EIGHTEEN48 PARTNERS LIMITED

DISCLOSURE OF RISKS

There is a high degree of risk associated with the purchase of Investments, and any such purchase should only be made after consultation with independent qualified sources of investment, legal and tax advice. No one should consider investing more than they can comfortably afford to lose.

This Risk Disclosure is provided to you, our Client, in accordance with FCA rules and this document forms part of our terms and conditions in respect of any transactions we undertake on your behalf and may be amended from time to time.

Different instruments and investments involve different levels of exposure to risk and may therefore be inappropriate to your circumstances, or risk appetite. Please note that this Risk Disclosure may not identify all the risks and other significant aspects of the financial instruments in which we may deal on your behalf or on which we may advise you.

To assist you in deciding whether to give us authority to deal in instruments on your behalf under an Investment mandate or relevant other agreement, we have set out below a list of financial instruments in respect of which we may deal, along with a brief overview of the nature of and inherent risks involved with certain potentially high-risk products. It is worth remembering that all investments may be influenced by external risk influences such as political risk and global or local economic trends.

Investments in the Portfolio are speculative and involve substantial risk, including the risk of loss of your entire investment. The identification of attractive investment opportunities is difficult and involves a significant degree of uncertainty. Returns generated from the Portfolio's investments may not adequately compensate you for the business and financial risks assumed. Although the Manager's methodologies seek to minimize some of the risks and volatility associated with investing in financial instruments, there can be no assurance that the Manager will be successful in doing so and, accordingly, the Portfolio will be subject to those market risks common to investing in all types of financial instruments, including market volatility, which could result in a substantial or total loss for the Portfolio.

Definitions

The following definitions apply unless the context requires otherwise:

"**Affiliate**" means in relation to the Manager, a parent undertaking or subsidiary undertaking of the Manager, any subsidiary undertaking of a parent undertaking of the Manager or a parent undertaking of a subsidiary undertaking of the Manager.

"**Client**" means any client engaging the professional services of the Manager.

"**Custodian**" means any institution or institutions appointed by the Client at any time as custodian of the whole or part of the Portfolio as specified in the relevant agreement between the Parties, or any other person who is appointed and notified to the Manager by the Client in writing from time to time.

"**FCA**" means the United Kingdom Financial Conduct Authority or any successor or replacement authority or authorities.

"**Fees**" means any Management Fees (if applicable) or other fees payable by the Client to the Manager pursuant to the relevant agreement.

"**Investment(s)"** means any investment(s) which are acquired by the Manager for the benefit of the Portfolio in accordance with the Investment Mandate.

"**Investment Mandate**" means the applicable mandate as agreed between the Parties.

"**Management Fee**" means any management fees payable by the Client to the Manager pursuant to an applicable agreement between the Parties.

"**Manager**" means Eighteen48 Partners Limited.

"**Parties**" means the Client and the Manager.

"**Portfolio**" means the portfolio of Investments (including cash) that is from time to time managed by the Manager pursuant to the relevant agreement between the Parties.

"**Regulator**" means:

(a) (in relation to the Manager) the FCA; and
(b) (in relation to the Client) the financial regulator of the Client's home jurisdiction or legal domicile.

<u>General Investment and Trading Risks</u>

General Investment Risks. All investments in financial instruments entail the risk of loss. Such Investments may be subject to Investment-specific price fluctuations as well as to macro-economic, market and industry-specific conditions, including, but not limited to, national and international economic conditions, domestic and international financial policies and performance, conditions affecting particular Investments such as the financial viability, sales and product lines of corporate issuers, national and international politics and governmental events, and changes in income tax laws. Moreover, the Portfolio may have only limited ability to vary its Investments in response to changing economic, financial and investment conditions. No guarantee or representation is made that the Portfolio's Investment program will be successful, and Investment results may vary substantially over time.

Investment Selection. The success of the Portfolio's Investment strategy will depend on the investment management abilities of the Manager. Clients will have no opportunity to evaluate in advance or to select any of the Portfolio's Investments.

Trading is Speculative and Volatile. Financial instrument prices may be highly volatile. Price movements of financial instruments in which the Portfolio's assets are invested are influenced by, among other things, changing supply and demand relationships, weather, agricultural, trade, fiscal, monetary, and exchange control programs and policies of governments, foreign political and economic events and policies, changes in national and international interest rates and rates of inflation, currency devaluations and revaluations, and sentiments of the marketplace. No assurance can be given that the Portfolio will be profitable or that it will not incur substantial losses.

Financial Market Dislocation and Illiquidity. Significant dislocations, illiquidity and volatility in the global financial markets have occurred in the past decades (and may occur once again), which had an adverse effect on market liquidity and caused significant market disruption. To the extent that such marketplace events occur again, they may have an adverse impact on the availability of credit to businesses generally and lead to an overall weakening of U.S., Europe and/or global economies. Any resulting economic downturn could adversely affect certain of the Portfolio's Investments to greater or lesser extents. Such marketplace events also may restrict the ability of the Portfolio to sell or liquidate Investments at favourable times or for favourable prices (although such marketplace events may not foreclose the Portfolio's ability to hold such Investments until maturity).

