have carefully thought about whether you can afford it and whether it is right for you.

11. Insolvency Risk

Our insolvency or default, or that of any other brokers involved in transactions undertaken by us on your behalf, 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. On request, we will endeavour to provide an explanation of the extent to which we will accept liability for any insolvency of, or default by, other firms involved in transactions undertaken by us on your behalf.

12. Past Performance

You should be aware that the price of the financial instruments



that you are dealing with depends on fluctuations in the financial markets outside of our control and that past performance is no indicator of future performance.

13. Suspension of Trading

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of a rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

14. Volatility of Returns

The value of investments and the amount of income derived from them may go down as well as up. All investments can be affected by a variety of factors, including macro-economic market conditions such as the interest or exchange rate environment, or other general political factors in addition to more company or investment specific factors.

15. Tax Risks

You have sole responsibility for the management of your tax and legal affairs including making any applicable filings and payments and complying with any applicable laws and regulations.

16. Investment Leverage, or Gearing

Use of borrowing to invest increases both the volatility and the risk of an investment. This applies if a company has significant borrowings, or if an investment vehicle otherwise allows an investor to gain much greater economic exposure to an asset than is paid for at the point of sale. It also applies if an investor borrows money for the specific purpose of investing. The impact of leverage can be as follows:

- movements in the price of an investment leads to much greater volatility in the value of the leveraged position, and this could lead to sudden and large falls in value;
- the impact of interest costs could lead to an increase in any rate of return required to break even; or
- a client may receive back nothing at all if there are significantly large falls in the value of the investment.

17. Foreign Markets

Foreign markets will involve different risks from UK markets and non-EEA markets will involve different risks from EEA markets. In some cases the risks will be greater in foreign markets. On request, we will endeavour to provide an explanation of the relevant risks and protections (if any) which will operate in any foreign markets, including the extent to which we will accept liability for any default of a foreign firm through whom it deals. The potential for profit or loss from transactions undertaken by us on your behalf on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

18. Emerging Markets

Emerging markets can carry significantly greater risks than those typically associated with investing in more developed markets. The nature and extent of these risks will vary from country to country. Emerging markets in respect of financial investments are those countries that may possess one or more of the following characteristics:

- a certain degree of political instability;
- relatively unpredictable financial markets and economic growth patterns; and
- a financial market that is still at the development stage.

The list of emerging markets is constantly changing and may be ascribed this status according to criteria set by several different organisations, such as the International Finance Corporation

or the World Bank. Broadly, they include any country other than Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK and the US. These countries' markets are regarded as developed markets.

Before making any investment in these markets, you should independently satisfy yourself that you understand and appreciate the significance of the relevant risks, and that such an investment is suitable for you. This statement is intended to summarise some of these risks, but it does not purport to be an exhaustive list.

18.1 Market Characteristics

18.1.1 The securities markets of emerging countries are in the early stages of development and many of them often lack the levels of transparency, liquidity, efficiency and regulation characteristics of the more developed markets. In some of these markets, standard practices, market customs and usages have yet to evolve and be readily identifiable as such by market participants. The credit rating of local financial institutions may not be high and there is often limited trust in such institutions.

18.1.2 Government supervision of securities markets, investment intermediaries and of quoted companies may be considerably less well developed than in many countries with well-established markets and, in some cases, effectively non-existent. Many regulations are unclear in their scope and effect, and there may be a greater risk than in more developed countries of activities conducted in good faith on the basis of professional advice, subsequently being regarded as not in compliance with fiscal, currency control, securities, corporate or other regulatory requirements. In addition, where a system of regulation is present, it may lack any, or any adequate, mechanism to enforce compliance by participants.

18.1.3 The valuation of both enterprises and securities in some of these countries has sometimes proved problematic in the absence of efficient secondary markets. In particular, the illiquidity of the markets in general or of particular securities in some of these countries may make it difficult to determine an accurate valuation for a particular security or whether such security could actually be sold at such a price. In addition, due to historic difficulties in acquiring securities in certain of these countries, depository receipts or derivatives relating to certain of such securities have been created which may not be fungible with each other or the securities underlying or relating to such depository receipts or derivatives. This might lead to such depository receipts or derivatives trading at substantial premiums or discounts to the underlying or related securities.

18.2 Economic Risk

18.2.1 Many emerging countries lack a strong infrastructure. Telecommunications generally are poor, and banks and other financial systems are not always well developed, well regulated or well integrated. These countries may also have considerable external debt, which could affect the proper functioning of their economies with a corresponding adverse impact on the performance of their markets. Tax regimes may be subject to the risk of a sudden imposition of arbitrary or onerous taxes, which could adversely affect foreign investors.

18.2.2 Businesses in these countries may have a limited history operating in market conditions. Accordingly, when compared to companies in more developed markets, such businesses may be characterised by a lack of management who are experienced in market conditions and a limited capital base with which to develop their operations.



