Explanatory Notes

# KEY RISKS AND GENERAL INFORMATION – DEALING IN FUNDS

This notice provides a general description of the nature and risks of the types of investments in which we may deal for you. It does not disclose all the risks and other significant aspects of those Fund shares. You should not deal in these Fund shares unless you understand their nature and the extent of your exposure to risk. You should also be satisfied that the Fund is suitable for you in the light of your circumstances and financial position. You should be aware that the value of Funds depends on fluctuations in the financial markets which are outside our control. Past performance should not be used as an indicator of future performance.

**1. Funds**

A fund or collective investment scheme is an investment vehicle and in the main takes the form of either a unit trust or an OEIC (Open Ended Investment Company) into which investors can make an investment by purchasing a unit, share or interest ('share') in the fund. The fund is usually managed by a third party which invests the fund's cash and assets. The units represent the investor's interest in the fund and the value of the units purchased is often determined by the value of the underlying investments made by the fund (although where the units in the fund are listed or traded on a market, the units may trade or be sold at a discount to net asset value).

A fund may be structured as a limited partnership, an investment company (onshore and offshore), a unit trust or an investment trust. Some fund structures are more exposed to risk due to, amongst other things, the markets they invest in, the nature of their assets and the extent of their leverage. Funds vary considerably in terms of the risks involved, their level of borrowing (gearing) and the investments purchased. Dealing in any type of fund may involve the following risks and you should carefully read any prospectus, offering memorandum or other fund literature prior to making any investment:

1.1 **Transferability and withdrawal**: units in funds may not be readily redeemable or transferable or there may not be a marker for such units. In such cases, an investor may have to hold his interest until such time as the fund is wound up or a secondary market develops for those units – this may involve the investor holding his interest for a substantial period of time. If the fund is an open-ended fund, restrictions may apply to the redemption of the units that may result in an investor being unable to liquidate his investment in the fund at the time of his choosing. There may also be fees payable on redemption of units.

1.2 **Regulation**: some funds may not be regulated in the jurisdiction of their establishment, or at all, meaning that certain investor protections or restrictions on activity may not be applicable.

1.3 **Leverage**: some funds may borrow against the funds under credit facilities in order to satisfy redemption requests, pay certain organisational expenses and finance the acquisition of investments. As such, leverage exposes the fund to capital risk and interest costs that may reduce the value of an investor's investment in the fund.

1.4 **Strategy**: some funds specialise in particular asset classes or geographical sectors, meaning risk may be concentrated in the relevant asset classes or geographical sectors. Some funds choose strategies which the market would regard as high risk. The investment strategy of a fund may be such that the fund faces strong competition for the purchase of assets from other investors, thereby reducing the investment opportunities available to the fund.

1.5 **Valuations**: it may be difficult to determine the net asset value of a fund which has invested in illiquid underlying assets, and therefore it may be difficult to value the underlying units of the fund.

1.6 **Underlying assets**: the underlying assets of a fund can be diverse and cover both long and short positions and a full range of assets, including derivatives. The risks associated with a direct investment by an investor in the underlying asset are relevant in determining the risks associated with an investment by the fund in the underlying asset.

1.7 **Management of the fund**: the operation and performance of a fund will be dependent upon the performance of the fund's investment manager. Generally, a fund will rely upon the investment manager to make investment decisions consistent with the fund's investment objectives and the investment manager, in turn, will be dependent upon its key personnel carrying out their roles with due care and skill. If the agreement between the fund and the investment manager is terminated, the fund may not be able to find a suitable replacement for the investment manager, potentially leading to losses for the fund and periods of fund underperformance.

## 2. Suspensions of Trading

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted.

## 3. Insolvency

Our insolvency or default, or that of any brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payments in cash. On request, we will provide an explanation of what liability, if any, we will accept (eg liability for any insolvency of, or default by, other firms involved with your transactions).

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