The Portfolio may be adversely affected by a decrease in market liquidity for certain of the financial instruments that it trades (which could impair the Manager's ability to adjust the Portfolio's positions, balance sheets and risk in response to trading losses or other adverse developments). Illiquid Investments may have to be held for lengthy periods of time and may have no readily ascertainable market value. As a result, such Investments may take more time and expense to value and/or sell, and the realisable price upon a disposition of such Investments may differ materially from their fair value. The illiquidity of positions held by the Portfolio could cause the Manager to suspend value calculations and/or withdrawals. The size of the Portfolio's positions could magnify the effect of a decrease in market liquidity for the financial instruments it trades. Changes in the overall market leverage (e.g., deleveraging or liquidations by other market participants of the same or similar positions) also may adversely affect the Portfolio's positions.

Brokerage Firms and Custodians May Fail. The institutions, including the brokers and other financial institutions with which the Manager does business or at which the Portfolio's assets are held, may encounter financial difficulties that impair the operational capabilities or the capital position of the Portfolio. Events in the financial markets have challenged the financial stability of a number of established financial institutions and have led to the bankruptcy of several such institutions. If one of the Manager's brokers becomes bankrupt and/or fails to segregate the Portfolio's assets on deposit as required, the Portfolio may be subject to a risk of loss. In addition, there can be no guarantee in the event of a broker's insolvency that the pool of customer property held by the broker pursuant to applicable law will be sufficient to satisfy all customer claims, including those of the Portfolio. Further, even if the Portfolio does not lose the assets on deposit with one or more brokers (or other financial institutions with which the Manager may deal), the Portfolio could incur market losses as a result of financial difficulties at such institutions (including, but not limited to, in situations where the Portfolio may be unable to access its assets and/or execute transactions through its brokers or other financial institutions in a timely manner). The inability to access financial instruments held with brokers experiencing financial difficulties (*e.g.*, bankruptcy proceedings) may cause the Manager to designate such financial instruments as illiquid Investments. In addition, some foreign institutions may be subject to different bankruptcy or other regulatory regimes than those applicable to UK, EU or U.S. institutions, and in doing business with such institutions, the Portfolio may not be afforded certain of the protective measures provided elsewhere. Although the Manager may attempt to minimise the Portfolio's risk in this area, there is no action that it can take which is completely risk-free.

Default and Counterparty Risk. The markets in which the Portfolio effects certain of its transactions may include "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Portfolio to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Portfolio to suffer a loss. In addition, in the case of a default, the Portfolio could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Portfolio has concentrated its transactions with a single or small group of counterparties.

Effectiveness of Risk Reduction Techniques. The Manager may employ various risk reduction strategies designed to minimise the risk of the Portfolio's trading positions. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement and when possible, will not always be effective in limiting losses. If the Manager analyses market conditions incorrectly or employs a risk reduction strategy that does not correlate well with the Portfolio's Investments, such risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These risk reduction techniques may also increase the volatility of the Portfolio and/or result in a loss if the counterparty to the transaction does not perform as promised.

Turnover. Although the Portfolio's investment objective is focused on long-term appreciation, the turnover rate of those Investments may be significant, potentially involving substantial brokerage commissions, mark-ups and fees. These commissions and fees will, of course, reduce the Portfolio's profits.

Concentration of Investments. While the Portfolio's strategy includes certain intended limits and targets relating to concentration in the Portfolio, there generally is no absolute limit on the amount of assets that the Portfolio can invest in any particular position or strategy or the number of different securities that the Portfolio can hold at any given point in time. Accordingly, a loss in any single position or strategy could have a material adverse impact on the Portfolio's capital.

Cyber Security Risk. With the increased use of the Internet and because information technology ("**IT**") systems and digital data underlie most of the Portfolio's operations, the Portfolio, the Manager, and the Portfolio's service providers and vendors (collectively "**Service Providers**") are exposed to the risk that their operations and data may be compromised as a result of internal and external cyber-failures, breaches or attacks ("**Cyber Risk**"). This could occur as a result of malicious or criminal cyber-attacks. Cyber-attacks include actions taken to: (i) steal or corrupt data maintained online or digitally; (ii) gain unauthorised access to or release confidential information; (iii) shut down Service Provider systems and web sites through denial-of-service attacks; or (iv) otherwise disrupt normal business operations. However, events arising from human error, faulty or inadequately implemented policies and procedures or other systems failures unrelated to any external cyber-threat may have effects similar to those caused by deliberate cyber-attacks.

