

Risks in Securities Trading

In accordance with the European Markets in Financial Instruments Directive, Van Sterling Capital Ltd. must ensure that clients receive adequate information about the nature and risks of financial instruments before trading in them. This information brochure has been designed to assist you in your investment considerations. It provides you with a general overview of the most important forms of investment in securities, from investment certificates to shares and warrants. Against this background, this brochure is intended to inform you about the most important features and risks associated with financial instruments. If you have any questions about specific investments, we recommend that you contact us or your advisor for further information.

In the "Types of investment" section of the brochure, you will find information on the security, liquidity and profitability of the individual forms of investment. As these criteria are naturally in conflict with each other, you should weigh up the criteria according to your personal investment objectives. The description of their characteristic features is followed by a description of the specific risks associated with each type of investment.

Transactions in securities and other stock exchange transactions are regularly exposed to a price risk. This means that you must expect losses in the event of negative price developments, which may even lead to a total loss of the capital you have invested. Losses on stock market transactions are possible at any time. Even good price developments in the past are no guarantee for future price developments.

The chapter entitled "Basic investment risks" in the final section of this brochure also aims to sensitise you as an investor to the economic correlations that may also result in significant changes in the value of your investment. The chapter deals with typical risks that apply equally to all forms of investment instruments covered in this brochure, such as economic risk, inflation risk and liquidity risk.

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Part I: Types of investment

1. Interest-bearing financial instruments

Interest-bearing financial instruments have a fixed or variable interest rate and a predetermined term and form of repayment. They are also known as bonds, annuities, debentures or debenture bonds and are debt securities issued in the name of the (anonymous) holder or the name of a specific holder. As the buyer of a bond (creditor), you acquire a monetary claim against the issuer (debtor).

1.1 Basics

Physical items and certificates held in collective safe custody

Interest-bearing investment instruments can generally be issued as individual certificates with specific nominal values (physical certificates) or securitised in a global certificate, which is then deposited with a central securities depository for collective safe custody. Physical certificates can be delivered to the investor. In contrast, in the case of a global certificate, the buyer (only) receives a credit note for his co-ownership (calculated according to fractions).

Par, discount, premium

Bonds can be issued at par (at par = 100%), above par or below par. Below or above par means that when a new bond is issued, a discount (= discount) or premium (= premium) is determined by which the issue price is lower or higher than the nominal value. This discount or premium is usually expressed as a percentage of the nominal value.

Interest payments and increases in value

Bonds generate income for you in the form of interest payments from the issuer and in the form of capital appreciation (difference between the purchase/issuing price and the selling/redemption price).

1.2 Features of a bond

The terms and conditions of the bond (terms of issue) document all details of the bond that are important for the legal relationship between the issuer and the investor. These include the year of issue as well as the characteristics of maturity, redemption, interest rate, currency, ranking in the event of bankruptcy or liquidation of the debtor.

1.2.1 Term

In terms of maturity, a distinction is made between short-term (up to 4 years), medium-term (between 4 and 8 years) and long-term bonds (more than 8 years). The term refers to the period between the start of interest payment specified in the bond terms and conditions and the maturity of the bond.

1.2.2 Redemption

Bonds can be redeemed either by means of scheduled or unscheduled repayment.

Scheduled repayment

There are basically three options for scheduled repayment: In the case of bonds repayable in full, you generally receive the nominal value in one lump sum at the end of the term. With this type of interest-bearing investment, the date of capital repayment by the issuer is therefore fixed. Annuity bonds, on the other hand, are not repaid in one lump sum, but gradually in several equal annual instalments. Repayment usually begins after a redemption-free period of 3 to 5 years. In the case of draw bonds, repayment is made on different dates after a number of grace years. The issuer uses a drawing procedure (usually by final numbers, series or groups) to determine the securities certificates that will be redeemed on the next due redemption date.

Unscheduled repayment

In the bond terms and conditions, the issuer may also reserve the right to make an unscheduled repayment by cancelling the bond. Sometimes the terms and conditions of the bond may also grant the buyer of the bond a right of early cancellation.

1.2.3 Interest

In terms of the interest rate that you as an investor receive from the issuer on the nominal capital invested (the nominal value of the security), a basic distinction is made between the "classic" fixed interest rate and the "variable" interest rate, which is adjusted to the respective market conditions. There are also mixed forms.

Fixed-interest bonds

Fixed-interest bonds (also known as "straight bonds") have a constant interest rate (nominal interest rate) for the entire term. In some countries, interest is paid annually in arrears, while in other countries (e.g. the USA) it is usually paid semi-annually. Interest coupons are attached to the securities, which securitise the investor's interest claim.

Bonds with variable interest rates (floating rate notes)

Floating rate notes ("floaters" for short) grant variable interest income. At the end of each interest period, which can be 3, 6 or 12 months, the issuer of the bond pays interest. At the same time, it announces the reference interest rate for the new interest period. The interest payable to the investor is calculated on the basis of the difference between the fixed interest rate and the reference interest rate.

The nominal interest rate of a floater is adjusted to the development of the reference interest rate insofar as the issuer pays the investor an interest rate that is a fixed percentage premium or discount ("spread") above or below the stated rates. The amount of this spread depends on the creditworthiness of the issuer and the state of the market. An investment in floating rate notes is similar to a money market investment in that the interest rate is reset regularly, as with a term or fixed-term deposit.

Special forms of floating rate notes

The structuring options for variable-interest investments are very diverse. For example, the possible fluctuation range of the interest rate can be limited. There are two basic models: floating rate bonds with a minimum interest rate ("floors") or a maximum interest rate ("caps").

Floor floaters are floating-rate bonds with a minimum interest rate. In the event that the reference interest rate plus the spread falls below this level, the investor is guaranteed interest payments in the amount of the minimum rate. Cap floaters, on the other hand, are floating-rate bonds with a maximum interest rate. The interest rate is limited to this fixed maximum rate.

Mini-max floaters (collared floaters) are a combination of the basic types described above. Their interest rate fluctuates during their term within a framework set by minimum and maximum interest rates.

There are also floating-rate bonds whose interest rate runs counter to the development on the money market. These so-called "reverse floaters" (also known as "inverse floaters" or "bull floaters") are variable-interest bonds with a medium or longer term, the interest on which is calculated based on the difference between a fixed interest rate and a reference interest rate. This means that the interest income increases if the reference interest rate falls.

"Convertible floating rate notes provide for a conversion right for the investor or the issuer into normal fixed rate bonds in their terms and conditions.

Zero-coupon bonds (zero bonds)

Zero bonds do not carry interest coupons. The difference between the redemption price and the issue price represents the interest income until final maturity. The investor only receives the proceeds from the early sale of the bond or the redemption proceeds at maturity. Zero bonds are generally issued at a high discount (disagio) and repaid at the time of redemption at a price of 100% (at par). Depending on the term, borrower credit rating and capital market interest rate level, the issue price is more or less significantly lower than the redemption price. Zero bonds offer the investor a one-off fixed income in the future. The tax treatment of this income paid at maturity should also be taken into account. In some countries, this income is recognised as interest income. The same applies if the bonds are sold in the meantime: for tax purposes, the difference between the purchase price and the sale price is usually broken down into two components: interest income and capital appreciation.

Zero bonds can also arise from a special form of fixed-interest bonds, known as "stripped bonds", where interest coupons are separated from the principal claim securitised in the bond. If the principal claim or individual interest coupons are traded separately, these are securities without current interest income, which are comparable to zero-coupon bonds in terms of the basic idea.

Combined-interest bonds and step-up bonds

These types of bond are similar to fixed-interest securities in terms of the calculability of their interest income, as the investor does not receive a fixed rate of interest over the entire term, but the amount of interest income is fixed in advance and is not dependent on developments on the capital market. The interest rate on these bonds is changed during the term according to a pattern agreed at the time of issue. In the case of the combined interest bond, after a few years without a coupon, an above-average coupon is agreed for the remaining years of the term. The bond is usually issued and repaid at par. With the step-up bond, a relatively low coupon is paid at the beginning, followed by a very high coupon later on. This bond is also issued and repaid at par.

Interest rate phase bonds

Interest rate phase bonds are a hybrid between fixed and floating rate bonds. They generally have a term of 10 years and have a fixed coupon in the first few years. This is followed by a phase of several years with a variable interest rate based on money market conditions. The remaining years bear interest at a fixed rate again.

1.2.4 Currency

As an investor, you can in principle choose between bonds denominated in your national currency, such as the euro, or in another currency (foreign currency bonds).

Dual-currency bonds: capital and interest in different currencies

With this special form, the capital repayment and interest payment can be made in different currencies; in some cases, the issuer or the investor is granted a right of choice. To limit the currency risk, dual-currency bonds can be issued with a "call" (buy) option and/or a "put" (sell) option. The former entitles the issuer of the bond to early redemption, usually below the original redemption amount. With a put option, the investor has the right to demand early redemption of the bond at a predetermined, also lower amount.

1.2.5 Ranking in the event of insolvency or liquidation of the debtor

Another important feature is the ranking of a bond: in the event of insolvency or liquidation of the issuer, a distinction must be made between senior, pari passu and subordinated bonds, depending on whether the investor's claims are serviced preferentially, pari passu or subordinated in relation to other creditors. This also has an effect on the yield of the respective bond. In principle, the better the creditor position in the event of insolvency or liquidation of the company, the lower the yield of the bond, provided that the other features of the bonds are identical.

1.3 Special forms of bonds

In the following, we will inform you about bond forms that contain special rights or are linked to an additional reference value.

1.3.1 Convertible bonds ("shares on call")

Convertible bonds issued by public limited companies grant you as an investor the right to exchange them for shares in the issuing company at a certain time or within a certain period in a certain ratio. As a rule, a lock-up period must be observed during which it is not possible to convert the bonds into shares. If you do not exercise your conversion right, your bonds retain the character of fixed-interest securities, which are repaid at par at the end of the term. Because of the opportunity that the conversion option brings for you as an investor, convertible bonds usually offer a lower interest rate than "normal" bonds.

1.3.2 Bonds with warrants ("bonds with subscription rights")

Like convertible bonds, traditional warrant-linked bonds include a right to purchase shares, but not as an alternative to the bond, but in addition to it. Warrant bonds are fixed-interest securities that securitise the right to acquire shares in a warrant that can be separated from the bond. This warrant can be traded independently. The shares can be purchased in return for the warrant at

predetermined conditions. The warrant bond itself is not exchanged, but remains in place until it is redeemed. There can therefore be up to three different stock exchange quotations for a warrant bond, namely a price for the bond with warrant ("cum"), for the bond without warrant ("ex") and for the warrant alone.

The interest rate warrant bond is a special form of warrant bond. Here, the detachable warrant securitises the right to buy (call) or sell (put) a certain other bond at a fixed price. There are also currency option bonds whose warrants authorise the purchase (call) or sale (put) of a specific foreign currency amount at a fixed exchange rate.

1.3.3 Index-linked bonds

When such bonds are issued, the redemption amount and/or the interest payments are not fixed, but are linked to the level of a specific reference value (e.g. a price index or a share index) on the redemption and interest payment date. An index-linked bond is usually issued in two tranches (partial bonds): a "bull bond" and a "bear bond". Bull bonds are bought by investors who are betting on index increases. Buyers of bear bonds, on the other hand, expect the index to fall.

1.3.4 Subordinated bonds

Subordinated bonds are supplementary capital instruments ("Tier 2" instruments). These bonds establish direct, unconditional, unsecured and subordinated liabilities of their issuers. In the event of the liquidation or insolvency of the issuer, the claims of holders of Tier 2 bonds are subordinated in relation to the claims of holders of non-subordinated bonds. Subordinated investments are therefore riskier than non-subordinated bonds. For this reason, it is important that potential investors carefully consider the solvency of the issuer, other debt instruments and total assets when considering an issued bond. Although subordinated bonds carry greater risks for investors, they are serviced ahead of all equity holders. Holders of subordinated bonds can also earn higher interest rates to compensate for the potential default risk.

1.3.5 High-yield bonds

High-yield bonds are securities in which an issuer with a low credit rating (= debtor) enters into an obligation to the holder (creditor, buyer) to pay fixed or variable interest on the capital received and to repay the bond in accordance with the agreed terms. High-yield bonds generally have no rating or a rating below investment grade. For this reason, they harbour a high credit risk, as they are often subject to an increased issuer default risk. High-yield bonds are more susceptible to economic cycles, as they usually lose more value than investment-grade bonds due to the higher default risk and the greater risk aversion of investors.

1.4 Emissions markets

Not only the currency, but also the issuing market and the domicile of the issuer play a role in the differentiation (and labelling) of bonds. If bonds are issued on the domestic market, they are referred to as domestic bonds. Bonds are also issued abroad, either on the respective national capital markets (foreign bonds) or on the euro capital market (euro bonds). Both are summarised under the term international bonds.

Bonds and their issuing markets

The classic foreign bond is issued on the capital market of a specific issuing country, is denominated in the currency of that country and is essentially only placed, traded and listed there. Foreign bonds are subject to the legislation of the country in which they are issued. Foreign bonds must be distinguished from euro bonds. While foreign bonds are part of the national capital markets for foreigners (they are modified domestic capital markets), euro bonds are transactions on euro capital markets, international markets in the true sense of the word, as they are outside the control of national authorities and supervisory bodies.

1.5 Issuers

The various issuers may differ in terms of their financial strength and creditworthiness, which may affect the security of the respective bond as an investment from the investor's perspective.

Bonds can be issued by both the public and private sectors.

1.5.1 Bonds issued by the public sector

Public debt securities include, for example, German government bonds and US Treasuries.

1.5.2 Bank bonds

The term "bank bonds" covers all bonds issued by credit institutions. A distinction is made between "covered" and "other" bank bonds, depending on whether the bonds are covered by special collateral or not. Issuers of covered bank bonds are often subject to special rules (e.g. mortgage banks, public-sector lending institutions, etc.).

1.5.3 Industrial bonds (corporate bonds)

Corporate bonds are summarised under the term "corporate bonds" or "corporate bonds". Issuers are companies from industry and commerce. These bonds can also be issued in secured form under certain circumstances.

1.6 Security of interest-bearing securities

The "security" of a security indicates the probability that your invested capital will be repaid to you on maturity. Apart from price and currency risks, this means that the issuer guarantees the repayment of the capital (and possibly also the agreed interest payments). There are several criteria for security in this sense.

In the case of bonds issued by public debtors - whether domestic or foreign - the security lies in the financial strength of the issuer. The security of bonds issued by other debtors depends primarily on the creditworthiness of the issuer, i.e. its financial structure, profit prospects and contingent liabilities.

The security of "covered" bank bonds (such as Pfandbriefe) is based in particular on the fact that capital and interest claims from the outstanding Pfandbriefe are covered (secured) to at least the same amount and at at least the same interest rate by loans secured by mortgages or loans to the public sector.

There are also special forms of collateralisation that can increase the security of a bond regardless of the issuer's general creditworthiness; some issuers grant their bond creditors additional security, for example by registering security mortgages and land charges. Such additional collateral also includes guarantees provided by a third party (guarantor) for the issuer's interest and redemption payments. The guarantor is liable if the issuer is not (or is no longer) able to do so. In the case of such collateralised bonds, the guarantor is, for example, the parent company for a financial subsidiary - often established in another country.

1.7 Bond trading

Bonds are generally traded over-the-counter (OTC) rather than on an official exchange (convertible bonds, some futures and bond options). There may be additional risks associated with over-the-counter trading in fixed income investments as OTC transactions are generally subject to limited regulation and therefore less transparent in terms of transaction details such as volume, pricing, etc. This may therefore involve greater risks than over-the-counter trading. This can therefore be associated with greater risks than trading on the stock exchange. Your bank will advise you on the purchase and sale prices of certain bonds on request. However, there is no guarantee of tradability. Adding a limit limits the risk of trading at unfavourable price conditions.

1.8 Special risks associated with interest-bearing securities

Investing in interest-bearing securities harbours a number of specific risks. These include credit risk, interest rate risk, cancellation risk, drawdown risk and other specific risks associated with individual bond types.

1.8.1 Credit risk

Credit risk, also known as debtor or issuer risk, refers to the risk of insolvency or illiquidity of the debtor, i.e. a possible, temporary or permanent inability to fulfil its interest and/or redemption obligations on time. The creditworthiness of an issuer can change during the term of a bond due to developments in the macroeconomic or company-specific environment.

A deterioration in the issuer's credit rating has a correspondingly unfavourable effect on the price performance of the securities in question (risk discount). The longer the remaining term of the bond, the higher the credit risk tends to be. A consistently good credit rating ensures the fulfilment of the debtor's contractual obligations. However, the issuer's creditworthiness can deteriorate during the term of the bond to such an extent that interest and redemption payments are not only jeopardised, but may even be cancelled.

"Safety discount" on the yield of first-class bonds

A first-class debtor credit rating is generally associated with a lower yield, as such a bond has a lower nominal interest rate from the outset than bonds issued at the same time by debtors with a lower credit rating. Government bonds, for example, regularly achieve a lower yield than bonds issued by industrial issuers. As an investor, you have to weigh up whether you want to accept a lower return for a higher level of security or whether you want to achieve a higher return with a higher risk. As a rule of thumb, the more the yield of the individual security deviates upwards from the usual market yield, the greater the risk for the investor. Issuers with low credit ratings and therefore comparatively higher yields are only suitable for risk-conscious investors. Junk bonds" (literally: junk bonds) usually

have a very low credit rating and the risk of a total loss is particularly high in times of economic decline.

