DESCRIPTION OF SECURITIES AND RISKS RELATED TO SECURITIES

Name of security	Description of security	Risks involved
Share	A share represents investor's participation in a company. Investors, who buy shares, become co-owners of a company. By general rule, share will give an investor the right to vote at general meeting of shareholders and participation in distribution of profit.	Investments into shares involve a high risk; however, a higher rate of return is also possible. It must be also kept in mind that companies don't necessarily make any profit and share prices may be highly volatile at any time. In worst cases, it's possible to lose your whole investment – should the company become insolvent on permanent bases. Also, stock exchange fluctuations in general and underlying currency exchange rate changes may have strong influence on share prices.
Bond	Bonds represent a certificate of a debt commitment. By purchasing bonds, investor is giving a fixed-term loan to the issuer that can be a company, state or local government. As maturity date or dates arrive, the investor has the right to have the principle loan amount, plus additional interests, repaid.	Bonds are securities that are characterised by a risk level lower that demonstrated by shares. Should a company go bankrupt, the claims of bonds owners will be met before the claims of shareholders are met. The main risk, accompanying investments in bonds, represent the issuer's inability to repay loan interests or the principal amounts by due dates. Bond prices are also influenced by currency used to express the prices of bonds concerned. Currency risks must be considered, above all, when investing into bonds with prices expressed in currencies other than Euro. Interest rates may also influence the prices of bonds. If interest rates are raised, the prices of bonds will drop and this will play an important role, should the investor want to sell its bonds to other investor before the debt commitments reach maturity. Bonds issued by governments are usually characterised by risk levels lower than those issued by companies.
Warrant	Warrant is a transferrable security that a company may issue and offer its existing shareholders. Warrants are accompanied by time-limited rights to	A warrant shall give its holder a gearing within a scope depending on the ratio between the subscription price, indicated

	subscribe the shares or bonds of warrant issuers. The right to subscribe for new shares to be issued is always limited with a certain deadline. As the consequence, an investment will lose its value of the investor is unable to exercise its right within the term specified. If subscription rights are exercised, the holder of a warrant has to pay subscription price to the issuer. Holder of a warrant shall acquire all the rights and risks, related to the acquired underlying assets, by exercising the rights, accompanying the warrant. If the value of underlying assets is lowed than indicated in the warrant on the indicated effective date, a warrant shall become worthless.	in the warrant, and market price of underlying assets. Therefore, a relatively small fluctuation of market price of underlying assets may result in disproportionate change in warrant price. Therefore, the price of warrants is highly volatile and involves major risks.
(share purchase) rights	(share purchase) rights are transferrable securities that a company may issue and offer its existing shareholders. (share purchase) rights shall give their holder a short-term right to subscribe to the issuer's shares or bonds and shall impose the respective commitments n the issuer. If the subscription right is exercised, the holder of the (share purchase) rights will be required to may subscription price to the issuer, therefore acquiring all the rights and risks, related to the underlying assets.	(share purchase) rights give their holder a gearing within a scope depending on the ratio between the subscription price, indicated in the rights, and market price of underlying assets. Therefore, a relatively small fluctuation of market price of underlying assets may result in disproportionate change in (share purchase) rights. Therefore, the price of (share purchase) rights is highly volatile and involves major risks.
Callable/redeemable bond	Callable/redeemable bonds give their respective issuer the right to recall such bonds before their maturity. Either a part or all the bonds can be redeemed. Fixed redemption price will be paid to investors owning callable/redeemable bonds. Positive difference in redemption price and nominal value is the call premium.	Redemption terms place the investors under additional risks and therefore callable/redeemable bonds are usually characterised by a profitability margin higher that attributable to regular bonds that are not subject to redemption requirements. They may also have a higher call premium.
Convertible debenture	Convertible debentures are company bonds that give their holder the opportunity to convert the bond into the company's shares at a fixed date and price.	In essence, convertible debentures are bonds accompanied with a warrant. Therefore, risks identified with both types of securities accompany convertible debentures.
Collective investment undertakings	By general rule, collective investment undertaking shall enter into an arrangement that will allow several investors to pool their assets and have these managed by a professional and	Assets of an collective investment undertaking may include a considerable number of investments that lack any specific liquidity or not involved

	independent asset manager. Typical investments involve bonds and stock market shares, but may also include derivative instruments, real estate or other assets. Assets involved may also pose certain risks, therefore, investors are recommended to make sure that undertakings are investing into different asset categories, thus managing risks. Therefore, investments into collective investment undertakings may mitigate investor's risk, offering a bigger scope of diversification compared to independent direct investment of assets. The value of assets held by collective investment undertaking will be monitored by the assets administrator or the undertaking's investment consultant.	in active trading. It's rather difficult to obtain credible price information about such investments. Collective investment undertakings may employ different strategies; each and every one of these strategies may contribute to major losses, resulting from unfavourable market conditions, under certain circumstances. Collective investment undertakings may invest into assets that are volatile and/or not liquid and contribute to expensive position opening or closing operations. Additionally, closing a position of a collective investment undertaking is often restricted by establishment terms and conditions of a company and with a relatively long prior notification term (and the investment value may move in unfavourable direction during this term). Investments in collective investment undertakings may be characterised by lack of secondary market and therefore, the investment won't necessarily be liquid.
Share of an investment fund	Investment funds represents aggregate assets that allow a number of investors to invest their monies into a shared and uniform security portfolio that will be managed by a professional fund manager. Investment fund assets belong, proportionately, to owners of shares of an investment fund. Therefore, shares of an investment fund represent investor's participation in investment fund assets. Investment funds are categorised in accordance to different investment styles. Share funds, bond funds, money market funds etc. can be distinguished. Immediate distribution of investor's funds is one of the advantages, characterising investment funds. By participating shares of an investment fund, the investor shall immediately become an owner of a professionally distributed portfolio that shall diminish risks, characteristic of single shares and bonds. It's important to	Risk levels of investment funds depend on investment style and structure of assets. Funds that only invest into a single sector or state, involve risks that are much higher than those accompanying investment funds, carrying portfolio distributed at global level between different sectors. Investment funds represent risks accompanying single securities included in the portfolio. Descriptions of possible risks are given in fund prospectus. It's also important to pay attention to different fees, charged by funds from investors concerned. In some situations, the different fees, charged by fund managers, total to a considerable amount of a reasonably expected rate of return of a fund. Such fees may