Successful cyber-attacks or other cyber-failures or events affecting the Portfolio, the Manager or the Service Providers may adversely impact the Portfolio or cause an Investment in the Portfolio to lose value. For instance, such attacks, failures or other events may interfere with the processing of subscriptions and withdrawals, impact the Manager's ability to calculate the Portfolio's value, cause the release of private investor information or confidential Portfolio information, impede trading, or cause reputational damage. Such attacks, failures or other events could also subject the Portfolio or its Service Providers to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. Insurance protection and contractual indemnification provisions may be insufficient to cover these losses. The Portfolio or its Service Providers may also incur significant costs to manage and control Cyber Risk. While the Portfolio and its Service Providers have established IT and data security programs and have in place business continuity plans and other systems designed to prevent losses and mitigate Cyber Risk, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified or that cyber-attacks may be highly sophisticated.

Cyber Risk is also present for issuers of securities or other instruments in which the Portfolio invests, which could result in material adverse consequences for such issuers and may cause a Portfolio's Investment in such issuers to lose value.

Systems Risks. The Portfolio depends on the Manager to develop and implement appropriate systems for the Portfolio's activities. The Portfolio relies on computer programs and systems to trade, clear and settle securities transactions, to monitor its portfolio and capital, and to generate risk management and other reports relative to oversight of the Portfolio's activities. In addition, certain of the Portfolio's and the Manager's operations interface with or depend on systems operated by third parties, including brokers and market counterparties and their respective Custodians, and other service providers, and the Manager may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions that could have a material adverse effect on the Portfolio. The Manager generally is not liable to the Portfolio for losses caused by systems failures or due to any breakdown in the means of the communication normally used to ascertain the value of the Portfolio's Investments or to conduct trading in such Investments.

Public Information. Publicly available information in some emerging economies is often limited and outdated, which may limit the findings of due diligence investigations. This lack of updated information increases the risks associated with an Investment, including investigations relating to money laundering and illegal or corrupt activities.

Currency and Exchange Rate Risks. The Portfolio is expected to invest in securities and other financial instruments denominated in currencies other than the Client's base currency or which are determined with references to currencies other than the Client's base currency. The value of the Portfolio's assets will fluctuate with exchange rates as well as with price changes of its Investments in the various local markets and currencies. Thus, an increase in the value of the reference currency compared to the other currencies in which the Portfolio may make Investments will reduce the effect of increases and magnify the reference currency-equivalent of the effect of decreases in the prices of the Portfolio's financial instruments in their local markets. Conversely, a decrease in the value of the reference currency will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the Portfolio's non-reference currency financial instruments. Changes in foreign currency exchange rates may also affect the value of dividends and interest earned, gains and losses realised on the sale of financial instruments and net investment income and gains, if any, of the Portfolio.

The Markets and Financial Instruments Traded by the Portfolio May be Illiquid. At various times, the markets for financial instruments purchased or sold by the Portfolio may be "thin" or illiquid, making purchase or sale at desired prices or in desired quantities difficult or impossible. As part of its emergency powers, an exchange or regulatory authority can suspend or limit trading in a particular instrument, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. The possibility also exists that governments may intervene to stabilise or fix exchange rates, restricting or substantially eliminating trading in the affected currencies.

Past Performance Not Necessarily Indicative of Future Results. The past performance of the Portfolio's strategy and the Manager or its principals or Affiliates should not be construed as an indication of the future results of the Portfolio. There can be no assurance that the investment objective of the Portfolio will be achieved or that its strategies will or continue to be successful.

Reliance on the Manager. The Manager will make all decisions with respect to the investment and trading activities of the Portfolio and the Clients will not have the opportunity to evaluate fully for themselves the relevant economic, financial and other information regarding the Portfolio's Investments. The Clients will be dependent on the judgment and abilities of the Manager. There is no assurance that the Manager will be successful. Accordingly, no person should establish an Investment Mandate with the Manager unless it is willing to entrust all aspects of the trading activities of the Portfolio to the Manager.

Business Dependent on Key Individuals. The success of the Portfolio is dependent upon the expertise and abilities of certain key individuals. The loss of any such person's services could have a material adverse effect on the performance of the Portfolio and could make it impossible for the Manager to continue to manage Investments for the Portfolio.

Limited Rights. Clients cannot take part in the management of the Portfolio, which is the sole responsibility of the Manager.

Possible Adverse Effects of Increasing the Assets Managed by the Manager. The Manager is limited in the amount of assets which it can successfully manage by both the difficulty of executing substantially larger trades in order to reflect larger assets under management and the restrictive effects of speculative position limits and possible market illiquidity. The rates of return recognised on the trading of a limited amount of assets may have little relationship to those an advisor can reasonably expect to achieve trading larger amounts of assets. There can be no assurance that the Manager's strategies will not be adversely affected by the additional assets represented by additions to the Client's Portfolio.

Possible Effects of Substantial Withdrawals. Substantial withdrawals could (i) require the Portfolio to liquidate positions more rapidly than would otherwise be desirable; (ii) result in the impairment of the Portfolio; and/or (iii) cause the liquidation of Investments at a time that could adversely affect the value of the Portfolio and or the risk profile of the remaining Investments of the Portfolio.