Ratings as a decision-making aid

The rating is used to assess the probability that a debtor will fulfil the interest and redemption payments associated with the securities it has issued on time and in full. Independent rating agencies publish their ratings in the form of a credit rating or categorisation grade for the debtor or its issues. The analysis covers the overall economic situation of the country in which the issuer is based and ranges from an analysis of the sector trend and the individual situation of the issuer to an economic and legal assessment of the features of the issue. The rating assigned to an issuer or its bonds has an impact on the terms and conditions of bonds yet to be issued, in particular on the yield. A bond with a first-class rating therefore regularly offers you as an investor a lower yield than bonds with a lower rating. Changes in the rating during the term of the bond can cause changes in the price of the bond. The rating scale ranges from "AAA" ("the debtor's ability to fulfil its financial obligations is very strong" - highest possible credit rating) to "D" ("default on financial obligations" - worst credit rating).

Important note: The rating does not replace your own judgement as an investor and is not to be understood as a recommendation to buy or sell certain securities. The rating is only intended to support you in making an investment decision and is only one factor in the assessment, which must be considered and weighted alongside others. As the rating is often only changed once the creditworthiness of an issuer has already changed, you must form your own judgement despite the existing ratings. Please also note that not all issuers have a rating, but the quality of an unrated bond issue may well be better than that of a rated issue.

1.8.2 Interest rate risk

Interest rate risk is one of the central risks of interest-bearing securities. The buyer of a fixed-interest security is exposed to interest rate risk in the form of a price loss if the market interest rate rises.

Relationship between interest rate and share price performance

The price of interest-bearing securities is determined by supply and demand. These two factors are primarily based on the relationship between the nominal interest rate of the bond and the respective interest rate level on the money and capital markets (= market interest rate). The nominal interest rate of a fixed-interest bond is generally set for the duration of the term based on the market interest rate level prevailing at the time of issue. During the term of the bond, however, the price may deviate considerably from the cost price. The extent of the price deviation depends in particular on the respective changes in the market interest rate level. The market interest rate level is largely influenced by government budget policy, central bank policy, economic trends, inflation, foreign interest rates and exchange rate expectations. However, the significance of the individual factors cannot be quantified directly and fluctuates over time.

A change in the market interest rate level after the issue of a fixed-interest security influences its price development in the opposite direction. If the market interest rate rises, the price of the bond generally falls until its yield roughly corresponds to the market interest rate. Conversely, if the market interest rate falls, the price of the fixed-interest security rises until its yield roughly corresponds to the market interest rate.

The yield on a fixed-interest security is its effective interest rate, which is determined by the nominal interest rate, the issue or purchase price, the redemption price and the (remaining) term of the fixed-interest security.

Sensitivity to interest rate changes depending on residual term and coupon

The severity with which a bond reacts to changes in the market interest rate depends on two factors: the remaining term to maturity and the level of the nominal interest rate ("coupon") of the bond. The price changes are greater for bonds with longer remaining terms and lower nominal interest rates than for bonds with shorter terms and higher nominal interest rates. Fixed-interest securities are subject to considerable interest rate risks in times of sharply rising capital market interest rates. Of course, the price changes that occur are only relevant for you if you do not keep the bonds until the end of the term. Otherwise, they will be redeemed at par at the latest at the end of the term.

Effects of changes in market interest rates on the stock market

A change in market interest rates also has an indirect effect on the stock market. As a rule, the stock market reacts with a certain time lag to rising interest rates with falling share prices and, conversely, to falling interest rates with rising share prices. However, there is no direct inevitability here.

1.8.3 Cancellation risk

In the terms and conditions of issue, which are included in the issue prospectus, the issuer of a bond can reserve the right to early cancellation. If the market interest rate falls, the risk increases for you as an investor that the issuer will exercise its right of cancellation. In this way, the issuer can reduce its liabilities or refinance itself more cheaply by issuing a new bond, thereby reducing its interest burden. Longer-dated bonds on the euro market often come with this right of cancellation - also known as a "call right" - on the part of the issuer. For you as an investor, early cancellation can lead to deviations from the expected return. On the other hand, the advantage for you is that such bonds generally offer certain yield premiums from the outset compared to bonds without a call right.

1.8.4 Draw risk

Redemption bonds that are redeemed after a draw are associated with particular risks for you, as the uncertain calculated term of such redemption bonds can lead to changes in yield. If you buy a bond at a price of over 100% and your securities are then redeemed at an unexpectedly early date at par due to the draw, this shortening of the term causes a deterioration in yield for you.

1.8.5 Risks associated with individual bond types

In the case of individual types of bond, different and in some cases additional risks can be identified (e.g. subordinated bonds, which are only paid out once all claims of holders of senior bonds have been satisfied in full).

Floating rate notes

The difference compared to fixed-rate bonds is the uncertain interest income, which means that you cannot determine the final yield of floating rate notes at the time of purchase due to the fluctuating interest income. It is not possible to compare the profitability of floating rate notes with investments with a longer fixed interest rate period. If the bond conditions provide for more frequent interest payment dates at shorter intervals, you bear a corresponding reinvestment risk if market interest

rates fall. You can then only reinvest the interest income accruing to you at the prevailing lower interest rate level. There are generally no major price fluctuations with floaters, as the price is always close to 100% due to periodic interest rate adjustments. However, this means that you cannot participate in price gains if market interest rates fall.

Stronger price swings for reverse floaters

With reverse floaters, the interest income develops in the opposite direction to the reference interest rate. If the reference interest rate rises, your interest income as an investor falls, while it rises if the reference interest rate falls. Unlike ordinary floaters, the price of reverse floaters moves strongly depending on the yield level of the fixed-interest bonds comparable in terms of maturity. The price fluctuations of reverse floaters move in the same direction, but are much more pronounced than for fixed-interest bonds with a corresponding term. The risk for the investor is high if there is a rise in long-term market interest rates, even if short-term interest rates fall. In this case, the rising interest income is not adequate compensation for the price losses incurred by the reverse floater, as these are disproportionately high.

"Zero Bonds"

In the case of zero bonds, changes in market interest rates have a much greater impact on prices than with normal bonds due to the issue prices, which are well below par as a result of discounting. If market interest rates rise, zero bonds suffer higher price losses than other bonds with the same term and borrower credit rating. In the case of zero bonds in foreign currency, there is also an increased currency risk, as the interest payments are not spread over the term of the bond, but are made on a single date, namely together with the repayment of the capital at maturity.

Foreign currency bonds and dual currency bonds

As a buyer of foreign currency bonds, you are exposed to the risk of fluctuating exchange rates. In the case of a dual-currency bond, exchange rate fluctuations can also affect the price of the bond unless the bond terms and conditions include a currency adjustment clause for the investor. Without such a clause, the higher the foreign currency portion of the bond, the greater the impact of exchange rate changes on the bond price.

Convertible bonds

The price of a convertible bond is largely determined by the price of the underlying share. If the share price rises, the bond price also increases. If the share price falls, the price of the convertible bond also falls. The price risk of convertible bonds is generally higher than for bonds without conversion rights due to the link to a specific share, but at the same time lower than for a direct investment in the share in question. The fixed interest rate of the bond limits the downside risk of the convertible bond. The price falls at most to the point where the yield on the convertible bond corresponds to the market interest rate level for bond debtors with a comparable credit rating. The nominal interest rate of a convertible bond is usually lower than that of a bond without conversion rights, so that the current interest income is comparatively low. If you as an investor make use of your conversion right and subscribe to the respective share, you are subject to the usual risks of a shareholder.

Warrant bonds

As with the convertible bond, the capital investment in a bond with warrants is generally associated with lower current interest income. The interest rate is usually lower than the rates for bonds without warrants. The price of the bond with warrants ("cum warrant bond") will follow the price performance of the share (or that of the relevant underlying security) in the event of a favourable development. The downward price risk of the bond with warrants is limited due to the fixed interest rate of the bond. The price of a bond with warrants falls at most to the point where its yield corresponds to the current market interest rate for comparable bond debtors. The bond without warrants ("warrant-linked bond ex") is a pure interest-bearing security; its price is primarily based on the capital market interest rate.

The risks regularly associated with warrants are described later in section 5.8, "Special risks associated with warrants".

Index-linked bonds

As the redemption price of index-linked bonds is linked to the level of a specific index on the redemption date, you as an investor run the risk of price losses in the case of a bull tranche (bonds that are expected to make gains if the index level rises) if the index falls, and in the case of a bear tranche (bonds that are expected to make gains if the index level falls) if the index rises.

2. Shares

A share is a share or partnership security that securitises a membership right in a public limited company in a share certificate. The shareholder becomes a partner in the share capital and thus a co-owner of the company's assets.

The rights that you have as a shareholder of a stock corporation are determined by the legal system of the respective country and may deviate from the principles described below, which generally apply to listed companies.

2.1 Basics: Shareholder as partner

As the holder or owner of a share, you are not a creditor, but a co-owner of the company that issues the shares. This results in rights and obligations, in particular the obligation to make a contribution to the share capital. The amount of the contribution is limited to the issue price of the share, i.e. the nominal value plus a premium, if applicable. The nominal value of the share is an arithmetical figure that represents the amount of the share in the share capital of the stock corporation. In contrast to the par value share, a no-par value share represents a certain proportion of the share capital of a public limited company as defined in the articles of association. The proportion is not expressed as a monetary amount, but the share certificates are denominated in a specific number of shares. The participation quota of a shareholder and thus the extent of his rights is determined by the ratio of the number of shares held by him to the total number of shares issued. For an investor, it is irrelevant whether he acquires par value shares or no-par value shares. In both cases, the market value of a share is determined by supply and demand and has no connection with the nominal value of the share.

The share offers investors dividend distributions and price gains as sources of income. However, the share guarantees the investor neither price gains nor - as a rule - dividends.

2.2 Rights of the shareholder

As a shareholder in a public limited company, you are generally entitled to asset and co-administration rights.

2.2.1 Property rights

Property rights include the right to dividends, the subscription right to new shares and the right to additional or bonus shares.

2.2.1.1 Entitlement to dividends

Unlike the interest on a security, the dividend depends on the net profit that the company can report in the financial year. An individual shareholder's share of the profit is based on their share of the company's capital. The profit is therefore distributed to the shareholders in proportion to the nominal value of the shares held. In the event of a capital increase, the new shares ("new shares") may initially have a lower dividend entitlement than the shares already in circulation ("old shares").

2.2.1.2 Subscription right

The subscription right entitles the shareholder to subscribe to a portion of the new (new) shares in the event of a capital increase that corresponds to his share of the previous share capital. If you exercise the subscription rights to which you are entitled as a shareholder, your shareholding in the company remains the same. Maintaining the shareholding ratio and thus the relative share of voting rights is particularly important for major shareholders.

2.2.1.3 Subscription period and trading in subscription rights

As a shareholder, you have the opportunity for a limited period of at least two weeks (subscription period) to acquire a certain number of new shares at the issue price and against the issue of corresponding subscription rights. This number depends on the subscription ratio. The subscription ratio is the ratio at which the shareholder can subscribe to new shares on the basis of his holding of old shares. On the first day of the subscription period, the price of the old shares is quoted and traded on the stock exchange "ex subscription right", i.e. a discount is applied to the price of the old shares in the amount of the price of the subscription right determined on the stock exchange from supply and demand. The subscription right is traded independently on the stock exchange during the subscription period. If you are a shareholder of the company but do not own enough shares to subscribe to new shares, you can buy the required number of subscription rights. Conversely, you can sell surplus subscription rights and only subscribe to a portion of the new shares to which you are entitled. Alternatively, you can also sell all your subscription rights if you do not wish to subscribe to any new shares.

2.2.1.4 Entitlement to additional or bonus shares

In a capital increase from company funds, a public limited company issues additional or bonus shares to its shareholders. In this case, the company increases its share capital from its own reserves without the shareholders making additional cash contributions. The total value of the company (market capitalisation) remains unchanged, but is distributed over a larger number of shares. As a shareholder, you are therefore allocated additional shares in proportion to your existing stake in the company. The share price is reduced by the so-called adjustment discount in accordance with the allocation ratio.

2.2.2 Co-administration rights

The co-administration rights to be exercised at the Annual General Meeting include the right to vote and the right to information.

Voting rights give shareholders the right to participate in the resolutions of the Annual General Meeting. As a rule, each shareholder has one vote per share. In addition to voting shares, there are also non-voting shares, which do not carry voting rights but are generally better off in terms of dividends. As a shareholder, you can either exercise your voting rights in person or authorise another person or institution in writing to exercise your voting rights (proxy voting).

2.3 Structure of shares

With regard to transferability and the granting of rights, there may be country- and company-specific differences for shares. The purchase and sale of shares in listed companies is generally possible without any special formalities.

Bearer shares are not issued in a specific name, but in the name of the respective holder. A change of ownership is possible without any special formalities.

Registered shares are issued in the name of a specific natural person or legal entity. The owner of the share is entered in the company's share register so that the company knows the names of the shareholders.

2.4 Special risks associated with shares

The pricing of shares is heavily dependent on influencing factors that are difficult to calculate.

2.4.1 Entrepreneurial risk (bankruptcy or insolvency risk)

The bankruptcy of the issuing company may mean a complete loss of the amount invested in the company's shares, as in the event of bankruptcy shareholders normally only participate in the liquidation proceeds after all creditor claims have been satisfied.

2.4.2 Price change risk

Share prices can fluctuate unpredictably. In the long term, share price movements are determined by the earnings situation of companies, which in turn are influenced by the development of the economy as a whole and the political environment. In the medium term, influences from the areas of economic, currency and monetary policy overlap. In the short term, current, temporary events such as disputes between labour and management or international crises can have an impact on market sentiment and thus on share price performance.

From the perspective of the share buyer, a distinction can be made between general market risk and company-specific (and therefore share-specific) risk. Both individually or cumulatively influence share price performance.

The general market risk of a share (also known as "systematic risk") is the risk of a price change that is attributable to general trends on the stock market. If the underlying trend on the stock market is negative, even first-class shares can suffer significant price losses. You cannot reduce the general market risk even by broadly diversifying shares within a market by company and sector. The more broadly diversified the portfolio, the more accurately it will track the market trend.

Company-specific risk refers to the risk of a decline in the price of a share due to factors that directly or indirectly affect the issuing company. For example, a decline in the share price may be due to incorrect management decisions, but also to external, general economic factors. In terms of company-specific risk, share prices can also go against the general trend and take a very individual course.

The extent of share price changes cannot be precisely quantified in advance and can vary from company to company, from sector to sector and from country to country. By diversifying your equity investments, you can reduce the company-specific risk.

2.4.3 Psychology of market participants

Rising or falling prices on the stock market or for an individual share depend on the assessment of market participants and therefore on their investment behaviour. The share price also reflects the hopes and fears, assumptions and sentiment of buyers and sellers.

Stock market/market sentiment

In an upward trending market, the investment public tends to gain increasing confidence, take on more and more new risks and no longer adhere to original, rationally based decisions for emotional reasons. Price-relevant negative events that contradict the general trend are simply ignored or considered to have already been taken into account in the share price ("discounted"). The price level on the stock market rises continuously in such phases, at times resulting in a bull market. This emotional perception is reflected accordingly - only with the opposite sign - when share prices continue to fall. Price-relevant positive events that contradict the general trend are ignored or considered to be already included in the prices. This leads to a temporary bear market. Depending on the sentiment phase on the stock market, one and the same circumstance that is assessed as positive in a favourable stock market environment can be classified as negative at another time. In such cases, the stock market trend diverges from reality due to sentiment.

Opinion leadership

Investors usually endeavour to base their investment decisions on as many sources of information as possible in order to reduce uncertainty about future developments relevant to the capital markets. These opinion leaders have an orientation function for a broad investor audience and can reinforce the respective stock market trend (multiplier and follower effects). This can trigger price changes that can lead individual investors to make misjudgements.

Trend-reinforcing speculation

Due to the uncertainty about future developments, every investment decision contains speculative elements. As soon as broad groups of investors are tempted to speculate in a certain direction as a result of psychological "contagiousness", there is a risk that the stock market trend will tend to move away from economic realities. In such phases of exaggeration, even comparatively insignificant economic or political events that do not confirm or question the previous stock market trend can lead to a sudden price and trend reversal.

Globalisation of the markets

Price trends on important foreign stock exchanges often have an orientation function for the domestic stock exchange. Due to this market-psychological interdependence, developments on

foreign stock exchanges can be reflected on domestic stock exchanges with a greater or lesser delay and to varying degrees.

Social measures

The official announcement or even the widespread assumption of imminent company-related measures, such as capital increases, company agreements and takeovers, can be received positively or negatively by the market. In a favourable stock market climate, for example, a capital increase will tend to cause the share price to rise. In a less favourable stock market climate, on the other hand, the company's desire for capital can be interpreted as a weakness of the company and thus lead to a fall in the share price.