- 18.3 Political Risk**
The political systems in the majority of emerging countries have been the subject of substantial and positive reforms. The relative infancy of some of these political systems may mean that they are more vulnerable in the face of popular dissatisfaction with reform, political or diplomatic developments, or social, ethnic or religious instability. Such developments, if they were to occur, could in turn lead to a reversal of some or all of the democratic reforms, a backlash against foreign investment and, in a worst case scenario in some countries, a return to a recognised planned economy and state ownership of assets. This could involve the compulsory recognition or expropriation of foreign-owned assets without adequate compensation, or the restructuring of particular industry sectors in a way which could adversely affect private investors in such sectors.
- 18.4 Investment, Foreign Exchange and Repatriation Restrictions**
Foreign investment in emerging countries is in some cases restricted. Some of these countries have non-convertible currencies and the value of investments may be affected by fluctuations in available currency rates and exchange control regulations (which could change at any time). The repatriation of investors' funds and profits may therefore be restricted or difficult and could involve significant cost. Moreover, considerable delays may occur in the transfer of funds within, and with repatriation of monies out of, these countries.
- 18.5 Tax Risks**
In some countries the tax position is complex and subject to more frequent change than in western countries. It may not be possible to reclaim tax even where this is theoretically possible due to practical and timing issues.
- 18.6 Legal Risks**
Many emerging countries do not yet have a legal system comparable to those of more developed countries. Legal reforms may not always correspond to market developments, resulting in ambiguities and inconsistencies which increase the risk of investing in these countries. Legislation to safeguard the rights of private ownership and control as well as establishing intellectual property concepts may not yet be in place, and there is risk of conflicting rules and regulations. Laws and regulations governing investment in securities markets may not exist or may be subject to inconsistent or arbitrary interpretation or application. The independence of the judicial systems, and their susceptibility to economic, political or nationalistic influences, remains largely untested. It may be impossible to predict whether a foreign investor would obtain effective redress in the local courts in respect of a breach of local laws or regulations, or in an ownership dispute.
- 18.7 Settlement Risk**
The concepts of ownership and procedures for the transfer of securities in emerging countries may differ radically from those in more developed markets. In some markets, for example, the term "dvp" (delivery versus payment) does not imply that securities and cash move at the same time. Registration of shares may not be subject to standardised procedures or to a centralised system, and may be effected on an ad hoc basis. The concept of nominee ownership is undeveloped and, in some cases, not recognised at all. As a result, registration can be administratively cumbersome and time consuming, leading to delays in settling trades, ownership disputes and constraints on trading. The realisation of rights of ownership, for example the exercise of shareholders' rights, cannot be assumed. Moreover, in some markets the risk of conflicts of interest on the part of those responsible for the conduct of the registration procedures, and the risk of fraud (for example, in connection with physical certificates) or of a registrar refusing to effect registration without justification (or of a registrar deleting a registration once it has occurred, with a consequential total loss of investment) is higher in many cases than in more developed markets.
- 18.8 Shareholder Risks**
Rules in emerging countries regarding ownership and corporate governance of domestic companies (for example, limiting the ability of management to effect transactions with affiliates or to sell or otherwise dispose of their company's assets) may not exist or may confer little practical protection on minority shareholders. Disclosure and reporting requirements are in many cases less than in more developed countries and may be non-existent or rudimentary. Anti-dilution protection may also be very limited. Redress for violations of shareholder rights may be difficult in the absence of a system of derivative or class action litigation.
- 18.9 Accounting Practices**
Accounting, auditing and financial reporting standards in many emerging countries are not yet equivalent to those applicable in more developed countries and in some of these countries are of virtually no assistance to an investor. The availability, quality and reliability of corporate information (including official data) is likely to be lower than that in respect of investments in more developed markets.
- 18.10 Custody and Asset Servicing in New Markets**
18.10.1 The custody of assets and asset servicing in new markets can carry significantly greater risks than those typically associated with more developed markets. The nature and extent of these risks will vary from country to country. Before investing in these markets, you should independently satisfy yourself that you understand and appreciate the significance of the relevant risks, and that such an approach is suitable for you and any clients for whom you are acting in a fiduciary capacity. This statement is intended to summarise some of these risks, but does not purpose to be an exhaustive list.
- 18.10.2** In accordance with the Agreement, we may hold Assets with a Sub-Custodian in a new market jurisdiction. The Sub-Custodian may hold your Assets either directly through registration with the relevant registrar or via local depositories. As a result, you may be exposed to operational and other risks associated with the market infrastructure of new markets including registrars and local depositories and you should make yourself familiar with the relevant infrastructure before deciding to invest in any emerging market. Registration processes in emerging markets can be administratively cumbersome and time consuming, leading to constraints on trading.
- 18.10.3** The concept of beneficial ownership is not yet fully developed in many new markets and it is possible that the law of a new market will not recognise your beneficial ownership of Assets held at a Sub-Custodian in such jurisdiction in a segregated account for our clients. The consequence of this is that if a valid order is served on the Sub-Custodian seeking to freeze, attach or otherwise restrict assets belonging to us, a court in any such market may treat your Assets as assets belonging to us and open to seizure or arrest and you may lose your beneficial interest.
- 18.11 Asset Servicing**
18.11.1 Ownership of securities may only transfer under the law of a new market upon settlement and registration of the securities in question. However, under the Agreement, we may undertake asset servicing in respect of income, dividends, coupons, stock distributions and other entitlements from trade date. As a result, your corporate action entitlements and obligations may not correspond with legal ownership of the securities in question.
- 18.11.2** Corporate actions in a new market may be subject to a "record date" on which we or you will be required to be the legal owner of the security in question in order for you to be entitled to