Trade Errors. The Portfolio (and not the Manager) will be responsible for any losses resulting from portfolio management, trading or administrative errors in connection with the Portfolio's investment activities, in the absence of gross negligence, fraud or willful misconduct by the Manager or its Affiliates or personnel. Any gains or benefits that result from trade errors will also accrue to the Portfolio. Such errors might include, for example, incorrect entry of a trade into an electronic trading system, errors when reconciling trade activity, or drafting errors related to derivatives contracts or confirmations. Given the volume of transactions executed by the Manager on behalf of the Portfolio, Clients should assume that any such errors might occur, although the Manager does not expect them to occur frequently, and that the Portfolio will be responsible for any resulting losses, even if such losses result from the negligence of the Manager or its Affiliates or personnel.

Determination of Value. While pricing information is generally available for many of the financial instruments in which the Portfolio invests, observable pricing inputs may not always be available from any source. For purposes of calculating the value of the Portfolio, valuations of financial instruments for which observable pricing information cannot be obtained will be made based upon unobservable data that reflect the Manager's assumptions about the factors that a market participant would use in pricing such financial instruments. Prices quoted by different sources are subject to material variation. While the Manager will make reasonable efforts in good faith to evaluate such information, there can be no assurance that the value of an asset owned by the Portfolio will be realised upon its disposition. The Manager may rely upon pricing services reasonably selected by it and will not, in the absence of gross negligence, fraud or willful misconduct, be liable for any loss suffered by the Portfolio or Client by reason of any error in calculation resulting from any inaccuracy in the information provided by any pricing service.

Financial Instrument Specific Risks

Equity Securities. The Portfolio will trade in equity securities. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer. The value of equity securities may fluctuate in response to many factors, including the historical and prospective earnings of the issuer, the value of its assets, management decisions, decreased demand for an issuer's products or services, increased production costs, general economic conditions, interest rates, currency exchange rates, investor perceptions and market liquidity.

Small- to Micro-Cap Stocks. The Portfolio may on occasion invest in small- to micro-cap companies. While smaller companies may have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger corporations. In addition, the Portfolio may be unable to sell certain small- or micro-cap stocks at an advantageous time or price. In most cases, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. Also, due to thin trading in some of these stocks, an Investment in these stocks may be considered less liquid than an Investment in many larger-capitalisation stocks, making purchases or sales at desired prices or in desired quantities more difficult. When making large sales, the Portfolio may have to sell the securities at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of the securities of smaller companies. Accordingly, such stocks may be required to be held for a lengthy period of time and often require more time to sell and result in higher selling expenses than does the sale of securities for which there is an active market. In some cases, the Portfolio's disposition of the securities may be dependent upon a major issuer liquidity event (i.e., a sale of the issuer).

New Issues. The Portfolio may invest in "new issues," or equity securities of initial public offerings. The purchase of new issues involves greater risk than securities trading in general. The prices of new issues may not increase as expected and, in fact, may decline more rapidly. While most people assume that new issues will trade at a premium to their issue price until they are liquidated, there is no guarantee that this will occur. In order for the Portfolio to invest in new issues, the Client must represent and warrant to the Manager that it either is or is not restricted from participating in such new issues, and the Manager will be relying on such representations and warranties. Clients who are so restricted may not participate in some or all of the gains, losses or expenses related to new issues in compliance with regulatory requirements.

Private Placements. Certain private Investments in which the Portfolio may invest will share many of the same risk characteristics as venture capital investing, offering the opportunity for significant gains, but also involve a high degree of risk, including the complete loss of capital. Among these risks are the general risks associated with investing in companies operating at a loss or with substantial variations in operating results from period to period and investing in companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including competition from companies with greater financial resources, more expansive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. The Portfolio may invest in the form of equity or "equity linked" securities. As a result, the rights or claims of the Portfolio may be subordinate to those of other parties, including debt or senior equity holders, in the event of the failure of any company in which the Portfolio invests. The companies in which the Portfolio invests may be thinly traded and undercapitalised and therefore may be more sensitive to adverse business or financial developments. In the event that a company in which the Portfolio invests is unable to generate sufficient cash flow or raise additional equity capital to meet its projected cash needs, the value of the Portfolio's investment in such company could be significantly reduced or even lost entirely. Business risks may be more significant in smaller or development-stage companies in which the Portfolio invests, including intense competition, changing business and economic conditions or other developments that may adversely affect their performance. Profits of the Portfolio, if any, may be derived from a relatively small number of their investments in private placements. The goal of making investments in companies that will provide superior investment returns will be difficult to achieve. There is no guarantee that the Portfolio will be able to invest its capital on attractive terms or that returns on such Investments will exceed returns on alternative Investments available to a Client. The ability of the Portfolio to liquidate its positions and generate profits from its Investments in private placements may also be adversely affected by a failure of companies in which the Portfolio invests to comply with registration, conversion, exchange or other obligations under the agreements pursuant to which such securities have been sold to the Portfolio.