2.4.4 Risk of the price forecast

The right time to enter and exit stocks ("timing") is therefore the decisive factor for investment success. Numerous methods of analysis attempt to bundle the multitude of market and price-influencing as well as technical factors into a single statement and provide a point of reference for a promising investment decision. However, price forecasts based on such methods of analysis can prove to be incorrect. Fundamental share analysis is a method of evaluating companies based on company-specific data and the economic environment. The aim of fundamental analysis is to determine the "fair" or "appropriate" price of a share. The procedure is based on the classic methods of analysing the balance sheet and income statement as well as a series of share price-related ratios, such as the dividend yield or the price/earnings ratio. As a result, fundamental analysis provides indications of undervalued or overvalued shares or companies and thus impulses for a corresponding action strategy on the stock market. Fundamental analysis is always based on the information currently available and uses it to develop forecasts about future developments. These conclusions do not always prove to be correct afterwards if, for example, current economic and political situations and their potential impact on companies have been misjudged.

The aim of chart analysis is to derive price forecasts and price potential in order to identify suitable times for buy and sell positions. The chart is a graphical representation of price movements and turnover trends, usually of a share or share index, but also of sectors and currencies for a selected period. The chart analyst starts from the hypothesis that the price development of shares forms certain patterns that repeat themselves in a similar way over time and are therefore - once recognised - suitable for forecasting probable price developments. Many market participants take chart-based factors into account when making investment decisions, which in turn has an impact on share price performance in the sense of a "self-fulfilling prophecy". This means that the more often the expected price development based on a certain technical constellation has materialised, the more investors act accordingly in order to take the expected price effect into account in their strategies. When analysing charts, it is important to bear in mind that charts can be interpreted subjectively and that statements from a chart only ever have a certain degree of probability, but can never be regarded as certainty. Forecasts based on technical chart formations can therefore prove to be incorrect in retrospect. Stock investments therefore always remain decisions that have to be made under uncertainty about future developments.

3. Index certificates

3.1 Basics

Index certificates or participation certificates are (usually listed) debt instruments that securitise the buyer's right to payment of a cash or settlement amount, the amount of which depends on the value of the underlying index on the maturity date. The underlying index is usually represented 1:1 in the index certificate and all changes to the index in question are taken into account.

An index is an indicator that characterises price changes and price trends on securities markets. In addition to bond indices, share indices are the most common form of securities indices. Well-known indices are the American S&P 500, the Japanese Nikkei 225, the European Dow Jones STOXX, the German DAX, the British FTSE 100, the Swiss SMI or the French CAC 40. A distinction is made between price indices, which reflect the pure price development and thus also the price reductions of the shares made in the dividend payment, and performance indices, which only take into account the price changes triggered by the market and automatically reinvest dividends and subscription rights in the shares.

As an investor, you participate in the performance of the underlying index by purchasing an index certificate. The price of an index certificate generally follows the movements of the index. A rising index leads to higher certificate prices, while a falling index regularly leads to falling certificate prices.

Index certificates are traded both on and off the stock exchange. The issuers regularly quote buying and selling prices for the certificates on a daily basis. As an investor, you can then buy and sell certificates at market prices at any time until the end of the term.

The term of the certificates is usually several years and there are usually no periodic interest payments or other distributions (e.g. dividends) during the term. On redemption or maturity, a payment is made in the amount of the settlement amount, which is based on the level of the underlying index.

If the issue conditions stipulate an upper limit (cap), this means that these index participation certificates do not benefit from a performance that exceeds this cap. Only as long as the index does not exceed this cap is there no disadvantage. If the performance of the participation certificate approaches the cap during the term, this may also result in the certificates being traded at a discount to the index.

3.2 Special risks associated with index certificates

The risk profile of index certificates is also determined by the risks of the underlying securities on which they are based. All influencing factors, both positive and negative, that lead to changes in the prices of the securities contained in the index also affect the index level and therefore the price of the certificate.

The more volatile the securities underlying the index and the more synchronised their price movements are, the greater the price fluctuations of the certificate. The only chance of a return is an increase in the market value of the certificates. Possible price losses of the certificates as a result of a falling index cannot be compensated, as the certificates do not grant any other income, such as interest or dividends.

The settlement amount is based exclusively on the index value determined on the maturity date, which may also be considerably lower than the index value determined on the purchase date. The

settlement amount may therefore also be considerably lower than the purchase price. In extreme cases (index value 0), this can mean a complete loss of the capital invested.

It must also be taken into account that the price of the certificates will regularly not exactly reflect the development of the index value (correlation risk). Various factors such as the interest rate level, any dividend payments on the shares included in the index, market developments and, in the case of certificates on foreign indices, exchange rates can also influence the price development of the certificates.

Due to the calculation method of the respective index, the certificates may be traded at a discount to the current index value: this may be the case in particular due to dividend payments not included in the index calculation.

In addition to the insolvency risk of the companies whose securities form the basis of the index, there is also the risk of insolvency of the issuer of the index certificate (issuer risk).

4. Units/shares in investment funds

4.1 Basics

An investment fund (often referred to as an undertaking for collective investment - UCI) has the following characteristics: It is a collective investment scheme. The capital is raised from a number of investors. The capital is invested in accordance with a defined investment policy in favour of the investors, usually in accordance with the principle of risk diversification.

The shares or units of investment funds may be issued to the general public, while others are reserved for certain categories of investors, such as expert, qualified or institutional investors. Depending on the structure of an investment fund and the legal system under which the investment fund was established, the shares or units may be issued by way of private placement or direct distribution, by distributors or via stock exchanges.

The term investment fund refers to the entirety of the money paid in by investors and the assets acquired for this purpose. The specific investment policy of an investment fund is described in the respective sales/issue prospectus or the respective private placement memorandum and, where applicable, the contractual terms and conditions or the articles of association of the investment fund.

Your participation in the assets of the investment fund is based on the number of units or shares you hold. The value of an individual unit or share is based on the value of the total investment fund assets (net asset value) divided by the number of units or shares issued.

4.2 The different types of investment funds and distribution passports

Undertakings for collective investment in transferable securities (UCITS) and alternative investment funds (AIFs) benefit from a "product" passport that allows their distribution to investors in the European Union (EU)/European Economic Area (EEA) following a notification procedure. Shares or units of UCITS can be marketed to all types of (retail and professional) investors anywhere in the EU/EEA following a notification procedure. The marketing of AIFs depends on whether they are managed in accordance with and under the requirements relating to alternative investment fund managers (AIFMs) ("AIFs under the full AIFM regime"). AIFs under the full AIFM regime that are managed by an authorised AIFM or authorised internally managed AIFs must comply with all requirements of the AIFM Directive as transposed into national law in the relevant EU country. AIF

that do not exceed certain thresholds are subject to a simplified AIFM registration regime ("AIF subject to a simplified AIFM registration regime"). AIFs under the full AIFM regime can be marketed to professional investors in the EU/EEA and, depending on how the AIFM Directive has been transposed into national law in the respective Member State, also to retail investors. AIFs under a simplified AIFM registration regime may be marketed to professional investors in the EU/EEA in accordance with national rules on private placements (i.e. subject to national requirements).

4.3 Investment fund structures

Investment funds can be established in contractual form (special assets) or in corporate form (as an investment company with or without variable capital). A special fund has no legal personality and must be managed by an authorised management company. An investment company must appoint an authorised management company or declare its "self-administration". Both investment funds and investment companies can represent a single or several sub-funds. Each fund sub-fund may have one or more unit classes. It is also possible to set up master-feeder structures, whereby the feeder UCI invests a large proportion of its assets in the master UCI.

4.4 Open-ended/closed-ended investment funds

In the case of open-ended investment funds, the investment fund issues new units/shares as required and redeems issued units/shares ("open-end principle"). In principle, you can therefore acquire new units/shares from an open-ended investment fund at any time. The company is obliged to you to redeem your units/shares at any time - within the framework of the conditions specified in the sales prospectus, in the contracts and, if applicable, in the articles of association - at the expense of the investment fund assets at the respective official redemption price. As an investor, you therefore have the option of liquidating your units/shares at any time.

In the case of closed-end investment funds, only a certain number of units are issued for a fixed investment amount ("closed-end principle"). When the planned volume is reached, the investment fund is closed and the issue of units is discontinued. The company is under no obligation to redeem units. The units can only be sold to third parties or, if necessary, via a stock exchange. The achievable price is then determined by supply and demand.

While UCITS must be open-ended, non-UCITS may be open-ended or closed-ended.

4.4.1 General characteristics of open-ended investment funds Task of the management company or the AIFM

The assets entrusted to the investment funds are invested by the management company or the AIFM in accordance with statutory and contractual investment principles. An investment fund must be managed by a management company. An investment company may appoint a management company or an AIFM or manage itself.

Pricing of units/shares The redemption price of a unit/share (unit/share price) is calculated by dividing the total value (net asset value) of the investment fund assets by the number of units/shares in circulation. This price generally changes daily; it rises and falls in line with changes in the value of the investment fund's assets.

When units/shares are purchased, a front-end load is generally charged to cover distribution costs. A redemption fee may also be charged. However, the fee structure may vary from investment fund to

investment fund. Details in this regard can be found in the respective sales prospectus. Issue prices and redemption prices of the individual investment funds are regularly published together.

Function of the depositary

In accordance with the applicable laws, UCITS and AIFs deposit their assets with an authorised depositary, which also assumes certain supervisory and day-to-day management tasks.

4.4.2 Open-ended investment funds

In the case of open-ended mutual funds, you as an investor can choose from a wide range of investment funds. Details of the assets and the investment focus can be found in the respective sales prospectus, the contractual terms and conditions and, where applicable, the articles of association.

Open-ended property funds invest their assets in accordance with the principle of risk diversification in predominantly commercially used land, buildings and own construction projects and also hold liquid financial assets such as securities and bank balances. The liquidity investments serve to guarantee the fund's upcoming payment obligations (e.g. due to the acquisition of properties) and redemptions of units/shares.

Open-ended securities funds invest the capital transferred to them in financial instruments.

Open-ended property funds and open-ended securities funds differ essentially only in the investment objects and in the valuation of their assets. In the case of property, this is carried out by an independent committee of experts, while securities are valued on the basis of current stock market and exchange rates.

Money market funds invest the investment capital transferred to them in overnight money, time deposits and money market securities.

Funds of funds invest the money invested with them in units/shares of other investment funds.

4.5 Organisation options for investment funds

A distinction is made according to the respective composition of the fund assets:

Standard equity funds

Standard equity funds typically invest in shares that are generally recognised as blue chips due to their generally accepted quality. The fund assets are broadly diversified, with no restriction to specific sectors.

Special equity funds

Specialised equity funds focus on specific sections of the equity market, for example: sector funds: shares in specific industries or economic sectors such as energy, commodities or technology; small cap funds: shares in medium-sized and smaller companies (second-tier stocks); equity index funds: replication of a specific share index, for example the DAX (German Share Index).

Standard pension fund

Standard bond funds invest in interest-bearing securities with different interest rates and maturities, almost exclusively in those with good to very good issuer credit ratings.

Specialised bond funds

Similar to the special equity funds, special bond funds concentrate on specific sections of the bond market, for example:

Low-coupon bond funds: low-interest bonds; funds with floating-rate bonds; high-yield funds: high-interest bonds with varying credit ratings; junk bond funds: high-interest bonds with low credit ratings; high-grade bond funds: bonds with the very highest credit ratings; money market bond funds/short-dated bond funds: securities with short residual maturities; bond index funds: replication of a specific bond index.

Mixed funds (mixed funds)

Mixed funds utilise both equity and bond market instruments, for example: standard mixed funds: equities and bonds; mixed funds with futures market elements: Equities and bonds with explicit utilisation of the opportunities on the futures and options exchanges; convertible and warrant bond funds.

Speciality funds

Speciality funds concentrate their investments on very specific markets, instruments or combinations and therefore have a lower degree of risk diversification from the outset. Examples are Warrant funds; participation certificate funds; protection funds: short-term bonds, money market investments and put options on an equity index; forex funds: forward currency exposures; futures funds: purchase and sale of futures contracts on futures exchanges.

The term "speciality fund" cannot always be precisely defined in practice and is therefore not always used consistently. For example, special equity funds or country funds (see below) are sometimes also referred to as speciality funds.

4.6 Geographical investment horizon

A distinction can be made according to the geographical investment horizon: Country funds, which only invest in securities whose issuers are domiciled in a specific country. For example, a Japan fund concentrates on the securities of Japanese issuers; regional/hemisphere funds, which only contain investment securities from certain regions, for example from Europe, North America or the Pacific region; international funds, which invest in the capital markets worldwide; emerging market funds, which invest the investment capital in one or more so-called emerging countries.

4.7 Investment horizon

Investment funds can be launched without a maturity limit or as investment funds with a fixed maturity (maturity funds). In the latter case, the term is limited from the outset by a fixed date. At the end of the term, the investment fund assets are realised in the interests of the unit holders and the proceeds distributed to them.

4.8 Repayment or income guarantee

Investment funds can be launched with or without a guarantee. If a guarantee is granted, it may apply for a specific term with regard to distributions or be aimed at the repayment of the invested capital or performance.

4.9 Distribution behaviour

In the case of distribution funds, as a unit/shareholder you will generally receive a distribution annually or at certain intervals. The unit/share price of the investment fund is reduced by this amount on the day of distribution. Whether and to what extent the income of a fund is distributed depends on the investment policy and the character of the investment fund and is documented in the respective sales prospectus or, if applicable, the contractual terms and conditions or the articles of association.

Investment fund companies often grant investors a so-called reinvestment discount (amounting to a certain percentage of the issue price) if they make the distribution amount available for reinvestment within a certain period of time after the distribution.

With accumulating investment funds, also known as accumulating funds, the income is not distributed. The fund management uses them to acquire further assets. Term funds and guarantee funds are typically offered in the form of accumulating funds.

Important note: Only the relevant sales prospectus and contractual terms and conditions provide binding information on the specific investment policy and any other special features of an individual fund.

4.10 Non-traditional investments (hedge funds, off-shore funds and private equity funds)

Non-traditional investments differ completely from traditional equity and bond investments due to their investment style.

Hedge funds are the best-known form, but contrary to their name ("hedging") they do not necessarily have anything to do with hedging. They are often profit-seeking and sometimes take very high risks.

Hedge funds are all forms of investment funds, investment companies and partnerships that utilise derivative products for investment rather than hedging purposes, can sell short or achieve significant leverage through borrowing. Additional key features of hedge funds are the free choice of investment categories, markets (including emerging markets) and trading methods. Hedge funds usually require high minimum investment amounts. They offer only limited subscription and redemption options with long notice periods. Portfolio managers of hedge funds receive performance-related bonuses and often have a personal stake in the fund.

There are countless manifestations of non-traditional investments. We are therefore unable to describe the risks involved in each individual case in detail here. Obtain detailed information about the risks of such investments and examine the offers with the necessary caution.

The investment strategies can be associated with high risks. Due to the high leverage effect, even a small movement in the market can lead to high profits, but also to large losses. Under certain circumstances, the entire value of the investment can be lost.

With non-traditional investments, there is often little information available to you. In addition, the often very complex investment strategies are difficult to understand. Changes in strategy that could lead to a noticeable increase in risk are often recognised too little, too late or not at all.

Examples of hedge fund investment strategies: Long/short: undervalued financial instruments are bought and overvalued financial instruments are simultaneously sold short. Event-driven: The aim is

to exploit specific corporate events such as mergers, acquisitions, restructuring or bankruptcy. Tactical trading (e.g. global macro): This style seeks to use macroeconomic analysis of major economic and political developments with an eye to identifying and exploiting market inefficiencies.

The liquidity and tradability of non-traditional investments vary greatly. In the case of hedge funds, issues and redemptions are often only possible on a monthly, quarterly or annual basis. In some cases, they also provide for fixed holding periods of several years. Regulations on tradability and holding periods can change quickly and frequently. Liquidations can last for years. Many funds operating in this area have an offshore domicile (e.g. Bahamas, Bermuda, Cayman Islands, Panama, British Virgin Islands or Dutch West Indies) and are therefore referred to as "offshore funds". They are subject to comparatively loose legislation and supervision, which can offer less investor protection. Problems and delays can also occur when processing buy or sell orders for units/shares in such funds. The enforceability of legal claims may not be guaranteed.

As a rule, hedge funds focus on maximising short-term profits.

Hedge funds of funds are funds that invest in individual hedge funds that may pursue different strategies. This can further reduce the proportion taken into account for each individual underlying.

Hedge fund index certificates are debt securities whose price and performance are based on the average performance of several hedge funds that are combined in a single index in order to establish a calculation basis.

Hedge fund funds of funds and hedge fund index certificates offer investors the advantage of improved risk diversification.

Private equity funds are usually associated with an investment in unlisted companies, such as venture capital companies. They often use debt financing to buy financially distressed companies ("leveraged buyout"). Unlike hedge funds, which focus on short-term profits, private equity funds concentrate on the long-term potential of the portfolio of companies in which they hold a stake or which they acquire. Once they acquire a company or a majority stake in a company, private equity funds seek to improve the company by changing management, streamlining operations or expanding with the ultimate goal of selling the company privately for a profit or through an IPO. The long-term focus of private equity funds usually imposes a requirement for investors to invest their capital for a minimum period, usually at least three to five years and often as long as 10 years. Managers of private equity funds have greater freedom in their investment decisions than managers of traditional funds. The development of the investment capital therefore depends to a large extent on the skills and experience of the fund managers and their teams. There are clear differences in the performance of individual managers.

Hedge funds and private equity funds may involve capital calls over a longer period of time until the entire subscription amount has been reached.