participate in the event. Where such “record date” considerably precedes the date of the event and/or where re-registration of securities ownership occurs a considerable time period after trade date, your ability to participate in the event may not correspond with your current holdings on our books and records or include all trades undertaken by us on your behalf prior to “record date”.

- 18.11.3 There may be no central source of disclosure of corporate action events in certain markets and corporate action events of local issuers may only be notified in national or local newspapers or the web sites of local exchanges. In such cases, we will not be responsible or liable for the failure to locate or identify relevant events.
- 18.11.4 Tender offers by issuers in new markets may be subject to particular requirements, for example: (i) a requirement upon us to present copies of its constitutional documents to the issuer; and/or (ii) taxation rates which may only be determined following elections being submitted to the issuer. In the former case, our ability to participate in any such tender offer on your behalf may be dependent on the ability and our willingness to disclose its constitutional documentation to the issuer. You acknowledge our right to refrain from such disclosure at its sole discretion.
- 18.11.5 We may not be able to offer a proactive proxy voting service to you in respect of new market securities of which we are the legal owner. We may only be able to vote on your behalf where all other beneficial owners of the relevant security on our books and records advise that they wish to vote in the same manner as you.
- 18.11.6 The Russian market has certain nuances in respect of the distribution of dividends of which you should be aware. If a Russian issuer has not distributed dividends within one year of such dividends being approved, the legal owners of the securities in question may never receive their dividend entitlements. In addition, during the above one year period, a Russian issuer may pay registered owners of the entitled securities at different times. As a result, we may only pay distributions to you in respect of Russian securities of which we are the legal owner upon (i) full payment being received from the issuer; or (ii) one year having passed from the date of the issuer’s company meeting where the distribution was declared. In the latter case, we may pro-rate your entitlement in accordance with the funds we have received. Due to such nuances in the Russian market, we may not be able to participate (whether entirely or partially) in all events to which



Annex 2

Conflicts Management Policy

In accordance with regulatory requirements, we have taken reasonable steps to identify conflicts of interest that exist, or may exist, between ourselves and our clients or between one client and another.

1. Our Duties

Our main business is the provision of wealth management financial advisory services. In this context a variety of conflicts arise between our interests and those of our clients, or between the duties owed by us to different clients. Therefore we must:

- 1.1 take all reasonable steps to identify conflicts of interest between
i. LGT Wealth Management and its clients, and
ii. one client and another;
- 1.2 operate effective organisational and administrative arrangements in order to take all reasonable steps to prevent such conflicts from giving rise to a material risk of damaging clients' interests. If the conflicts of interest are so great that they cannot reasonably be managed by a combination of these and/or other steps in such a way as to ensure fair treatment for a client, then we will decline to act for that client;
- 1.3 disclose any conflicts that cannot be managed effectively by our organisational and administrative arrangements to ensure that clients' interests will not be damaged; and
- 1.4 keep records of the firm's services and activities in which conflicts may arise.

2. Identifying Conflicts of Interest

To identify conflicts that may arise, and which may entail a material risk of damage to clients' interests, we take into account whether we, or an Associate or employee of ours:

- 2.1 are likely to make a profit or avoid a loss at the expense of the client;
- 2.2 have an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of a client, which is distinct from the client's own interest in that outcome;
- 2.3 have a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- 2.4 carry on the same business as the client; or
- 2.5 receive or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard fee or commission for that service.

3. Personal Conduct

Employees' personal holdings of, or dealings in, securities may conflict with their obligations to either corporate or investing clients. We have policies and procedures in place to monitor employees' personal account dealing and to restrict it in certain circumstances. Our employees do not solicit or accept inducements that could conflict with our obligations to our clients, nor offer or give inducements which could conflict with the recipient's obligations to its own clients. Gifts, corporate hospitality and similar benefits could fall within this category and we have detailed policies and procedures in place on the giving and receiving of gifts and hospitality.

Further details of our Conflicts Management Policy are available on request.