Options. The Portfolio may generally trade options for hedging and currency management. An option is a right, purchased for a certain price, to either buy or sell the underlying instrument or product during or at the end of a certain period of time for a fixed price. The risks in trading options are different from the risks in trading the underlying instruments or products, and trading in options can provide a greater potential for profit or loss than an equivalent Investment in the underlying asset. For example, if the Portfolio buys an option, it will be required to pay a "premium" representing the market value of the option. The value of an option may decline because of a decline in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset or any combination thereof. Unless the price of the underlying instrument or product changes and it becomes profitable to exercise or offset the option before it expires, the Portfolio may lose the entire amount of the premium. Conversely, if the Portfolio sells an option, it will be credited with the premium, but will have to deposit margin due to its contingent liability to deliver or accept the underlying instrument or product in the event that the option is exercised. Sellers of certain options are subject to unlimited risk of loss, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the then-market value. The ability to trade in or exercise options may become restricted in the event that trading in the underlying asset becomes restricted.

Exchange Traded Portfolios. The Portfolio may trade ETFs. ETFs are funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed to generally correspond to the price and yield performance of their underlying indexes. In this manner, ETFs are similar to open-ended index mutual funds. However, ETFs are traded like stocks on stock exchanges. Although Investments in mutual funds and ETFs are subject to similar risks, ETFs have certain unique risks not shared by mutual funds. Some of the risks of Investments in ETFs include the following:

(i) *General Risks* – An Investment in ETFs comprised of publicly traded stocks are subject to the risks that impact the portfolio of underlying stock, including market risks resulting from such factors as economic and political developments, changes in interest rates and perceived trends in stock prices.

(ii) *ETF Trading* – It is possible for the value of ETFs to fall or to rise more slowly than the stock market as a whole even when stock prices in general are rising. This effect is more pronounced in certain types of ETFs than others. Risk is also involved in ETF selection. Unlike open-ended mutual funds, ETFs may potentially trade above or below the value of their underlying portfolios. While most ordinary mutual funds can only be bought or sold at the end of the day at the calculated net asset value of the fund, ETFs may be purchased or sold throughout the day at prices that are not guaranteed to match the underlying value of the stocks in the fund. Accordingly, the Portfolio could be exposed to corrective forces if it inadvertently purchases an ETF at a premium to the underlying value of the stocks in the ETF.

(iii) *Layering of Fees* – With respect to the Portfolio's investment in ETFs, the Portfolio's direct Fees and expenses, coupled with its share of the ETF's fees and expenses, results in at least two levels of fees and greater expense than would be associated with direct investment in the underlying securities.

(iv) *Trading in Speciality or Sector ETFs* – If the Portfolio invests a portion of its assets in ETFs that are industry, sector or capitalisation specific, the Portfolio may be subject to the volatility attendant with such a specialised focus.

(v) *International ETFs* – ETFs comprised of foreign securities may be highly volatile in nature. In general, foreign markets are not as liquid and do not have pertinent information disseminated as efficiently as developed markets. International Investments may also involve risk of capital loss from unfavourable fluctuations in currency values, differences in generally accepted accounting principles, or economic or political instability in other nations.

(vi) *Distributions from ETFs* – The tax regulations pertaining to ETFs generally cause them to distribute their taxable gains in the form of a dividend near year-end. The share price of the ETF would generally drop by a corresponding amount on the ex-dividend date of the distribution. Such distributions are made on a pro rata basis without regard to the actual gains or losses an individual ETF shareholder may have sustained. Accordingly, investors who have real economic gain less than the amount of the dividend may then have a motivation to sell those ETF shares to claim the drop in share price as a capital loss and thereby offset the income distribution. However, wash sale rules require that the investor not re-invest for thirty-one (31) days in order to claim the capital loss deduction. Accordingly, tax strategies employed by other investors may increase the price volatility of ETF shares and of securities owned by such ETFs at times near to the distribution of such a dividend.

Real Estate Investment Trusts. The Portfolio may invest in real estate investment trusts ("**REITs**") or other real estate securities. The risks of REITs include the risk that the value of a security will fluctuate because of changes in property values, vacancies of rental properties, overbuilding, changes in local laws, increased property taxes and operating expenses and other risks associated with real estate. Equity REITs may be affected by changes in property value, while mortgage REITs may be affected by credit quality and the interest rate environment.

Credit Risk of Issuer. The Portfolio may invest in financial instruments that have built-in convertibility (from debt to equity) features. The risks associated with such financial instruments include credit risk. Credit risk is the possibility that an issuer will be unable to make interest payments and repay principal when due. Changes in an issuer's financial strength or in a financial instrument's credit rating may affect a financial instrument's value. Financial instruments rated below investment grade, sometimes called "junk bonds," generally have more credit risk than higher rated financial instruments.

Over-the-Counter and Other Derivative Instruments in General. The Portfolio may trade various derivative instruments, including futures, options and other derivatives which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market-value, with a resulting fluctuation in the amount of profits and losses. Use of derivative instruments presents various risks, including the following:

(i) *Tracking* – When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying Investment sought to be hedged may prevent the Portfolio from achieving the intended hedging effect or expose the Portfolio to the risk of loss.