4.11 Special risks associated with investment funds

Investment funds offer investors the opportunity to conveniently invest capital according to the principle of risk mix thanks to the involvement of professional fund management, which distributes the money invested among various investments. On the other hand, depending on the investment focus of the respective fund, you ultimately bear the full risk of the investments represented by the unit certificate/share. There are also special risks when investing in investment funds that can have a lasting negative impact on the value of your investment.

4.11.1 Fund management risk

When purchasing investment fund units/shares, you make an investment decision by selecting a specific investment fund. Your decision should be based on the investment principles to be observed by this investment fund. Investment funds whose investment performance over a certain period of time is significantly better than that of a direct investment or another investment fund also owe this success to the suitability of the persons involved and thus to the correct decisions made by their management. However, positive results of the investment fund in the past cannot simply be transferred to the future. In contrast, there is less management risk with index funds. Here, the money invested is invested more or less exactly in the percentage weighting of the relevant index in accordance with the terms of the sales prospectus, so that the investment result essentially reflects the performance of the index.

4.11.2 Price risk

Units/shares in investment funds are subject to a price risk, as price falls in the financial instruments contained in the investment fund are reflected in the unit/share price. The more the risks are spread over a wide range of underlying assets, the lower the risk of a total loss.

4.11.3 Market risk

4.11.3.1 General market risk

A broad diversification of the fund assets according to various aspects cannot prevent a downward overall trend on one or more stock exchanges from being reflected in declines in unit prices. The resulting risk potential is generally higher for equity funds than for bond funds. Index funds that aim to perform in line with an equity index, bond index or other index will also see a corresponding fall in unit prices if the index falls.

4.11.3.2 Credit risk - counterparty risk of synthetic ETFs

Swap-based ETFs do not replicate an index by buying index components, but use swaps for this purpose. A swap counterparty - usually another bank - agrees to pay the corresponding index performance of the ETF in question. Synthetic ETFs are thus exposed both to the risk of the securities that make up the index and to the credit risk of the counterparty that uses the financial derivatives to replicate the index performance.

4.11.3.3 Liquidity risk

The liquidity of an investment fund is determined by the liquidity of the underlying assets. If the underlying assets become illiquid, the redemption of fund units may be suspended for a period determined by the fund. Under certain circumstances, the fund may also be liquidated.

4.11.3.4 Currency risk

Investors may be exposed to currency risk if (i) the underlying assets are traded in a currency other than the investment fund currency or (ii) the fund is set up in a currency that is not their home currency.

4.11.4 Risk concentration through special investment focuses

By deciding to invest in a specific equity and bond fund as well as speciality funds, you accept a greater fluctuation range for the price of your units from the outset. The investment risk increases

with the increasing specialisation of the investment fund. Regional funds and country funds, for example, are exposed to a higher risk of loss because they are dependent on the performance of a specific market and forego greater risk diversification by utilising the markets of many countries.

Sector funds, such as commodity, energy and technology funds, involve a considerable risk of loss because broad, cross-sector risk diversification is ruled out from the outset. Funds with futures market elements are subject to the considerable risk of loss typical of stock market futures transactions.

In the case of investment funds that also invest in securities denominated in foreign currencies, you must also bear in mind that, in addition to the normal price development of the securities, currency developments may also have a negative impact on the unit price and country risks may occur.

4.11.5 Risk of misinterpretation of performance statistics

A "performance concept" is usually used to measure the investment success of an investment fund. Performance statistics are suitable as a benchmark for comparing management performance, provided that the investment funds are comparable in terms of their investment principles. They show the results achieved by the individual fund managers on the basis of the same investment amounts. However, the pure performance results only fulfil the information requirements of an investor to a limited extent and are subject to interpretation. For example, performance rankings often do not take the front-end load into account. As a result, you as an investor may effectively achieve a lower return than with a poorly managed investment fund with a lower front-end load due to a higher premium despite the fund's better management performance. Performance rankings also usually assume that all income, including the taxes incurred on it, is reinvested. However, due to the different taxation of individual investment funds and the income they generate, investment funds with a lower statistical performance can offer you a better performance "on balance" than those with a higher performance. Therefore, if you decide to invest in investment fund units, you should always consider the respective capital market situation and your individual risk tolerance.

4.11.6 Special risks for open-ended property funds

Open-ended property funds are exposed to income risk due to possible vacancies in the properties. Initial letting problems can arise in particular if the fund carries out its own construction projects. Vacancies that exceed normal levels can affect the fund's earning power and lead to a reduction in distributions. In the case of open-ended property funds, the redemption of unit certificates may be subject to restrictions. In particular, the contractual terms and conditions may stipulate that redemption may be suspended for a longer period of several years following major redemptions of unit certificates. In such a case, it is not possible to convert unit certificates back into cash during this period.

Property funds often invest liquid assets temporarily in other forms of investment, particularly interest-bearing financial instruments. These parts of the fund assets are then subject to the specific risks that apply to the chosen form of investment. If open-ended property funds invest in foreign projects, as is often the case, the investor is also exposed to currency risks, as the market value and capitalised earnings value of a foreign property is converted into euros each time the issue price of the investment unit is calculated.

4.11.7 Special risks in connection with non-traditional investments (hedge funds, private equity funds, offshore funds)

Manager risk

Non-traditional investments rely heavily on the manager's expertise and judgement to achieve investment returns. In many cases, non-traditional investment structures rely solely on small teams. The inability or failure of these individuals can have a significant impact on performance. Hedge fund portfolio managers receive performance-related bonuses and have often invested in the funds themselves.

Risk of fraud

Fraud is a much greater risk with less regulated investment vehicles as they are not subject to the same transparency requirements as regulated investment vehicles. Fund managers of non-traditional investment vehicles try to maintain their "competitive advantage" by not disclosing all information about their activities, not even to their investors.

Concentration risk

Non-traditional investment vehicles typically place excessive focus on a particular type of strategy or invest in a limited sector in order to achieve better returns. As a result, they often hold fewer investments than regulated investment vehicles, which tend to follow a market benchmark. Even with private equity funds, managers only invest in a limited number of companies and regions. More concentrated investment portfolios are more susceptible to fluctuations in value due to unfavourable business or economic conditions.

Leverage risk and high volatility

Non-traditional investment vehicles are often used to utilise leverage as an integral part of their investment strategy. Leverage can lead to substantial gains, but also to disproportionate losses within short periods of time. In a worst-case scenario, you could lose your entire investment.

Tax, legal and regulatory risks

Hedge funds are often taxed like partnerships, which means that profits and losses are passed on directly to investors. You should consider your own tax treatment and consult a specialised tax advisor before investing in non-traditional investment vehicles. In addition, non-traditional investments may be subject to legal, tax and regulatory changes at short notice. The associated changes may limit the manager's ability to trade or dispose of existing investments.

Lack of liquidity

Investments in non-traditional vehicles are often subject to lock-up periods or redemption fees. In addition, many of these investments are illiquid instruments or subject to legal transfer restrictions. Accordingly, the sale of a non-traditional investment may only be possible at periodic intervals or on certain days. Hedge funds may only be able to redeem shares on a monthly, quarterly or annual basis. In the private equity sector, the lock-up period may last up to ten years or longer.

Incomplete information

A non-traditional investment vehicle may have little or no operating history or performance and therefore may use hypothetical performance measures that do not necessarily reflect the actual

trading of the manager or adviser. Furthermore, non-traditional investment vehicles may not provide transparency into the underlying investments, making it difficult for investors to monitor.

Minimal regulation

Many non-traditional investment vehicles are located in offshore countries and are therefore subject to little regulation. As a result, the enforcement of investors' rights cannot be systematically guaranteed.

Valuation of funds

The net asset values of hedge funds are often not verified. This can result in situations in which the financial information used to determine the net asset value is incomplete or incorrect. Due to the difficulties in valuing the underlying assets, the calculation and publication of the net asset value may be delayed.

Risks associated with capital calls

In the case of capital calls to investors, they must raise the called capital within the shortest possible time, usually within a few days. If an investor does not fulfil a capital call, this can have negative consequences for them (e.g. exclusion from rights granted to the investor, high default interest).

Non-existence of a depositary or custodian bank

Some non-traditional investment vehicles do not require assets to be deposited with a custodian or custodian bank. In this case, the protection of the assets is not subject to regulatory supervision and can be placed in the hands of a broker instead of a (custodian) bank.

Use of short selling and derivative procedures

Short selling involves the sale of financial instruments that the fund manager does not own and that must be borrowed for delivery to the buyer. Hedge funds often use short selling techniques to reduce their "net exposure" to the market (i.e. the sum of all long and short positions) and to profit from an expected fall in the price of a security. Buying securities to close out short positions can result in a loss and in turn lead to an increase in the price, which further increases the loss. Hedge funds can invest in exchange-traded and over-the-counter securities.

Futures, options and contracts for difference. These instruments are extremely volatile and expose investors to great risk. Relative price fluctuations of a derivative contract can result in higher profits or losses compared to the initial margin.

5. Warrants

Warrants authorise you to buy (call warrants) or sell (put warrants) a certain underlying asset during a certain option period or on a certain date.

5.1 Basics

In contrast to shares, warrants do not represent a partnership in a public limited company, but securitise a right. If this right is not exercised by the time the warrant matures, it expires. The warrant then becomes worthless. The details of the term, option ratio and strike price of the warrant are set out in the terms and conditions of issue.

Possible underlyings of an option include in particular: assets such as shares, bonds, commodities and precious metals; reference rates such as currencies, interest rates and indices; derivatives or any combination of assets, reference rates and derivatives (e.g. futures).

The earnings potential for the parties involved in the option transaction lies in the receipt of a premium in the case of the seller and, in the case of the buyer, in the profit opportunity acquired through the premium payment.

An initial margin is set for both the purchase and the (short) sale of a warrant when the option is concluded. This is usually expressed as a percentage of the contract value. In addition, a variation margin is calculated periodically throughout the term of the contract. This represents the book profit or book loss resulting from the change in value of the contract or the underlying asset. The variation margin can be a multiple of the initial margin. The modalities for calculating the variation margin during the term of the contract or in the event of it being closed out are determined by the relevant exchange rules or contract specifications in each individual case. For the entire term of the contract, the investor must maintain margin cover with the securities dealer in the amount of the variation margin required in each case. Due to the considerably higher transaction costs associated with exercising an option and the loss of time value, it is generally more favourable for private investors to close out their positions before maturity. The exercise of an option - although legally possible - remains the exception in practice and is usually carried out by arbitrageurs, who thereby maintain the balance between the futures and cash markets.

In the context of exchange-traded options, a so-called "clearing house" is provided for settlement. For example, options traded on EUREX are settled via EUREX Clearing AG. These clearing centres are not only responsible for settlement, but also for margin management vis-à-vis the clearing members. The "clearing house" becomes the contractual partner of every transaction that is concluded on the respective exchange. Legal relationships are thus initially only established between the "clearing house" and its members, which settle the transactions for their own account, on behalf of their own clients or for non-clearing members and their clients. The "clearing house" guarantees the fulfilment of all contracts and thus reduces the counterparty risk for the individual. If the holder of an exchange-traded option decides to exercise it, the clearing house uses a random procedure to select individual writers from the number of "short positions" eligible for exercise, who must fulfil the corresponding delivery or purchase obligation under the contract.

The term of a warrant is the period from the date of issue to the date on which the option right expires. Usually, trading of the warrant on the stock exchange and the possibility of exercising the option right ends a few days earlier.

When exercising warrants, a distinction must be made between American-style warrants (American option) and European-style warrants (European option). American-style warrants can be exercised on any bank working day during the term of the warrant. European-style warrants, on the other hand, can only be exercised at the end of the term. Issue conditions may stipulate that the option right can only be exercised within very specific periods during the term.

The option ratio (subscription ratio) determines how many units of the underlying security can be bought ("call") or sold ("put") by exercising the option. If cash settlement is provided for, the option ratio is the basis for calculation. The strike price is the price specified in the issue conditions that you pay or receive for the underlying security when exercising the option right. If cash settlement is provided for, the strike price is used to calculate the difference that may have to be paid out to you as the warrant holder.

5.2 Functionality - risk of loss

As the buyer, you must pay a price for the right securitised in the warrant. The price of a warrant results from supply and demand and is also heavily dependent on the price development of the underlying asset, whereby the price of the warrant is generally very low in relation to that of the underlying asset. This means that any change in the price of the underlying asset generally triggers a greater percentage change in the price of the warrant (leverage effect). The holder of a warrant therefore participates to an above-average extent in both price gains and price losses of an underlying asset.

Buyers of call warrants and buyers of put warrants have different expectations regarding the price development of the underlying asset. Buyers of a call warrant expect that the price of the underlying asset will rise during the term of the warrant and that the option right will therefore increase in value, which is reflected in a higher warrant price. On the other hand, buyers of a put warrant expect the price of the underlying asset to fall so that the price of their warrant rises. Warrant holders generally do not exercise their option right, but are more interested in reselling the warrant at a higher price.

Purchase of options The purchase of options includes the purchase of call options (call options) or put options (put options), through which you acquire the right to delivery or acceptance of the underlying instrument (e.g. security) or, if this is not possible (e.g. index options), the right to receive payment of an amount equal to the positive difference between the price of the underlying instrument at the time the option is purchased and the market price at the time the option is exercised. To obtain a right under an option, you must pay the option price (option premium). The price may not reach the expectations you had when you bought the option, and the value of your option may fall and possibly become completely worthless on the expiry date. Your risk of loss is therefore equal to the price you pay for the option. The buyer of a call option speculates on an increase in the price of the underlying asset during the term of the option. The buyer of a put option, on the other hand, profits from a fall in the price of the underlying asset.

Sale of options The sale of call options involves the sale (opening, short position) of call options (call options), through which you assume the obligation to sell the underlying security at a fixed price. You receive the exercise price for assuming this obligation. If the price of the underlying security rises, you must sell the underlying security at the agreed price, even if the market price is significantly higher. Your risk of loss, which cannot be predicted and is basically unlimited, corresponds to this difference. If you are not in possession of the underlying securities (uncovered short position), you must buy them by means of a spot transaction (covering transaction), and in this case your risk of loss cannot be predicted. If you are in possession of the underlying securities, you are protected against the loss cover and can ensure timely delivery. However, you cannot dispose of these securities during this period as they must be blocked until the maturity date of your option. This means that you cannot sell them to protect yourself against price falls.

The sale of put options involves the sale (opening, short position) of put options, through which you assume the obligation to buy the underlying security at a fixed price. You receive the exercise price for assuming this obligation. If the price of the underlying security falls, you must buy the underlying security at the agreed price, even if the market price is significantly lower.

The seller of a call option expects the price of the underlying asset to fall, whereas the seller of a put option profits from increases in the value of the underlying asset

5.3 Valuation criteria and pricing factors

In order to assess the quality of warrants and help investors make investment decisions, so-called static indicators are used to enable an evaluation. Static indicators include intrinsic value, time value, premium, break-even point and leverage.

A comparison of warrants using static ratios is only possible if the warrants have largely the same features, as even small changes in the features can have a strong influence on the ratios.

5.3.1 Intrinsic value

The intrinsic value results from the difference between the strike price and the current price of the underlying asset, whereby the option ratio must be taken into account as a factor.

If the current price of the underlying security for a call (put) is above the strike price (below the strike price), the warrant is "in the money" and has an intrinsic value. If the strike price and the current price are identical, the warrant has no intrinsic value. In this case, the warrant is "at the money". A warrant also has no intrinsic value if the current price of the underlying asset is below the strike price of the call (above the strike price of the put). In this case, the warrant is "out of the money".

5.3.2 Fair value

The time value of a warrant corresponds to the warrant price minus the intrinsic value. In rare cases, a warrant can also be traded below its intrinsic value, i.e. with a negative time value. It reflects the probability of price fluctuations in the underlying asset (volatility) until the warrant matures. The shorter the period until maturity and the lower the volatility of the underlying asset, the lower the time value, as the probability of a price change in the underlying asset decreases as the remaining term or lower volatility decreases. Due to the lower chance of profit for the warrant holder, options with shorter remaining terms for the same underlying generally have lower warrant prices than those with longer remaining terms. Each warrant loses time value until it equals zero at the end of the term. On the maturity date itself, the value of the warrant is determined solely by its intrinsic value.

5.3.3 Premium

In the case of a call warrant (put warrant), the premium indicates how much more expensive the purchase (sale) of the underlying asset by buying and immediately exercising the option right is at the time under consideration compared to the direct purchase (sale) of the underlying asset. As a rule, an annual premium is shown for a better assessment of the warrant. If the warrant is "in the money", the premium expresses the time value of the warrant as a percentage of the current price of the underlying asset.

5.3.4 Break-even point

The break-even point is the price that the underlying must reach in order to exercise the warrant without incurring a loss. In the case of call warrants (put warrants), this price is above (below) the strike price. The benefit from exercising the warrant must include the purchase price paid for the warrant and the transaction costs. If, on the other hand, you intend to sell the warrant, the sales proceeds must exceed the purchase price of the warrant plus all transaction costs in order for you to realise a profit.

5.3.5 Leverage and price sensitivity

The "leverage" of a warrant ("leverage ratio") describes the ratio of the amount of capital that would have to be spent to purchase the corresponding underlying asset (price of the underlying multiplied by the option ratio) and the capital required to purchase the warrant (price of the warrant). The size of the leverage provides an indication of the extent to which the warrant can be affected by changes in the underlying. As a rule, the further the warrant moves "into the money", the greater its change in value compared to the underlying asset. Conversely, if it moves "out of the money", it loses value more slowly.

Price sensitivity ("delta") is the ratio between the change in the warrant price and the change in the underlying price. The (dynamic) indicator of the price sensitivity of a warrant can assume values between 0 and 1 for a call and between 0 and -1 for a put. Warrants that are "far out of the money" are relatively little affected by changes in the underlying price and therefore have price sensitivities close to 0. The value of a warrant that is "deep in the money", on the other hand, moves more or less "in step" with the price of the underlying and has a price sensitivity close to 1 or -1.

Example: Assuming a typical price sensitivity of 1, a leverage of 2.5 means that the warrant will increase in value by 2.5% if the share price rises by 1%. The leverage only ever indicates the maximum participation opportunity, i.e. the increase in value of the warrant will generally be less than the leverage indicates.

5.4 Margin requirements for short positions

During the term of an option, the seller must provide collateral, either in the form of the corresponding amount of the underlying asset or in another form. You must post this margin, as determined by the bank, at the time of opening and in the form required at any time before the option matures. You must provide additional collateral within a very short period of time. When trading American-style options, you also have the option to close out your position before maturity. However, the availability of this option depends very much on the market situation. If the market situation is difficult, you will have to close out your position under unfavourable conditions.

5.5 Forms of warrants

Despite the variety of forms and constant innovations in the warrants market, a basic distinction is made between warrants from warrant bonds ("traditional warrants") and so-called "naked warrants". If options are not concluded via the stock exchange, they are referred to as over-the-counter (OTC) options (see section 5.6 below). In addition to "ordinary" warrants, there are also a number of so-called "exotic" options (see section 5.7. below).

Traditional warrants are issued in conjunction with the issue of a warrant bond. The warrants are traded separately and generally securitise the independent right to delivery of the underlying asset. If you, as the buyer of a traditional warrant, exercise your option right, the issuer delivers the underlying asset to you, for example the share or bond. A frequently encountered construction is the "warrant bond on shares", whose attached warrant securitises the right to purchase shares of the respective issuer. Traditional warrants are usually call warrants. "Naked warrants" are warrants that are issued without the simultaneous issue of a warrant bond. Instead of the physical delivery of the underlying asset, a cash settlement is regularly provided for. Naked warrants occur both as call warrants and as put warrants.

A subgroup of naked warrants are the so-called "covered warrants". These are conventionally understood to be share warrants that securitise the right to subscribe to shares that are held in a separate cover pool during the term of the warrant. In recent times, however, the instrument of the cover pool has been increasingly dispensed with. Instead, by concluding additional financial transactions, issuers ensure that the warrant holder's delivery claims are fulfilled when the option right is exercised. In addition, the term "covered warrants" now also covers warrants for which cash settlement is made instead of physical delivery.

Common forms of naked warrants with different types of underlying assets are presented below.

5.5.1 Share warrants

Share warrants securitise the right to buy (call) or sell (put) shares or to receive a cash compensation payment if the share price exceeds (call) or falls below (put) a certain level. As a buyer of share warrants, the price performance of the share is decisive for you, as you benefit from rising (call warrant) or falling (put warrant) share prices of the security in question.

5.5.2 Interest rate warrants

Interest rate warrants securitise the right to buy (call) or sell (put) bonds or to receive a compensatory payment in cash if the bond price exceeds (call) or falls below (put) a certain level. As a buyer of interest rate warrants, the price development of the bond is decisive for you, which in turn is largely dependent on the development of the market interest rate level in the country concerned. As a holder of interest rate call warrants (interest rate put warrants), you generally benefit from falling (rising) capital market interest rates, as falling (rising) capital market interest rates mean rising (falling) bond prices.

5.5.3 Currency warrants

Currency warrants securitise the right to buy (call) or sell (put) a certain amount of a defined currency or to receive a compensation payment if the exchange rate exceeds (call) or falls below (put) a certain level. If you are the holder of a call warrant (put warrant), you generally benefit from rising (falling) exchange rates.

5.5.4 Commodity warrants

Commodity warrants generally securitise the right to receive a compensation payment if the price of a commodity exceeds (call) or falls below (put) a certain level. The price of call warrants generally rises if the price of the commodity rises, whereas put warrants usually rise if the price of the commodity falls.

5.5.5 Index warrants

Index warrants securitise the right to receive a compensation payment if a certain index level is exceeded (call) or not reached (put). An equity index, a bond index or another index can serve as the underlying for index warrants. The price of call warrants generally rises when the index rises and falls when the index falls; put warrants, on the other hand, rise when the index falls and fall when the index level rises.

5.5.6 Basket warrants and turbo warrants

Special forms of warrants are "basket warrants" and "turbo warrants". Basket warrants generally entitle the holder to purchase (call) a precisely defined basket of underlying securities (e.g. shares of

various companies in a specific industry in one or more countries). Turbo warrants can also authorise the holder to purchase other warrants and therefore have comparatively high leverage.

5.6 Over-the-counter (OTC) options

OTC options are concluded directly between a buyer and the seller (so-called "writer") of an option outside an exchange. OTC options are only securitised in exceptional cases and are not listed on an exchange. A position from the purchase or sale of an OTC option can therefore only be cancelled ("closed out") with the same counterparty by means of a corresponding offsetting transaction.

Standardised OTC options

In particular, currency and precious metal options are publicly offered for sale or purchase by professional market participants with standardised specifications (market practice). The market is considered transparent and liquid. It is therefore generally unproblematic to close out option positions prematurely.

"Tailor-made OTC options

The rights and obligations of the options can also be agreed individually, tailored to the specific needs of the buyer or seller. The design options are therefore practically unlimited. Due to the individual there is no actual market for these OTC options. Early settlement is therefore only possible if the counterparty agrees.

5.7 "Exotic" options

5.7.1 Basics

In addition to the "ordinary" call and put options described in section 5.4, there are numerous so-called "exotic" options. Compared to the "ordinary" call and put options, the "exotic" options have additional conditions or agreements - in particular special payout and risk structures - which cannot be brought about by any combination of "ordinary" call and put options alone or together with underlying assets. Exotic options occur both as tailor-made OTC options and in the form of warrants.

5.7.2 Examples of "exotic" options

The following overview describes some typical "exotic" options:

5.7.2.1 Path-dependent options

In the case of path-dependent options, the market value of the underlying asset is not only important at the time of maturity or exercise, but also during the term of the option. It is therefore particularly important for these products that the investor also takes into account possible fluctuations in the underlying asset during the term of the option.

"Barrier options"

The rights from barrier options arise ("knock-in barrier option") or expire ("knock-out barrier option") if the market value of the underlying reaches or exceeds a specified limit ("barrier", also "in-strike" or "outstrike") within a certain period of time. If this barrier lies between the value of the underlying asset at the time the option is entered into and the exercise price, these are also referred to as "kick-in" or "kick-out" barrier options. "Double-barrier options are barrier options with two barriers (as upper and lower limits) and can occur as knock-in or knock-out barrier options. This type of option is also known as a "range option".

"Payout options"

"Payout options pay out a fixed amount fixed in advance. The payout for a digital option or binary option is made if the market value of the underlying asset reaches at least a fixed value ("barrier") once during a certain period ("one-touch digital option") or on the maturity date ("all-or-nothing digital option"). With the one-touch digital option, the fixed amount is paid out either immediately after the barrier is reached or on the maturity date. The latter variant is also known as a "lock-in option". With a "lock-out option", on the other hand, the fixed amount is only paid out on the maturity date if the barrier is not reached by the market value of the underlying asset during a certain period of time.

Asian options

With an Asian option, the market value of the underlying asset is recorded periodically over a certain period of time. The average value determined in this way is used to determine the value of the underlying security in the case of an average-rate option and to calculate the strike price in the case of an average-strike option. In comparison with the strike price determined at the beginning of the calculation period, the actual strike price may be significantly higher for the buyer of a call option or significantly lower for a put option in the case of an average-strike option and significantly lower or higher for the writer of a call option than for a put option.

"Lookback options"

In the case of a lookback option, the market value of the underlying asset is recorded periodically over a certain period of time. In the case of a strike-lookback option, the lowest value is recorded at the strike price for a call option and the highest value for a put option. With the price-lookback option, the strike price remains unchanged; instead, the highest value is recorded for the valuation of the underlying security in the case of a call option and the lowest value in the case of a put option.

"Contingent options"

In the case of contingent options, the premium is only due if the market value of the underlying asset reaches the strike price during the term of the option (American option) or on the maturity date (European option).

"Cliquet and ladder options"

With the "cliquet option" (also known as the "ratchet option"), the exercise price for the following period is adjusted to the market value of the underlying asset at certain, usually regular, intervals, and an intrinsic value of the option is locked in and accumulated during the term of the option.

The "ladder option" works in a similar way to the "cliquet option", but the adjustments are not made periodically, but when certain market values of the underlying asset are reached. Generally, only the highest intrinsic value ("lock-in") is fixed; less frequently, all fixed intrinsic values are offset.

5.7.2.2 Options on several underlyings "spread options" and "outperformance options"

Both types of option relate to two underlyings. While the absolute difference in the performance of the underlyings is used to determine the option value in the case of the spread option, the relative difference, i.e. the percentage outperformance of one underlying over the other, is decisive in the case of the outperformance option.

5.7.2.3 "Compound Options"

"Compound options are options on options as underlyings, i.e. call options on call or put options and put options on call or put options.

5.8 Special risks associated with warrants

If you are interested in warrants as an investment instrument, please first familiarise yourself with how they work and their typical risks, as otherwise the probability of losses or even a total loss is very high.

5.8.1 General price risk

Before buying a warrant, make sure that there is a sufficiently liquid market for it. You should also avoid placing unlimited orders as far as possible. The actual or expected future price development of the underlying asset plays an important role in the price formation of warrants. You should therefore always keep a close eye on the price of the underlying asset. A warrant basically only offers the possibility of a price gain and does not generate any current income.

5.8.2 Leverage risk

The warrant is characterised by its leverage effect on the earnings potential of the capital invested, as the warrant reacts disproportionately to changes in the price of the underlying asset. The leverage can influence the price not only upwards in favourable price phases, but also downwards in unfavourable price phases. The greater the leverage of the warrant, the riskier the purchase of a warrant. The leverage effect is particularly pronounced in the case of warrants with very short remaining terms.

5.8.3 Risk of change in fair value

It is not only changes in the price of the underlying asset that determine the price of a warrant, but also the term of the warrant or the volatility of the underlying asset. Market participants can also influence the price of a warrant by being prepared to pay an amount for the warrant that differs to a greater or lesser extent from its intrinsic value based on their assessment of the future performance of the underlying asset. The time value of a warrant therefore changes daily.

5.8.4 Risk of impairment and total loss

The rights securitised in a warrant are usually limited in time and can expire or lose value. The shorter the remaining term of the warrant, the greater the risk of a loss in value.

Impairment

When selling a warrant, you may suffer losses if the price performance of the warrant that you expected does not materialise.

Total loss

The purchase of warrants can - irrespective of the issuer's financial performance - lead to a total loss of the amount you have invested simply due to unfavourable market developments and expiry of the term. If your expectations regarding market developments are not fulfilled or you waive your rights under the warrant or fail to exercise them, your warrant will expire worthless. You will then have lost your entire option investment, i.e. the purchase price plus the costs incurred. You must constantly monitor your position due to the possibility of a worthless expiry and the often high volatility of the

warrant. As with any legal transaction, you also bear the default risk of your business partner (credit risk or creditworthiness risk) with options transactions.

5.8.5 Currency risk with warrants

If you buy a warrant that is quoted in a foreign currency, you are also exposed to the typical currency risk. There may also be a currency risk if the payments due when the option is exercised are to be made in a foreign currency.

5.8.6 Issuer/counterparty risk for OTC transactions

In contrast to listed derivatives, whose obligations are guaranteed by the margin deposits of market participants, the counterparty risk in OTC transactions is concentrated on one institution.

5.8.7 Special risks of "exotic" options

Due to the practically unlimited possibilities for structuring exotic options, the risks arising in individual cases cannot be described in detail in this brochure. Investors must therefore familiarise themselves thoroughly with the risks of exotic options before buying or writing them. Investors must also be aware that large orders from customers or proprietary transactions by the issuer may trigger price movements that cause the option to expire worthless.

5.8.8 Influence of ancillary costs on the chance of winning

Before placing an order, find out about any costs that may be incurred. Minimum commissions or fixed commissions per transaction (purchase and sale) combined with a low order value (price of the warrant multiplied by the number of units) can lead to costs which, in extreme cases, can exceed the value of the warrants many times over. Further costs are incurred when the warrant is exercised. As a general rule, the higher the costs incurred, the later the break-even point is reached when the expected price development occurs.

5.8.9 Special risks of the option seller (writer risks)

The seller must expect the buyer to exercise the right even if the option is merely "at the money" or "out of the money", and in the case of "American" options even at any time before maturity.

5.8.9.1 Covered call options

The seller of a covered call option is in possession of underlying assets to the extent of the entire position (number of contracts x contract size: subscription ratio). If their market value exceeds the exercise price, the seller loses the corresponding profit opportunity. However, he bears the full risk of impending losses on the underlying assets as a result of falling market values. Losses are reduced by the premium received. Unless otherwise agreed, the underlying assets are blocked during the term of the option to secure the obligation and cannot be sold.

5.8.9.2 Uncovered call options

The seller of an uncovered call option is not in possession of the required underlying assets. In this case, the risk of loss for options with physical delivery is the difference between the strike price at which the underlying assets are to be delivered upon exercise and the price that must then be paid by the seller for the procurement of the underlying assets or, in the case of options with cash settlement, the price difference between the strike price and the market value of the underlying asset. As this can significantly exceed the strike price on exercise, the risk of loss is indeterminable

and theoretically unlimited. In particular, the seller of American options must expect that the exercise may take place in very unfavourable, loss-making market situations and that it may be difficult and therefore very expensive or even impossible to procure the required underlying assets in the case of a physical delivery obligation.

The seller must be aware that a possible loss may far exceed the collateral (margin cover) he has also deposited. Furthermore, the bank generally reserves the right to close out the position if the required additional collateral is not provided.

5.8.9.3 Put options

The seller of a put option faces considerable losses if the market value of the underlying asset falls below the strike price, namely in the amount of the difference between these two values. In particular, the seller of an "American" option with physical delivery must expect to buy the underlying assets in market situations in which it may be difficult or even impossible to sell the underlying assets if the seller does not wish to take them on, and only at a considerable loss. The market must also be sufficiently liquid to be able to buy the underlying assets. The seller is threatened with losses that may far exceed any collateral he has deposited (margin cover).

5.8.9.4 Call and put options on forward transactions

Sellers of call or put options undertake to buy or sell futures when they are exercised and are therefore subject to the risks described above. Once exercised, the characteristics and risks described in the "Forward transactions" section below apply.

6. Forward transactions

6.1 Basics

Forward transactions can be associated with special financial risks. They should therefore only be entered into by investors who are familiar with this type of transaction and have sufficient liquid funds. They should also be in a position to bear possible losses. This brochure contains some basic information on the main features of forward transactions and the risks normally associated with forward transactions. A forward transaction involves the obligation to take delivery of or deliver a certain quantity of a certain underlying asset at a price agreed when the contract is concluded on a certain date (on or after the maturity date). The difference between an option and a forward transaction is therefore that an option represents a right, but not an obligation, for the buyer to buy or sell the underlying asset. In an option transaction, only the seller of the option (writer) has the obligation to deliver or take delivery against payment if the option holder exercises his right. In a forward transaction, on the other hand, there is a definite obligation to both deliver and take delivery against payment.

The shorter the term of a forward transaction, the smaller the difference between the forward price and the spot price. Over time, the forward price and the spot price converge. If we look at the pricing factors for options and futures, it becomes clear that the price trend on the futures market is closely linked to the price trend on the spot market. In functioning markets, there is a balance between forward and spot prices. If the price relationship between the spot and futures markets is permanently disrupted, arbitrage processes set in to rebalance the price relationship between the two markets.

A leverage effect also arises in futures transactions because the investor participates in the price changes of the underlying asset by paying in only part of the contract value. Therefore, even small price movements in the underlying asset - in relation to the capital invested - can result in considerable gains, but also equally high losses.

The difference between the buy and sell price determines profits and losses from the investment, whereby other costs (e.g. transaction costs) must also be taken into account.

6.2 Underlyings

The following may be considered as underlyings: assets (shares, bonds, commodities, precious metals); reference rates (currencies, interest rates, indices).

6.3 Features

6.3.1 Types of forward transactions

"Futures" are exchange-traded forward transactions (contracts) that are standardised with regard to the quantity of the underlying asset and maturity date.

"Over-the-counter (OTC) forward transactions"

(also known as "forwards") are non-exchange-traded contracts with standardised or individually agreed contract specifications between buyer and seller

6.3.2 Margin requirement or margin cover

An initial margin is determined for both the purchase and the (short) sale of an underlying asset forward when the contract is concluded. This is usually expressed as a percentage of the contract value. In addition, a variation margin is determined periodically throughout the term of the contract. This represents the book profit or book loss resulting from the change in value of the contract or the underlying asset. The variation margin can be a multiple of the initial margin. The modalities for calculating the variation margin during the term of the contract or in the event of it being closed out are determined by the relevant exchange rules or contract specifications in each individual case.

For the entire term of the contract, the investor must maintain margin cover with the securities dealer to the extent required for the variation margin.