(ii) *Liquidity* – Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Portfolio may not be able to close out a position without incurring a loss.

(iii) *Over-the-Counter Trading* – Certain derivative instruments may not be traded on an exchange. Over-the-counter financial instruments, unlike exchange-traded financial instruments, are two-party contracts with price and other terms negotiated by the buyer and the seller. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which the Portfolio can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. Because performance of over-the-counter financial instruments is not guaranteed by any exchange or clearinghouse, the Portfolio will be subject to the risk of the inability or refusal to perform with respect to such financial instruments on the part of the counterparties with which it trades. Any such failure or refusal, whether due to insolvency, bankruptcy or other causes, could subject the Portfolio to substantial losses.

(iv) *Lack of Regulation* – Financial instruments not traded on exchanges are also not subject to the same type of government regulation as exchange-traded instruments and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. The counterparty to an over-the-counter financial instrument entered into by the Portfolio may not be subject to the same credit evaluation and regulatory oversight as are members of exchange-based markets. The same may be true with respect to financial instruments traded on certain types of alternative exchanges (e.g., exempt commercial markets) that are less regulated than traditional securities, commodities and futures exchanges.

(v) *Market Conditions* – Recent events in the financial markets resulting in the failure of large institutions that serve as counterparties to many over-the-counter financial instruments have resulted in greater illiquidity of such instruments and heightened concern for counterparty risk.

Futures Trading. The Portfolio may trade futures contracts. Substantially all trading in futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain financial instruments, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures trading involves trading in contracts for future delivery of standardised, rather than specific, lots of particular assets.

(i) *Volatility:* Futures prices can be highly volatile. Price movements for the futures contracts and options on futures contracts which the Portfolio may trade are influenced by, among other things, changes in supply and demand relationships, trade, fiscal, and monetary programs and policies of governments, UK, EU or U.S. and other foreign political and economic events and policies, changes in national and international interest rates and rates of inflation, currency controls, devaluations and revaluations, and sentiments of the marketplace. Governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. No assurance can be given that the Portfolio will be profitable or that it will not incur substantial losses.

(ii) *Position Limits:* Certain regulatory agencies and exchanges have established limits referred to as "speculative position limits" on the maximum net long or net short positions that any person may hold or control in particular futures contracts. All accounts owned, held, controlled or managed by the Manager and its principals and Affiliates, including accounts of other Clients for which the Manager acts as Manager, will be combined for position limit purposes with the Portfolio's positions. It is possible that trading decisions of the Manager may have to be modified and that positions held by the Portfolio could have to be liquidated to avoid exceeding such limits.

(iii) *Price Limits:* Certain exchanges may limit fluctuations in futures contracts prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." In addition, even if futures prices have not moved beyond the daily limit, the Manager may not be able to execute futures trades at favourable prices if little trading in such contracts is taking place (i.e., there is a "thin" market).

(iv) *Margin:* Futures are typically traded on "margin." The "margin" is the amount of escrow or performance bond deposit that the Portfolio will have to make and maintain with its futures brokers to secure its future obligation to close out open positions. The initial margin requirements may be satisfied by the deposit of cash (or, in some markets, certain government obligations). The open positions must be "marked to market" daily, requiring additional margin deposits if the position reflects a loss that reduces the Portfolio's equity below the level required to be maintained and permitting release of a portion of the deposit if the position reflects a gain that results in excess margin equity. The level of margin that must be maintained for a given position is sometimes subject to increase, requiring additional cash outlays. In the futures markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits result in a high degree of leverage. Because margin requirements normally range upward from as little as two percent (2%) or less of the total value of the contract, a comparatively small commitment of cash or its equivalent may permit trading in futures contracts of substantially greater value. As a result, price fluctuations may result in a contract profit or loss that is disproportionate to the amount of cash deposited as margin. Such a profit or loss may materialise suddenly, since the prices of futures frequently fluctuate rapidly and over wide ranges, reflecting both supply and demand changes and changes in market sentiment.

(v) *Size of the Portfolio's Account:* Depending upon the size of the Portfolio's account, it may be difficult or impossible for the Manager to take or liquidate a position in a particular instrument, method or strategy due to the size of the accounts which may be managed by the Manager.

Security Futures Contracts. The Portfolio may trade security futures contracts. Security futures contracts include both futures contracts on single stocks and futures contracts on narrow-based securities indices. They are treated as both futures and securities and, therefore, are subject to the joint jurisdiction of the SEC and the CFTC. Security futures contracts are subject to the same risks as other securities, as well as to the greater volatility and risks of futures trading. Since they are relatively new products, security futures contracts have relatively low liquidity and limited trading history.

Forward Trading. The Portfolio may enter into forward contracts in the over-the-counter markets. Forward contracts and options thereon, unlike exchange-traded futures contracts and options on futures contracts, are not traded on exchanges and are not standardised; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals that deal in the forward markets are not required to continue to make markets in the commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell.