6.3.3 Settlement or fulfilment

In principle, the investor may close out contracts at any time before maturity or by the last trading day of the respective contract. However, the investor must note that closing out is only possible up to the time announced by the credit institution. Depending on the type of contract or exchange practice, the contract is closed out either by selling the contract or by concluding an opposite contract with regard to the delivery or purchase obligation with otherwise identical specifications. As a result of closing out by concluding an offsetting contract, the delivery or purchase obligations resulting from the two contracts neutralise each other.

Contracts that are not closed out by their maturity date or last trading day must be fulfilled by the parties, whereby the following principles apply:

Contracts with assets as underlying can be fulfilled either by actual delivery of the underlying or by cash settlement. As a rule, such contracts are fulfilled by actual delivery of the underlying asset, unless the contract specifications or the practice of the relevant exchange exceptionally provide for

cash settlement. The respective contract specifications are decisive for the further modalities of fulfilment, in particular for determining the place of fulfilment.

Contracts with reference rates as the underlying (with the exception of currencies) cannot be fulfilled by actual delivery of the underlying. Effective delivery is always replaced by cash settlement.

In the case of effective delivery of the underlying asset, the full contract value must be paid, whereas in the case of cash settlement, only the difference between the price agreed when the contract was concluded and the current market value at the time of fulfilment must be paid. The investor must therefore have more liquid funds for contracts with effective delivery than for contracts with cash settlement.

6.4 Risks

6.4.1 Changes in the value of the contract or the underlying asset

Every investor who utilises strategies with futures transactions has a certain expectation regarding the change in value of the contract or the underlying asset in the relevant time period. If this change in value does not meet the investor's expectations, his risk is as follows: If the value of the contract or the underlying rises, the seller must still deliver the underlying on a forward date at the originally agreed price, which may then be considerably lower than the current market value. For the seller, the risk therefore lies in the difference between the price agreed when the contract was concluded and the current market value on the maturity date. As the market value can theoretically rise indefinitely, the potential loss for the seller is unlimited and can be considerably higher than the margin requirements.

If the value of the contract or the underlying asset falls, the forward buyer must nevertheless take delivery of the underlying asset at the originally agreed price, which may then be considerably higher than the current market value. For the buyer, the risk therefore lies in the difference between the price agreed when the contract was concluded and the current market value on the maturity date. The buyer therefore risks suffering a maximum loss equal to the originally agreed price. This loss can be considerably higher than the margin requirements. Like warrants, forward transactions are also dependent on the extent of market fluctuations (volatility).

Even before the settlement date, the party involved in a forward transaction is exposed to certain risks, namely price risks. Against this background, you should closely monitor the performance of the underlying asset. As with any legal transaction, you also bear the default risk of your counterparty in forward transactions (credit risk or creditworthiness risk).

6.4.2 Difficult or impossible to close out

In order to limit excessive price fluctuations, an exchange may set price limits for certain contracts. With such contracts, the investor must be aware that it is considerably more difficult or even temporarily impossible to close out contracts if the price limit is reached. Investors should therefore inform themselves about any existing price limits before entering into a futures transaction.

6.4.3 Acquisition of the underlying asset for short sales

Anyone who sells an underlying asset forward without already owning it when the contract is concluded (short sale) also bears the risk of having to procure the underlying asset at an unfavourable current market value in order to be able to fulfil his obligation to effectively deliver the underlying asset at maturity.

6.4.4 Special risks of over-the-counter (OTC) forward transactions

The market for standardised OTC forward transactions is generally transparent and liquid. It is therefore generally possible to close out contracts.

There is no actual market for OTC forward transactions with individually agreed contract specifications. Closing out is therefore only possible with the consent of the counterparty. In contrast to listed derivatives, whose obligations are guaranteed by the margin deposits of market participants, the counterparty risk in OTC transactions is concentrated on one institution (see section "Investments in emerging markets", point 10 below).

6.4.5 Combination transactions

Due to the large number of possible combinations, the risks arising in individual cases cannot be described in detail in this brochure. As combination transactions consist of various elements, the risks can change significantly if individual elements of the overall position are closed out. Investors should therefore familiarise themselves in detail with the specific risks of combination transactions before entering into them.

7. Structured products and structured deposits

7.1 Basics

Structured products are combinations of two or more financial instruments that together form a new type of investment product. At least one of these must be a derivative. Structured products with capital protection are currently the most common on the market. However, the products also offered without capital protection reduce the risk of loss in a different way. Each structured product has its own risk profile, as the specific risks of the individual investment products are either fully or partially reduced, eliminated or increased. It is therefore of the utmost importance that the customer obtains precise information about the risk behaviour of such a product before purchasing it, for example on the basis of the relevant product descriptions. Structured products are generally not listed on a stock exchange. However, the issuing bank usually ensures permanent secondary trading. Depending on the issuer, the prices can be taken from some newspapers.

A structured deposit combines a traditional money market investment and a currency or precious metal option. Structured deposits can pursue various investment strategies. What they all have in common is that the initial investment amount is repaid at maturity, either in the amount invested or in another currency at a predetermined exchange rate.

7.2 Capital-guaranteed structured products/structured deposits

Capital-guaranteed structured products and structured deposits consist of two financial instruments, namely a bond or a money market investment and an option. These products make it possible to participate in the performance of one or more underlyings (currencies, assets, reference rates) with the help of the option part and at the same time limit the potential loss (capital protection) with the help of the bond/money market component (capital-guaranteed part). The capital-guaranteed part and the option part can be separated ("split") in some products. This enables the purchaser to hold or sell the individual components independently of each other. The value of a capital-guaranteed structured product/structured deposit is therefore determined by the guaranteed capital component, which may be less or more than 100% of the capital invested, and by a predetermined

percentage of the price increase of the underlying asset, which may be less than, equal to or greater than 100%.

7.2.1 Capital guaranteed portion

The capital-guaranteed portion repaid on maturity consists of a capital component and an interest component. It determines the extent to which the purchase price of the capital-guaranteed structured product/structured deposit is paid out and therefore the minimum return the purchaser receives regardless of the performance of the option component. The capital-guaranteed portion refers to the nominal value and therefore not to the price paid at the time of issue or to the purchase price in a secondary market. The capital-guaranteed portion will therefore be lower as a percentage of the invested capital if the purchase price or the price paid at the time of issue is higher than the nominal value, or higher if the purchase price is lower than the nominal value.

7.2.2 Options section

The option portion determines the manner and extent to which the purchaser of the capital-guaranteed structured product/structured deposit participates in the performance of the underlying assets. In this respect, it determines the profit potential over and above the capital-guaranteed portion. Participation is granted through an option or a combination of options. The risk behaviour of the option component therefore corresponds to that of the corresponding option or combination of options, meaning that the option component may expire worthless.

7.2.3 Special risks of capital-guaranteed structured products/structured deposits

If the price of the underlying rises and is not above the strike price as expected on the maturity date, the investor receives the previously determined percentage of the rise in the price of the underlying in addition to the guaranteed capital share. However, the amount paid out may still be less or only slightly more than the capital invested, which means that the return may be lower than for a money market investment with an equivalent term. If the price of the underlying asset is at or below the strike price on the maturity date, the investor will only receive the guaranteed portion of the capital invested. The risk for the investor therefore lies in the worthless expiry of the option component, for example a Capital Protected Unit (CPU), which corresponds to the difference between the price paid and the agreed capital guarantee.

If the price of the underlying asset falls below the price at the time of purchase during the term, the value of the overall product may even fall below the capital-guaranteed amount due to interest rate effects. In addition, the capital protection depends on whether the issuer of the protection can fulfil its obligations. Furthermore, capital protection is only guaranteed if you hold the product until maturity and no early redemption is requested. In connection with structured deposits, there is a risk that the bank with which the investment in the money market instrument was made may not be able to fulfil its repayment obligations. The following examples illustrate some possible forms of participation. For the sake of simplicity, they only show scenarios based on the assumption that a capital-guaranteed derivative is held to maturity.

Capital-guaranteed structured products/structured deposits with unlimited profit potential

With such instruments, the purchaser participates proportionally in the performance of the underlying assets. His percentage share in the performance of the underlying assets depends, among other things, on the extent to which the invested capital is hedged. Depending on the product, the

participation can be either linear, progressive or degressive in relation to the performance of the underlying asset.

Capital-guaranteed structured products/structured deposits with limited profit potential

With these instruments, the purchaser only participates in the performance of the underlying assets up to a certain limit. If the underlying assets move beyond this limit in the same direction, the purchaser no longer participates in this increase in value. However, the purchaser will generally participate more in the performance of the underlying assets up to this limit than in the case of a capital-guaranteed derivative with unlimited profit potential.

Capital-guaranteed structured products/structured deposits with fixed profit potential

In addition to the hedged capital, they offer the purchaser a certain payout if the underlying reaches, exceeds or falls below predefined thresholds on the maturity date or on certain key dates (in this case, the option component consists of a "barrier option") or if the underlying moves within a predefined range on the maturity date, on certain key dates or during the entire term (in this case, the option component consists of a "range option").

This means that, in addition to the other considerations regarding the performance of the underlying assets, the investor in these products should also have a clear expectation of the possible price fluctuations of the underlying assets during the relevant term.

7.2.4 Special risks in connection with structured products/structured deposits without capital protection

There are numerous structured products/structured deposits without capital protection. Only a few examples can be described in this brochure. You should read the product term sheet carefully before investing in structured products/structured deposits without capital protection.

7.2.4.1 Discount certificates

With a discount certificate, you have the right to buy an underlying instrument at a price below the market price (i.e. at a discount). At the same time, you agree to a limited price potential (i.e. cap). The potential return results from the difference between the reduced purchase price of the underlying instrument (e.g. share, index, basket, etc.) and the upper price limit (cap).

7.2.4.2 Reverse convertible

The investor receives a guaranteed coupon in a fixed currency, but agrees to a risk associated with his capital at maturity. Repayment is made in cash. At maturity, if the price of the underlying instrument (e.g. share, index, basket, etc.) is higher than the strike price, you will receive the guaranteed coupon plus 100% of the initial capital invested (in cash). If the price of the underlying instrument is lower than the strike price, you will receive the coupon plus the underlying instrument at the strike price.

7.2.4.3 Risk of discount certificates and reverse convertibles

Capital protection is not guaranteed. The investor could receive the underlying instrument instead of the invested capital or a cash amount at the strike price. The capital risk is closely linked to the price performance of the underlying instrument. Under certain circumstances, liquidity may be limited and products denominated in a currency other than the underlying instrument may also expose the investor to currency risks.

7.2.4.4 Structured deposits repaid in alternative currency

Depending on the underlying, certain structured deposits can be repaid in an alternative currency (in deviation from the amount invested).

7.2.4.5 Risks associated with the repayment of structured deposits in alternative currencies

The investor assumes the risk that the repayment of the initial investment amount and the maximum fixed return will not be made in the investment currency but in an alternative currency. Conversion back into the investment currency may result in a loss. The potential loss is the difference between the initial investment amount and the amount received at maturity, which could be significantly lower than the initial investment amount due to the conversion back into the investment currency at the prevailing exchange rate.

8. Synthetic products

8.1 Basics

Synthetic products duplicate the loss and profit structure of one or more conventional financial instruments. For example, holding a share portfolio or writing call options as a writer are duplicated.

Synthetic products are combinations of two or more investment products into one effect. The investor must be aware that - due to the imperfection of the markets - the risks associated with the synthetic products may nevertheless differ from the risks of the duplicated investments. It is therefore of the utmost importance that the customer obtains precise information about the risk behaviour of a synthetic product before purchasing it, for example on the basis of the relevant product descriptions. As a rule, synthetic products are not listed on a stock exchange. However, the issuing bank usually ensures permanent secondary trading. Depending on the issuer, the prices can be taken from the financial press.

8.2 Synthetic writer transactions

8.2.1 Basics

In the case of covered short transactions, the potential loss is reduced by the amount of the premium received for the sale of the call option ("covered short") by buying a security (share/bond/currency) and simultaneously selling a call option on the same security. At the same time, the profit potential is limited to the increase in value up to the strike price. In a synthetic writer transaction, this hedge is established in a single transaction.

8.2.2 Features

Synthetic covered options are fixed-term investments that are repaid in cash or by physical delivery of the corresponding underlying asset on the maturity date. As a rule, first-class shares or bonds serve as the underlying. The relevant product descriptions provide additional information on the individual products. The purchase price of such a security corresponds to the price of the underlying less the option premium received for the sale of the call option. If the price of the underlying security is at or below the fixed price (strike price) on the final valuation date, the investor receives physical delivery of the underlying security. In all other cases, the investor receives the cash amount specified at the time of issue. In favourable cases, the return will be higher than for a money market investment with an equivalent term.

8.2.3 Risks

In contrast to the capital-guaranteed derivative, there is no hedge against the risk of loss in the case of synthetic writer transactions.

Price losses of the underlying asset. Due to the sale of options (call option) included in this type of transaction or the sales proceeds offset in the product price, a loss on the underlying asset is less than in the case of a direct investment in the underlying asset.

The following risks arise depending on the share price performance:

If the price of the underlying asset rises and the closing price of the underlying asset is higher than the exercise price of the option determined at the time of fixing, the investor receives the cash payment of the redemption price determined at the time of fixing. If the closing price is not as high as expected, the return may be lower than for a money market investment with an equivalent term.

If the price of the underlying asset is at or below the fixed strike price of the option at the time of fixing, the investor receives physical delivery of the underlying asset. In this case, the potential loss is linked to the price loss of the underlying asset at the final fixing. As with the effective holding of the underlying, the potential price loss is theoretically unlimited.

8.3 Index, region and basket certificates

8.3.1 Basics

Each certificate is based on a number of selected underlyings: The index certificates reflect an overall market. They are based on an official index (for example: German Share Index [DAX]). The regional certificates are selected according to specific regions (e.g. Eastern Europe, Pacific region). Basket certificates are made up of a selection of national or international companies from a specific sector (e.g. biotechnology, machinery, precious metals), indices, bonds or other underlyings.

8.3.2 Features

By investing in index, regional and basket certificates, every investor is able to invest in a selected larger number of shares with a small amount of capital. This means that the higher risk of an individual investment can be reduced to the lower market or sector risk. These certificates are securitised and can be traded at any time. The term is usually one to three years. In addition, the transaction costs are lower than for direct investments in the corresponding shares. Repayment is made on maturity of the certificate on an index in the amount of one currency unit (e.g. euro) per index point;

On a region or a basket in the amount of the difference between the market value at maturity and the exercise price.

8.3.3 Risks

An investment in an index, region or basket certificate has the same risk of profit and loss as a comparable direct investment in shares. However, the risk is reduced by the diversification (allocation to different investment values) of the index, region or basket compared to an investment in a single share. With this form of investment, however, special attention must be paid to the issuer risk, i.e. the creditworthiness of the issuer must be included in the risk assessment.

9. Specific issuer/counterparty risk for derivative transactions

Particularly in connection with derivative instruments, focussing on the price performance of the underlying asset means there is a danger of neglecting the risk of the counterparty or not including it at all in the risk assessment when purchasing a derivative product. While the corresponding clearing house of the exchange is the counterparty for exchange-traded options and futures, the ability of the issuer of the product to fulfil its obligations should be taken into account for warrants, OTC futures and structured or synthetic products

10. Investments in emerging markets

10.1 Basics

Emerging markets are securities markets in countries that are characterised by political instability and relatively uncertain financial markets and economic development, among other things. Emerging markets include countries whose stock markets are still developing, which have a weak economy or are labelled as developing countries. The list of countries with emerging markets is constantly changing. Investments in emerging markets should only be made by people who know these markets inside out and are therefore in a position to weigh up the various risks.

10.2 Features

All types of investments in emerging market countries are associated with specific risks that are absent in developed markets. This also applies if the issuer/provider of a product has its registered office or the centre of its activities in such a country. In addition to these specific risks, there may be further risks. Investments in products from such providers or issuers are therefore often speculative.

10.3 Risks

Investments in emerging markets entail the following additional risks in particular:

10.3.1 Political risk

Political inexperience on the part of the government or instability in the political system harbour an increased risk of short-term and fundamental upheavals in the economy and politics. For investors, this can mean, among other things, that their assets are confiscated without compensation, that their power of disposal over them is restricted, that state intervention in certain industries drastically reduces their value or that state monitoring and control mechanisms are introduced.

10.3.2 Economic risk

The economy of an emerging market country reacts more sensitively to changes in interest rates or inflation rates, which are already much more sensitive. In addition, such an economy is more one-sided and therefore a single event can have a much greater impact on the entire economy of a country or individual areas of it. Furthermore, such countries have a thinner capital base. Finally, these countries often lack an adequate financial market structure and supervision.

10.3.3 Credit risk

Investments in debt securities (e.g. bonds, notes) issued by emerging market governments or companies tend to be associated with greater risks than those in established markets due to a lack of creditworthiness, high government debt, debt restructuring, a lack of transparency in the market or a

lack of information about the market and companies. Furthermore, it is much more difficult to assess credit risks due to different valuation standards and the lack of ratings.

10.3.4 Currency risk

Currencies of emerging market countries are subject to major unpredictable fluctuations. It is also important to note that some countries have currency export restrictions or may introduce them at short notice. Although losses from currency fluctuations can be absorbed by hedging, they cannot always be completely ruled out.