Trading in Currencies. The Portfolio may trade currencies and related financial instruments in interbank and forward contract markets which the Manager believes to be well-established and of recognised standing. Nonetheless, the Portfolio may be exposed in the interbank market to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, the Portfolio's position. Although certain currency trades may be effected through exchange-traded instruments, the foreign currency market remains predominantly an over-the-counter market, and is therefore subject to the risks typical to over-the-counter trading. The Manager may effect such trades with brokers and other market participants which it believes to be creditworthy.

Illiquid Investments. The financial instruments and other assets in which the Portfolio may invest include assets that are subject to legal or contractual restrictions on their resale (e.g., financial instruments issued by privately-held entities) or for which there is a relatively inactive trading market, making purchases or sales at desired prices or in desired quantities difficult or impossible. Further, as part of its emergency powers, an exchange or regulatory authority can suspend or limit trading in a particular instrument, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. The possibility also exists that governments may intervene to stabilise or fix exchange rates, restricting or substantially eliminating trading in the affected currencies. Illiquid financial instruments may be required to be held for a lengthy period of time and often require more time to sell and result in higher brokerage charges or dealer discounts and other selling expenses than does the sale of financial instruments eligible for trading on national securities exchanges or for which there is an active over-the-counter market. In addition, due to thin trading in certain financial instruments or assets, investments in such financial instruments or assets may be less liquid than alternative investments for which there is a more active trading market, which could cause the Portfolio to suspend value calculations and/or withdrawals. The Portfolio's Investments in illiquid or thinly-traded financial instruments or assets may reduce the returns of the Portfolio because the Portfolio may be unable to sell the illiquid or thinly-traded financial instruments or assets at an advantageous time or price.

Investments in Emerging Markets. As the Portfolio invests in emerging market securities or other products, the Portfolio will be subject to certain additional risks that are not usually associated with similar Investments in developed economies, including the following:

(i) *Political Risk* – There may be a significant degree of political uncertainty in emerging market countries, and governmental institutions, policies and leadership in such countries may be subject to rapid change. The assets of the Portfolio may be affected by changes in political and economic conditions, government policies and laws governing foreign investments, taxation, inflation, wage and price controls, currency repatriation restrictions and other laws or regulations, including the risks of expropriation, nationalisation and confiscation of assets, confiscatory taxation and changes in legislation relating to the permissible level of foreign ownership. Under extreme circumstances the Portfolio may be unable to transact its business in certain emerging market countries.

(ii) *Economic* Risk – Emerging market countries may be characterised by high inflation, unemployment, high rates of business failure, high government debt relative to gross domestic product ("**GDP**"), GDP contraction and weak currencies. The prospect exists for widespread bankruptcies and potential increases in unemployment. The economies of emerging market countries are often heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, exchange rates and other measures imposed by or negotiated with trade partners. Emerging market economies may be based predominantly on a relatively small number of industries and may be particularly vulnerable to changes affecting such industries.

Banks and financial systems may be less well-developed in emerging market countries, and other forms of infrastructure may also be underdeveloped. In addition, businesses in emerging markets may have limited experience operating within a market-oriented economy. In general, relative to companies in developed economies, companies in emerging market countries may frequently be characterised by a lack of (a) market-oriented, experienced management, (b) modern industrial technology, and (c) sufficient capital with which to develop and expand their operations.

(iii) *Currency and Exchange Rates* – As the Portfolio will directly or indirectly invest in financial instruments denominated or quoted in a range of currencies, changes in currency exchange rates may affect the value of the Portfolio and the unrealised appreciation or depreciation of Investments. Currencies in emerging market countries may experience significant depreciation relative to the U.S. Dollar subsequent to the Portfolio's Investments in securities denominated in such currencies. The value of the assets of the Portfolio as measured in U.S. Dollars would be adversely affected by devaluations in foreign currencies. Further, as income from the Portfolio's Investments may be received or realised in foreign currencies, the Portfolio may incur higher brokerage commission in connection with conversions between currencies as brokers are subject to risks during the conversion process. *See also* "Currency and Exchange Rate Risks".

(iv) *Settlement and Custody* – No guarantee can be given that all rights attaching to financial instruments acquired by the Portfolio in certain emerging market countries, including rights to interest, dividends and/or capital gains with respect to such instruments, can be realised. Some foreign exchanges may be "principal markets" in which performance is the responsibility only of the individual member with whom the trader has entered into a trade and not of an exchange or clearing organisation. Settlement systems in emerging markets are generally slower, less well organised and more prone to failure than those of developed markets, and even where comparable standards have been adopted, supervisory authorities may be unable to enforce these standards. Custodial expenses for a portfolio of emerging market financial instruments also may be higher than that of a portfolio of developed market instruments. In the absence of an organised securities market and well-developed banking systems, the Portfolio may be exposed to certain risks with respect to the settlement, clearing, registration and custody of its transactions in emerging market countries. In certain emerging market countries in which ownership of shares is reflected by entries in a share register, management may exert considerable influence over the trading of shares by the control of the share register.