10.3.5 Market risk

Due to underdeveloped financial market monitoring instruments, market transparency, liquidity, efficiency and regulation are often inadequate in the emerging markets. In addition, these markets are characterised by high volatility and large price differences. Finally, there is an increased risk of market manipulation and insider trading due to a lack or absence of regulation.

10.3.6 Market liquidity risk

Liquidity depends on supply and demand. However, this relationship can be influenced much more quickly and permanently in emerging markets due to social, economic and political changes as well as natural disasters. In extreme cases, the result is illiquidity, which can mean that investors cannot sell their investments.

10.3.7 Regulatory and legal risk

The absence or lack of financial market supervision can mean that legal claims are difficult or impossible to enforce

10.3.8 Fulfilment risk

Some emerging markets have different central clearing and settlement systems, if at all. The often outdated systems can also lead to errors in settlement and considerable delays in delivery and fulfilment.

10.3.9 Shareholder risk/creditor risk

Regulations to protect the rights of shareholders or creditors (e.g. disclosure obligations, prohibition of insider trading, management obligations, minority protection) are often inadequate or completely absent.

11. Risks of CFDs

11.1 CFD on currencies

CFDs on currency trading pairs are instruments traded over-the-counter (OTC) and represent a contract designed to hedge profit or avoid loss by reference to fluctuations in an underlying asset, such as the euro (EUR) against the US dollar (USD), referred to as EURUSD.

Such trades do not entitle you to any rights in respect of the underlying currencies, including any rights of delivery, purchase or ownership.

One of the main features of CFDs is that they are traded on a margin or leverage basis, which means that you only need to set a small portion of the notional value of the contract as margin. However,

this means that the size of your positions and the potential gains and losses are magnified in relation to your investment, leading to greater risks. It also means that you may lose more than you invest.

WHAT RISKS AND OPPORTUNITIES EXIST



The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money due to market movements or because we are unable to pay you. We have categorised this product as 7 out of 7, which is the highest risk class. This rates the potential losses from future performance at a very high level.

The risk is high, because:

- Instrument is volatile and subject to higher price fluctuations.
- Losses can widen with reduced liquidity.
- You could lose your entire investment.
- You could lose more than your original investment.

Be aware of the currency risk: If your account currency is different from the winning or losing currency, then you also have an additional currency risk when trading this product, which depends on the exchange rate between the two currencies. This risk is not taken into account in the indicator shown above. You may have to make additional payments to cover losses. The total loss you may suffer may significantly exceed the amount invested.

Trading risks are magnified by leverage, so the total loss you may suffer can significantly exceed the amount invested. In times of high volatility or market/economic uncertainty, values can fluctuate significantly. Such swings are even more significant if your positions are leveraged and can also have a detrimental effect on your position. Consequently, margin calls can be made quickly or frequently. In the event of a default, the broker will seek to terminate, cancel and close out outstanding positions immediately, in whole or in part, with any shortfall to be borne by you. Do not trade until you have recognised and accepted the risks. You should carefully consider whether trading in leveraged products is suitable for you.

Future market developments cannot be accurately predicted. The scenarios shown are only an indication of some of the possible outcomes based on recent returns. Actual returns could be lower.

PERFORMANCE SCENARIOS

There are a number of types of trading risks, including leverage risk, that you should be aware of before you start trading. Factors that affect the performance of this product include, but are not limited to:

- Exploiting risk
- Risk of unlimited loss
- Margin risk
- Foreign currency risk
- Market risk
- Unregulated market risk

- Risk of market disruptions
- Counterparty risk
- Online trading platform and IT risk
- Conflicts of interest

Some examples of trading profits are given below for a better understanding.

Let's assume that the market price in EURUSD is trading at 1.10499/1.10500. You believe that the euro (EUR) will rise against the US dollar (USD) and want to take advantage of this upward trend. You therefore decide to buy 100,000 EURUSD at 1.10500.

Favourable scenario

Two days later, the EUR has strengthened against the USD and you decide to realise your profit by closing your EURUSD long position.

The market price in EURUSD is trading at 1.10600/1.10601. The profit you realised on the transaction, before adjustments and taxes, is USD 100.00. The profit/loss is calculated by multiplying the price change (closing price to opening price) by the nominal amount of the position, i.e. the difference between 1.10600 and 1.10500 (= 0.00100 or 10 pips) x 100,000 = 100.00 USD.

Moderate scenario

The market price in EURUSD is trading at 1.10510/1.10520 EUR and you decide to close your EURUSD long position.

The profit you realised on the transaction before adjustments and taxes is $100,000 \times (1.10510 - 1.10500) = 10.00$ USD.

Unfavourable scenario

The market price in EURUSD is trading at 1.10400/1.10410 EUR and you decide to close your EURUSD long position.

The profit you made on the transaction before adjustments and taxes is $100,000 \times (1.10400 - 1.10500) = -100.00$ USD, so you have realised a loss of 100.00 USD before transaction costs.

WHAT HAPPENS IF THE PARTICIPATING BROKER AND ISSUER OF THE CFD IS UNABLE TO PAY OUT?

If an issuer (or broker) is unable to pay you the amounts owed, you could lose your entire investment. However, the investor compensation fund of the country concerned will protect you up to the maximum amount that the country has set by law. The indicator shown above does not take this protection into account.

11.2 CFD on shares

CFDs on shares are instruments traded over the counter (OTC) and represent a contract in which the profit is to be hedged or a loss avoided by reference to fluctuations in an underlying asset, such as AAPL (Apple Inc.).

Such trades do not entitle you to any rights in respect of the underlying equity, including any rights of delivery, purchase or ownership.

One of the main features of CFDs is that they are traded on a margin or leverage basis, which means that you only need to set a small portion of the notional value of the contract as margin. However,

this means that the size of your positions and the potential gains and losses are magnified in relation to your investment, leading to greater risks. It also means that you may lose more than you invest.

The aim of trading CFDs on shares is to gain exposure to fluctuations related to the underlying asset without owing it. The spread, financing and exchange rate movement determine its profitability. This product is entered into for speculative or hedging purposes and is usually traded on margin.

WHAT RISKS AND OPPORTUNITIES EXIST



The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money due to market movements or because we are unable to pay you. We have categorised this product as 7 out of 7, which is the highest risk class. This rates the potential losses from future performance at a very high level.

The risk is high, because:

- Instrument is volatile and subject to higher price fluctuations.
- Losses can widen with reduced liquidity.
- You could lose your entire investment.
- You could lose more than your original investment.

Be aware of the currency risk: If your account currency is different from the winning or losing currency, then you also have an additional currency risk when trading this product, which depends on the exchange rate between the two currencies. This risk is not taken into account in the indicator shown above. You may have to make additional payments to cover losses. The total loss you may suffer may significantly exceed the amount invested.

Trading risks are magnified by leverage, so the total loss you may suffer can significantly exceed the amount invested. In times of high volatility or market/economic uncertainty, values can fluctuate significantly. Such swings are even more significant if your positions are leveraged and can also have a detrimental effect on your position. Consequently, margin calls can be made quickly or frequently. In the event of a default, the broker will seek to terminate, cancel and close out outstanding positions immediately, in whole or in part, with any shortfall to be borne by you. Do not trade until you have recognised and accepted the risks. You should carefully consider whether trading in leveraged products is suitable for you.

Future market developments cannot be accurately predicted. The scenarios shown are only an indication of some of the possible outcomes based on recent returns. Actual returns could be lower.

PERFORMANCE SCENARIOS

There are a number of types of trading risks, including leverage risk, that you should be aware of before you start trading. Factors that affect the performance of this product include, but are not limited to:

- Exploit risk
- Risk of unlimited loss

- Margin risk
- Foreign currency risk
- Market risk
- Unregulated market risk
- Risk of market disruptions
- Counterparty risk
- Online trading platform and IT risk
- Conflicts of interest

The following are some examples of trading profits for better understanding. Let's assume that the market price of a share of AAPL (Apple Inc.) is trading at \$153 and the company charges a commission of \$0.15 per share traded. You believe that the price of AAPL will rise and want to take advantage of this move. You therefore decide to buy 10 shares of AAPL at a price of USD 153.

Favourable scenario

Two days later, the price of AAPL rises and you decide to realise your profit by closing out your long position in AAPL.

AAPL is currently trading at a market price of USD 160 per share. The profit you realised on the transaction, before adjustments and taxes, is USD 67. The gain/loss is calculated by multiplying the price change (closing price to opening price) by the notional amount of the position, i.e. the difference between 153 and 160 (= USD 7) x 10 shares = USD 70, and subtracting the commission charged by the company, i.e. USD 0.15 x 10 shares bought + USD 0.15 x 10 shares sold = USD 3, so that the total amount of gain before adjustments and taxes would be USD 70 - USD 3 = USD 67.

Moderate scenario

AAPL is currently trading at a market price of USD 155 per share and you decide to close your long position in AAPL.

The amount of profit you realised on the transaction before adjustments and taxes:

10 shares sold at USD 155 (USD 1,550) - 10 shares bought at USD 153 (USD 1,530) - commission (USD 0.15 x 10 shares bought + USD 0.15 x 10 shares sold) = USD 17.

Unfavourable scenario

The market price of AAPL is trading at USD 150 and you decide to close your long AAPL position.

The profit you made on the transaction before adjustments and taxes is 10 shares sold at USD 150 (USD 1,500) - 10 shares bought at USD 153 (USD 1,530) - commission (USD 0.15 x 10 shares bought + USD 0.15 x 10 shares sold) = USD -33, which means that you realised a loss of USD 33.

WHAT HAPPENS IF THE PARTICIPATING BROKER AND ISSUER OF THE CFD IS UNABLE TO PAY OUT?

If an issuer (or broker) is unable to pay you the amounts owed, you could lose your entire investment. However, the investor compensation fund of the country concerned will protect you up to the maximum amount that the country has set by law. The indicator shown above does not take this protection into account.

11.3 CFD on indices

CFDs on indices are instruments traded over the counter (OTC) and represent a contract in which the profit is to be hedged or a loss avoided by reference to fluctuations in an underlying asset, such as the SPX500 (E-mini S&P500 index).

Such trades do not entitle you to any rights in respect of the underlying assets, including any rights to delivery, purchase or ownership.

One of the main features of CFDs is that they are traded on a margin or leverage basis, which means that you only need to set a small portion of the notional value of the contract as margin. However, this means that the size of your positions and the potential gains and losses are magnified in relation to your investment, leading to greater risks. It also means that you may lose more than you invest.

The aim of trading CFDs on indices is to gain exposure to the fluctuations of the underlying asset without owing it. The spread, financing and exchange rate movement determine its profitability. This product is entered into for speculative or hedging purposes and is usually traded on margin.

WHAT RISKS AND OPPORTUNITIES EXIST



The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money due to market movements or because we are unable to pay you. We have categorised this product as 7 out of 7, which is the highest risk class. This rates the potential losses from future performance at a very high level.

The risk is high, because:

- Instrument is volatile and subject to higher price fluctuations.
- Losses can widen with reduced liquidity.
- You could lose your entire investment.
- You could lose more than your original investment.

Be aware of the currency risk: If your account currency is different from the winning or losing currency, then you also have an additional currency risk when trading this product, which depends on the exchange rate between the two currencies. This risk is not taken into account in the indicator shown above. You may have to make further payments to cover losses. The total loss you may suffer may significantly exceed the amount invested.

Trading risks are magnified by leverage, so the total loss you may suffer can significantly exceed the amount invested. In times of high volatility or market/economic uncertainty, values can fluctuate significantly. Such swings are even more significant if your positions are leveraged and can also have a detrimental effect on your position. Consequently, margin calls can be made quickly or frequently. In the event of a default, the broker will seek to terminate, cancel and close out outstanding positions immediately, in whole or in part, with any shortfall to be borne by you. Do not trade until you have recognised and accepted the risks. You should carefully consider whether trading in leveraged products is suitable for you.

Future market developments cannot be accurately predicted. The scenarios shown are only an indication of some of the possible outcomes based on recent returns. Actual returns could be lower.

PERFORMANCE SCENARIOS

There are a number of types of trading risks, including leverage risk, that you should be aware of before you start trading. Factors that affect the performance of this product include, but are not limited to:

- Exploit risk
- Risk of unlimited loss
- Margin risk
- Foreign currency risk
- Market risk
- Unregulated market risk
- Risk of market disruptions
- Counterparty risk
- Online trading platform and IT risk
- Conflicts of interest

Some examples of trading profits are given below for a better understanding.

Assume that the market price of a contract of SPX500 (E-mini S&P 500) is trading at USD 2650 and the company charges a commission of USD 0.565 per contract traded. You believe that the price of the SPX500 will rise and want to take advantage of this move. You therefore decide to buy 10 contracts of SPX500 at USD 2650.

Favourable scenario

Two days later, the SPX500 price rises and you decide to realise your profit by closing your long SPX500 position.

The SPX500 is currently trading at a market price of 2700 USD per contract. The profit you realised on the transaction, before adjustments and taxes, is USD 488.7. The profit/loss is calculated by multiplying the price change (closing price to opening price) by the nominal amount of the position, i.e. the difference between 2650 and 2700 (= USD 50) x 10

contracts = USD 500.00, and deducting the commission charged by the Company, i.e. USD 0.565 x 10 contracts bought + USD 0.565 x 10 contracts sold = USD 11.3, so that the total amount of profit before adjustments and taxes would be USD 500.00 - USD 11.3 = USD 488.7.

Moderate scenario

SPX500 is currently trading at a market price of USD 2660 per contract and you decide to close your long position in the SPX500.

The amount of profit you realised on the transaction before adjustments and taxes:

10 contracts sold at 2660USD (26,600USD) - 10 contracts bought at 2650USD (26,500 USD) - commission (0.565USD x 10 contracts bought + 0.565USD x 10 contracts sold) = 88.7 USD.

Unfavourable scenario

The market price of SPX500 is trading at USD 2600 and you decide to close your long position in SPX500.

The profit made on the transaction before adjustments and taxes is 10 contracts sold at 2600 USD (26,000USD) - 10 contracts bought at 2650USD (26,500 USD) - commission (0.565USD x 10 contracts bought + 0.565USD x 10 contracts sold) = -511.3 USD, which means a realised a loss of 511.3 USD.

WHAT HAPPENS IF THE PARTICIPATING BROKER AND ISSUER OF THE CFD IS UNABLE TO PAY OUT?

If an issuer (or broker) is unable to pay you the amounts owed, you could lose your entire investment. However, the investor compensation fund of the country concerned will protect you up to the maximum amount that the country has set by law. The indicator shown above does not take this protection into account.

11.4 CFD on commodities

CFDs on commodities are instruments traded over the counter (OTC) and represent a contract in which the profit is to be hedged or a loss avoided by reference to fluctuations in an underlying asset, such as US oil (West Texas Intermediate crude oil WTI).

Such trades do not entitle you to any rights in respect of the underlying goods, including any rights of delivery, purchase or ownership.

One of the main features of CFDs is that they are traded on a margin or leverage basis, which means that you only need to set a small portion of the notional value of the contract as margin. However, this means that the size of your positions and the potential gains and losses are magnified in relation to your investment, leading to greater risks. It also means that you may lose more than you invest.

The aim of trading CFDs on commodities is to gain exposure to fluctuations in the underlying asset without incurring debt on it. The spread, financing and exchange rate movement determine its profitability. This product is entered into for speculative or hedging purposes and is usually traded on margin.

WHAT RISKS AND OPPORTUNITIES EXIST



The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money due to market movements or because we are unable to pay you. We have categorised this product as 7 out of 7, which is the highest risk class. This rates the potential losses from future performance at a very high level.

The risk is high, because:

- Instrument is volatile and subject to higher price fluctuations.
- Losses can widen with reduced liquidity.
- You could lose your entire investment.
- You could lose more than your original investment.

Be aware of the currency risk: If your account currency is different from the winning or losing currency, then you also have an additional currency risk when trading this product, which depends on the exchange rate between the two currencies. This risk is not taken into account in the indicator shown above. You may have to make additional payments to cover losses. The total loss you may suffer may significantly exceed the amount invested.

Trading risks are magnified by leverage, so the total loss you may suffer can significantly exceed the amount invested. In times of high volatility or market/economic uncertainty, values can fluctuate significantly. Such swings are even more significant if your positions are leveraged and can also have a detrimental effect on your position. Consequently, margin calls can be made quickly or frequently. In the event of a default, the broker will seek to terminate, cancel and close out outstanding positions immediately, in whole or in part, with any shortfalls

are to be borne by you. Only trade once you have recognised and accepted the risks. You should carefully consider whether trading in leveraged products is suitable for you.

Future market developments cannot be accurately predicted. The scenarios shown are only an indication of some of the possible outcomes based on recent returns. Actual returns could be lower.

PERFORMANCE SCENARIOS

There are a number of types of trading risks, including leverage risk, that you should be aware of before you start trading. Factors that affect the performance of this product include, but are not limited to:

- Exploiting risk
- Risk of unlimited loss
- Margin risk
- Foreign currency risk
- Market risk
- Unregulated market risk
- Risk of market disruptions
- Counterparty risk
- Online trading platform and IT risk
- Conflicts of interest

Some examples of trading profits are given below for a better understanding.

Let's assume that the market price for a barrel of US oil - West Texas Intermediate crude oil WTI - is trading at USD 52 and the company charges a commission of USD 0.09 per barrel traded. They believe that the price of US oil will rise and want to capitalise on this. You therefore decide to buy 10 barrels of US oil at USD 52.

Favourable scenario

Two days later, the price of US oil rises and you decide to realise your profit by closing your long position in US oil.

US oil is currently trading at a market price of USD 62 per barrel. The profit you have realised on the transaction, before adjustments and taxes, is USD 98.2. The profit/loss is calculated by multiplying the price change (closing price to opening price) by the notional amount of the position, i.e. the

difference between 52 and 62 (= USD 10) x 10 barrels = USD 100.00, and deducting the commission charged by the company, i.e. USD 0.09 x 10 barrels bought + USD 0.09 x 10 barrels sold = USD 1.8, so that the total amount of profit before adjustments and taxes would be USD 100.00 - USD 1.8 = USD 98.2.

Moderate scenario

US oil is currently trading at a market price of USD 55 per barrel and you decide to close your long position in US oil.

The amount of profit you realised on the transaction before adjustments and taxes:

10 barrels sold at 55USD (550USD) - 10 barrels bought at 52USD (520 USD) - commission (0.09USD x 10 barrels bought + 0.09USD x 10 barrels sold) = 28.2 USD.

Unfavourable scenario

The market price of US oil is trading at USD 50 and you decide to close your long position in US oil.

The profit you made on the transaction before adjustments and taxes is 10 barrels sold at 50 USD (500 USD) - 10 barrels bought at 52 USD (520 USD) - commission (0.09 USD x 10 barrels bought + 0.09 USD x 10 barrels sold) = 21.8 USD, which means that you realised a loss of 21.2 USD.

11.5 CFD on cryptocurrencies

CFDs on cryptocurrencies are instruments traded over-the-counter (OTC) and represent a contract to lock in profit or avoid a loss by referencing fluctuations in an underlying instrument, such as Bitcoin (BTC) against the US dollar, referred to as BTCUSD, for immediate delivery.

Such trades do not entitle you to any rights in relation to the underlying cryptocurrencies, including any rights to delivery, acquisition or ownership.

One of the main features of CFDs is that they are traded on a margin or leverage basis, which means that you only need to commit a small portion of the notional value of the contract as margin. However, this means that the size of your positions and the potential profits and losses are limited.

losses are magnified in relation to your investment, leading to greater risks. It also means that you may lose more than you invest.

The aim of trading CFDs on cryptocurrencies is to gain exposure to fluctuations related to the underlying currency pair without owing it. The spread, financing and exchange rate movement determine its profitability. This product is entered into for speculative or hedging purposes and is usually traded on margin.

WHAT RISKS AND OPPORTUNITIES EXIST



← lower risks and returns

Higher risks and higher returns →

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money due to market movements or because we are unable to pay you. We have categorised this product as 7 out of 7, which is the highest risk class. This rates the potential losses from future performance at a very high level.

The risk is high, because:

- Instrument is volatile and subject to higher price fluctuations.
- Losses can widen with reduced liquidity.
- You could lose your entire investment.
- You could lose more than your original investment.

Be aware of the currency risk: If your account currency is different from the winning or losing currency, then you also have an additional currency risk when trading this product, which depends on the exchange rate between the two currencies. This risk is not taken into account in the indicator shown above. You may have to make additional payments to cover losses. The total loss you may suffer may significantly exceed the amount invested.

Trading risks are magnified by leverage, so the total loss you may suffer can significantly exceed the amount invested. In times of high volatility or market/economic uncertainty, values can fluctuate significantly. Such swings are even more significant if your positions are leveraged and can also have a detrimental effect on your position. Consequently, margin calls can be made quickly or frequently. In the event of a default, the broker will seek to terminate, cancel and close out outstanding positions immediately, in whole or in part, with any shortfall to be borne by you. Do not trade until you have recognised and accepted the risks. You should carefully consider whether trading in leveraged products is suitable for you.

Future market developments cannot be accurately predicted. The scenarios shown are only an indication of some of the possible outcomes based on recent returns. Actual returns could be lower.

SPECIFIC RISK WARNING IN RELATION TO CRYPTOCURRENCY TRADING

The following risks are associated with the use of virtual currency, including trading in CFDs where the underlying asset is e.g. Bitcoin or Ethereum:

a) Volatility risk

The price volatility of each coin is extremely high.

The value of a virtual currency is determined by the public's interest in it and is based strictly on supply and demand. The value of the virtual currency can be derived from the continued willingness of market participants to exchange fiat currency for virtual currency, which can lead to a permanent and complete loss of value of a particular virtual currency should the market for that virtual currency disappear.

Media coverage of a virtual currency can strongly influence its value over a short period of time without any official organisation or mechanism controlling volatility.

b) Complex products

Virtual currencies are not suitable for all investors and therefore investors should not trade in such products unless they have the necessary knowledge and experience of that particular product; they should always be fully aware of and understand the specific characteristics and risks of these products and carefully consider whether trading or holding virtual currencies is suitable for you in light of your financial situation.

The valuation of the virtual currency is generally not transparent and highly speculative. In the worst case scenario, the product could be rendered worthless.

c) Technological and operational risk

Virtual currency can be subject to hacking and theft. The security of digital wallets and virtual currency trading and transaction platforms is not guaranteed. Users may be exposed to theft and total loss of assets.

d) Legal risk

Virtual currencies are not regulated. There is also no legal framework to protect consumers who buy goods or services with virtual currency or speculate on the price of unregulated assets.

Legal and regulatory changes or measures at state, EU or international level may adversely affect the use, transfer, exchange and value of the virtual currency.

e) Risk of involvement in criminal, terrorist or fraudulent activities or money laundering

Virtual currencies have been linked to fraud, money laundering and criminal or terrorist activities. Therefore, all market participants may be affected in the event of investigations or court orders.

IF YOU WANT TO SPECULATE ON THE PRICE OF A VIRTUAL CURRENCY OR MAKE TRANSACTIONS WITH A VIRTUAL CURRENCY

Make sure you understand the characteristics of these currencies and the risks you will be taking. The volatility and unpredictability of the price of virtual currency compared to fiat currency can lead to significant losses in a short period of time. You should carefully consider whether your financial situation and risk appetite are suitable for trading virtual currencies.

PERFORMANCE SCENARIOS

There are a number of types of trading risks, including leverage risk, that you should be aware of before you start trading. Factors that affect the performance of this product include, but are not limited to:

- Exploiting risk
- Risk of unlimited loss
- Margin risk
- Foreign currency risk
- Market risk
- Unregulated market risk
- Risk of market disruptions
- Counterparty risk
- Online trading platform and IT risk
- Conflicts of interest

Some examples of trading profits are given below for a better understanding.

Let's assume that the market price in BTCUSD is trading at 3629/3640 and the company charges a commission of 4.5% of the market value of your position. You believe that the

Bitcoin (BTC) will strengthen against the US dollar (USD) and want to capitalise on this upward trend. You therefore decide to buy 1 BTCUSD at 3640.

Favourable scenario

Two days later, the BTC has gained strength against the USD and you decide to realise your profit by closing your long BTCUSD position.

The market price in BTCUSD is trading at 3920/3940 USD. The profit you have realised on the transaction is USD 116.2 before adjustments and taxes. The profit/loss is calculated by multiplying the price change (closing price to opening price) by the nominal amount of the position, i.e. the difference between 3640 and 3920 (= 280USD) x 1 = 280.00 USD, and deducting the commission charged by the company, i.e. $4.5\% * (1 * 3640) = 163.8$.

Moderate scenario

The market price in BTCUSD is trading at 3890/3900 USD and you decide to close your long BTCUSD position.

The amount of profit you realised on the transaction before adjustments and taxes is $1 \times (3890 - 3640) - (4.5\% * 3640) = 86.2$ USD.

Unfavourable scenario

The market price in BTCUSD is trading at 3630/3640 USD and you decide to close your long BTCUSD position.

The amount of profit you made on the transaction before adjustments and taxes is $1 \times (3630 - 3640) - (4.5\% * 3640) = -173.8$ USD, so you realised a loss of 173.8 USD.

NO PROTECTION

Van Sterling is keen to emphasise that virtual currency transactions are not covered by the Financial Ombudsman's protection scheme or the Investor Compensation Fund.

PLEASE NOTE THAT TRADING IN CRYPTOCURRENCIES OR CFDS RELATED TO CRYPTOCURRENCIES DOES NOT ENTITLE THE INVESTOR TO THE RIGHT TO FILE A COMPLAINT WITH THE OMBUDSMAN IN THE EVENT OF A DISPUTE WITH THE COMPANY.

You should therefore exercise caution when making transactions in virtual currency, as you could suffer losses and have no legal protection.

Part II: Basic investment risks

In the following section, we would like to remind you of the risks that apply equally to all forms of the investment instruments covered in this brochure (basic risks). Please also note that several risks may coincide and mutually reinforce each other.

1. Economic risk

If you as an investor do not take the economic trend into account or do not take it sufficiently into account when making your investment decision and have therefore made a securities investment or continued to hold securities at an unfavourable economic time, you may suffer price losses as a result (economic risk).

In this context, it should be noted in particular that past price developments are not necessarily indicative of the future and that positive price developments are no guarantee for the future. Price losses (and therefore losses for the investor) are possible at any time.

The price development of securities is influenced by changes in the economic activity of an economy. Security prices (and also exchange rates) react in particular to announced and actual changes in government economic and financial policy. You should therefore constantly review the composition of your investments by investment type and investment country from an economic perspective and, if necessary, correct any investment decisions you have already made. Timing plays a decisive role in every investment decision.

2. Inflation risk (purchasing power risk)

As an investor, you can also suffer a financial loss as a result of a devaluation of money (inflation risk). Both the real value of the existing assets and the real return that is to be generated with the assets are subject to this risk.

As an investor, you should therefore pay attention to the real interest rate. In the case of fixed-interest securities, this is the difference between the yield and the inflation rate. Even shares as so-called tangible assets do not offer comprehensive protection against currency devaluation. Depending on the inflation rate and the income realised in the form of dividend income and price gains (or losses), the real interest rate may be negative or positive.

No general statement can be made about the extent to which an investment retains its value. However, long-term comparisons have shown that tangible assets achieve better investment results and are therefore more stable in value than monetary assets.

3. Country and transfer risk

Destabilising events in a country's political or social system can lead to government intervention in the servicing of foreign debt and to a country's suspension of payments. This can mean that a foreign debtor is unable to make its interest and redemption payments on time or at all despite its own solvency due to a lack of foreign currency or transfer restrictions in its country of domicile (country risk). There is no possibility of hedging against this transfer risk.

The country ratings published in the business press are of great importance as a decision-making aid in the assessment of country risk. This is a categorisation of the world's countries according to their creditworthiness.

4. Currency risk

If you as an investor hold financial instruments denominated in a foreign currency and the underlying exchange rate falls, you are exposed to a currency risk in addition to the price risk. The development of the exchange rate on which the security is based can, under certain circumstances, erode a possible yield advantage or impair it to such an extent that, in retrospect, an investment in the home currency would have been more favourable.

5. Liquidity risk

The ability of investors to sell their securities at any time at market prices is known as liquidity.

Difficulties in buying or selling securities can be caused by tight and illiquid markets, but also by the particular structure of the security or market practices. It may not be possible to execute your buy or sell order immediately, only in part (partial execution) or only on unfavourable terms. You may also incur higher transaction costs. If you have a short-term liquidity requirement, you may have to utilise interim financing, which entails additional costs.

Penny stocks are associated with a particularly high risk. The price of these shares is usually less than USD 1; the securities are often only sold via a single brokerage house and are not traded on the stock exchange. It is uncertain whether and at what price the brokerage house will maintain trading in a particular security, so that if the sole market maker ceases to exist, the tradability of this security is jeopardised. This means that penny stocks cannot be resold at any time.

6 Psychological market risk

Irrational factors such as sentiment, opinions and rumours can also cause a significant fall in share prices on the stock market, although the earnings situation and future prospects of companies need not have deteriorated.

7 Tax risks

Before investing, find out about the tax treatment of your intended investment and make sure that this investment also fulfils your personal expectations from this individual point of view.

8. Risks associated with credit-financed securities purchases (leverage)

Taking out a securities collateralised loan is one way in which you as an investor can increase your purchasing power. The credit line granted to you for your securities transactions is secured by your securities account assets, which are pledged to the credit institution. A separate contract is required for this. Depending on the type of assets, the securities account can be lent in different amounts. Credit-financed, speculative commitments should not exceed a certain proportion of the investment, even if you are very risk-averse. This is the only way to ensure that you do not have to sell financial instruments during a stock market low because you need the money or the stock market situation has become uncertain.

Be aware that lending against your securities account is associated with risks for you. Fluctuations in the price of the lent financial instruments may mean that the collateral value no longer covers the outstanding loan amounts, meaning that the credit institution may request additional collateral from you because the lending limit has been exceeded. These requests can be associated with very short

deadlines, especially in the case of speculative transactions with large fluctuation margins. If you are unable to provide this collateral, the bank is generally authorised to close your open positions or sell financial instruments until the cover value once again corresponds to the sum of the secured receivables from the securities Lombard loan. In this case, the loan continues to run. You must therefore expect that even after realisation purchases of the collateral, you will be obliged to repay the remaining amount of the loan not covered by the realisation purchases and to make interest payments.

While the maximum risk for non-loan-financed transactions is the loss of the entire position, the leverage effect of loan financing and the lending of financial instruments can lead to losses that exceed the value of the original investment.

9 Interest rate risk

The interest rate risk results from the possibility of future interest rate fluctuations on the market. During the term of fixed-interest bonds, a rise in interest rates leads to a fall in prices, while falling market interest rates lead to a rise in prices.

10. Price risk

Price risk is the risk of possible changes in the value of individual investments. If transactions involve the future transfer of ownership (e.g. forward exchange transactions, futures, sale of options), it may be necessary to provide collateral (a margin) or to increase the existing margin, i.e. to tie up liquid funds, due to the price risk.

11. Risk of total loss

The risk of a total loss is the risk that an investment becomes worthless, for example due to the fact that it is linked to a right that is subject to a time limit. A total loss is very likely to occur if the issuer is no longer able to fulfil its payment obligations from a financial or legal perspective (insolvency). The risk of a total loss also exists if issuers of securities are in financial difficulties and the competent authorities resort to a resolution tool, whereby a shareholder's shares are cancelled or the bail-in option for unsecured bonds is exercised, for example, which may result in a full write-down of the nominal value of the bond.

12. Counterparty risk

When assessing the risks of a particular type of transaction, you should know who your counterparty is. For stock and bond transactions, the company is the issuer, so you bear the issuer's credit risk. For exchange-traded options and futures contracts, the clearing house of the exchange is usually the counterparty, as described in the rules of that exchange. For transactions such as warrants, OTC options and OTC futures, structured products and exotic options, the issuer is the counterparty and, in addition to the risks associated with the particular type of transaction, there is a risk that in some cases the issuer may not be able to fulfil its contractual obligations.

13. Concentration risk

Concentration risk arises when one or only a few financial instruments make up a significant proportion of the overall portfolio. In the event of a market downturn, these portfolios can suffer

more significant losses than diversified portfolios. When buying or selling financial instruments, it is therefore important to weigh up the overall portfolio structure.

14. Risk of insolvency of the counterparty or the clearing and settlement system

In the event of insolvency of the counterparty or the clearing and settlement system on which financial instruments are traded, you may lose all or part of the amount invested. The solvency of the counterparty or the clearing and settlement system may change over time and depends on changes relating to the company and/or in the country concerned, e.g. political changes.

15 Additional risks in emerging markets

See details in Part I, Chapter 10.

16. Other basis risks

You should also generally be aware of the risks mentioned below when investing in securities.

16.1 Information risk

Information risk is the possibility of incorrect decisions due to missing, incomplete or incorrect information as a result of access to unreliable sources of information, incorrect interpretation when analysing originally correct information or transmission errors.

16.2 Transmission risk

Your order to the credit institution to execute a transaction with financial instruments must contain certain essential information, such as the instruction to buy or sell, the number of units or the nominal amount and the exact designation of the security. In principle, the more precise your order, the lower the risk of incorrect transmission.

16.3 Risk of self-custody

If you intend to keep your financial instruments in your own custody (if this is still possible), you should bear in mind that if these documents are lost, legal proceedings must be initiated to restore the rights, which can incur considerable costs. Obtaining the new deeds can take time from the initiation of the first measures to the declaration of invalidity to It may take several years for the replacement to be issued. If a third party has acquired the items in good faith, you may have to reckon with a final loss.

For example, you may incur interest losses if you do not realise that a bond you have purchased has been due for repayment for some time as a result of a draw or early termination.

As a general rule, you should not hold foreign registered financial instruments in custody. In the case of foreign registered financial instruments, the holder's name and address are entered in the share register. The direct consequence of this is that all company information and all distributions go directly to the holder - to the exclusion of the custodian bank. In inheritance cases, the possibility of selling such financial instruments at any time is not always guaranteed. As an investor, you may also be overwhelmed by the foreign-language documents, information, requirements, etc. sent to you. The professional service of the custodian bank relieves the investor of the associated risks.

17. Influence of ancillary costs on the chances of winning

If, in addition to your custodian bank, other domestic or foreign agents are involved in the execution of your order, in particular domestic brokers or brokers on foreign markets, you must take into account that their brokerage fees, commissions and costs will also be charged to you. You should therefore clarify the type and amount of any costs incurred before buying or selling a security. As a general rule, the higher the costs, the later the expected profit opportunities will be realised, as these costs must first be covered before a profit can be made.