(v) *Legal and Accounting Risks* – The legal and tax systems in many emerging market countries are less developed than those in developed economies, and the administration of laws and regulations in emerging market countries may be subject to broad discretion. There is a risk that foreign investors will be adversely affected by the development of new legal and tax regimes, which could, among other things, restrict the ability of the Portfolio to invest in the affected markets consistent with its current practice. In particular, emerging market countries typically have less well-defined tax laws and procedures than developed economies, and changes to such laws could result in retroactive taxation, potentially subjecting the Portfolio to unanticipated local tax liabilities.

Disclosure and regulatory standards in emerging market countries are often less stringent than those in other international securities markets, with lower levels of monitoring and regulation of the market and market participants and limited and potentially uneven enforcement of existing regulations. Regulatory controls and corporate governance structures of issuers in emerging markets may offer little protection to minority shareholders, including potentially underdeveloped anti-fraud, anti-manipulation, anti-dilution and insider trading protections. Accounting, auditing and financial reporting standards in emerging market countries also are often different from those applicable to developed economies. Furthermore, official data published by the government or exchanges in emerging market countries may be less reliable than that typically found in developed economies. As a result, substantially less verifiable financial information may be available to the Portfolio with respect to investments in emerging markets than investments in developed economies, which may make it more difficult for the Portfolio to implement its investment strategy.

(vi) *Illiquidity* – The markets for emerging market financial instruments may be relatively small, with low trading volumes, and may suffer periods of illiquidity and significant price volatility, which could have an adverse impact on the Portfolio.

China Risk. The Manager may directly or indirectly invest in securities of Chinese issuers. As a developing market, investing in securities of Chinese issuers involves special risks, including: fluctuations in the rate of exchange between China's currency and the U.S. Dollar, greater price volatility, illiquid markets, cost inflation, investment and repatriation controls, less developed corporate disclosure and government standards, and uncertainty of China's ability to develop and sustain comprehensive securities, corporate or commercial laws. Issuers of Chinese securities may be subject to changes in regulations and tax policies as China has been engaged in economic and financial market liberalisation. Investments in securities of certain Chinese issuers may be subject to large fluctuations over short periods of time, and governmental involvement in and influence on the private sector may also impact investments as the Chinese government continues to liberalise its economy and regulatory system. Other risks of investing in Chinese securities may include those common to investing in emerging markets, generally. *See* "Certain Risk Factors – Strategy Risks – Investments in Emerging Markets," above. Such issues could lead to losses on investment opportunities for the Portfolio, otherwise prevent the Manager from successfully executing the Portfolio's investment strategy or require the Portfolio to dispose of investments at a loss while such adverse conditions prevail.

Cash Investments. The Portfolio also may from time to time hold cash or invest in cash equivalents on a short-term basis (including in times of usual or adverse conditions and for temporary defensive purposes). While the Portfolio holds cash or has investments in cash equivalents, the overall appreciation of the assets in the Portfolio may be less than if all the assets of the Portfolio were invested fully in accordance with the relevant investment strategy.

Government Securities. The Portfolio may invest in various types of government securities that have different levels of credit risk. Some government securities are supported by the full faith and credit of the applicable government and may be issued or guaranteed by the relevant national treasury. Depending on the country, these types of government securities may have the lowest credit risk.

<u>Regulation</u>

Changes in Applicable Law. The Portfolio and the Manager each must comply with various legal requirements, including requirements imposed by the securities and commodities laws, tax laws and pension laws of the UK and other relevant jurisdictions. Should any of those laws change to any material extent, the legal requirements to which the Portfolio and the Manager may be subject could differ materially from current requirements. The FCA and other regulators, self-regulatory organisations, and exchanges around the world also have the authority to take extraordinary actions in the event of market emergencies and such actions could have a material adverse impact on the Portfolio.

Increased Governmental and Regulatory Scrutiny; Litigation and Regulatory Risks. Governmental scrutiny of the financial services industry has increased dramatically in the past several years. Routine and targeted examinations of investment managers have increased and regulators have been more likely in recent years to commence investigations and bring enforcement actions against industry participants. Responding to examinations, investigations, and enforcement actions is both time consuming and expensive, and would divert the time and effort of the Manager's senior management from the business of the Portfolio. In addition, commencement of a lawsuit or regulatory proceeding against the Manager, regardless of the eventual outcome, could adversely affect the reputation of the Manager and could result in the imposition of penalties or limit the ability of the Manager to conduct its business in jurisdictions with so called "bad actor" laws. The extent of the Manager's exposure to legal and regulatory matters is unpredictable.

Tax Considerations

Changes in Applicable Tax Laws. Changes in applicable tax laws, including as a result of pending tax reform legislation, could affect, perhaps adversely, the tax consequences of an Investment in the Portfolio. In addition, various aspects of recently enacted tax reform legislation are unclear and are anticipated to be the subject of future IRS guidance and/or technical corrections.

PLEASE NOTE: THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL OF THE RISKS INVOLVED IN THE PORTFOLIO'S INVESTMENTS.