	understand that depending on the investment style, used by a fund, some fund may only invest into securities of a certain sector or state(region and this will ensure distribution of risks only within a specific sphere/sector.	be described as share issue charges, management fees and charges, share redemption fees, susses fees. It is also important to inspect advance notification terms for redemption of shares and terms applicable to refunds made to investors.
Hedge funds	Hedge funds represent a class of assets characterised by lack of specific regulatory measures, aiming at achieving positive rate of return, regardless of market situation. Hedge funds use complicated strategies to achieve their objectives, incl. selling short, gearing and use of derivative instruments to make the most of all the opportunities that may arise. As the consequence, the rate of return of hedge funds is often not linked or comparable to classic share and bond markets and therefore, it may be possible to manage market risks by adding some hedge funds to he portfolio.	Hedge funds are considered to be characterised by a risk level higher than those present in classic investment funds and therefore, should be mostly used by more experienced investors. This is mostly related to the fact that hedge funds are not regulated and their activities are not transparent. Hedge funds will probably invest into risky or not so liquid assets. Although the purpose of their strategy is to achieve maximum rate of return, extremely large losses may result from mistakes made in risk management efforts.
Stock exchange funds	Stock exchange fund represents a share portfolio that has been compiled with the purpose of following the rate of return of a certain index or aggregate shares. Stock exchange funds will give the investors an opportunity to purchase a well-distributed share portfolio, investing into the shares focusing on a certain state, sector or region, with a single transaction. There is also an organised secondary market where funds can be traded, just like shares, characterised by two important differences: 1. Stock exchange funds represent aggregate shares (indexes); 2. Purchase and sales fees of stock exchange funds are usually lower than the respective fees on purchase and sale of shares.	Stock exchange funds include the same risks as shares, however, remaining lower, as funds are characterised by distributed investments.
Money-market instruments	The term “money market” stands for a global short-term (less than 1 year) loan market that offers liquidity to the global financial system.	Money markets are large and highly liquid. By general rule, money-market instruments are seen as investments, involving low level of risks. Therefore, they earn lower interests and are characterised by low fluctuation margin.

	Certificate of Deposit (CD) is a money-market instrument with a fixed term that, once expired, will ensure refunding of the principal deposit amount with an interest. Most of the certificates of deposit are concluded for a period that is shorter than a year. Most certificates of deposit earn a fixed-rate interest, however, there are also deposit certificates with “floating” interest rate. A fee will be charged for premature redemption of the principal amount. Most of the certificates of deposit are traded and the investors may just sell the certificates that they no longer want to keep instead of paying the redemption fees.	Certificates of deposit are usually issued as bearer’s certificates: however, some are also registered. The profit shall usually depend on the term of the certificate, the underlying currency’s main basic interest rate and credit rating of the issuer.
	Securities repurchase agreement is an agreement between two parties; one party shall sell the other a security at a fixed price, taking a commitment to repurchase the security concerned at a later date and at a different fixed price. Although repurchase agreements are mostly overnight transaction, they may also have one month or even a longer term. In general, repurchase agreements are characterised by a fixed term; however, different arrangements can be made. Reverse repurchase agreement is a reversed repurchase transaction.	
	Although in legal terms, repurchase agreement stands for selling of a security, followed by repurchase, it has the economic influence of a loan secured. The buyer of security shall give the seller required financial means and gets securities as a deposit/collateral. If dividends are paid on securities, involved in repurchase arrangement or some other rights are granted, these will be collected by the original owner of the security. The difference in sales and purchase prices of the security shall serve as the loan interest.	Repo prices are shown as interest rates; however, as a repurchase agreement represents, in essence, a secured loan transaction, the interest rate is not dependent on the credit rating of the other party.
Structured notes/products	The term “structured note/product” represents a large category of complex investments that are created to meet highly specific requirements that can’t be obtained with standard products, available in the market. Derivative instruments are usually used as structure products and these	Interests and/or redemption fees that are paid on structured notes may be linked to the price of underlying assets of the product concerned and such changes may result in decrease of interest paid and/or due redemption fees. Depending on

	can be used as an alternative to direct investments, as a part of asset distribution process to diminish portfolio risks or to make the most of the current market trends. By general rule, such products are not traded in regulated markets and investors will take the risks that are related to the issuer of structured notes. A typical structured not may combine capital-protected elements with partial participation in the movement of underlying assets, characterised by higher rate of return and higher risks. Capital protection element, offered in certain occasions, is usually linked to a provision requiring that the investment will be held until maturity arrives and is linked to credit quality of the issuer of the product.	the product: if there is no capital-protected element, investor may lose a part of his/her initial investment in the product. In each case, the terms and conditions of a contract, linked to a product, may include certain provisions that do not serve the interests of investors, under certain conditions. For example, the terms and conditions may allow the investor to cancel the contract at a moment when the situation is not favourable for the investor or grant the issuer of the product with the right to change the terms and conditions of the contract.
Option	Option is a security that will give its bearer a right, but not the obligation, to purchase (call option or call) or sell (put option or put) at a specified time, in the future, certain identified underlying assets at a previously agreed price (strike). *For example, investor will purchase a call that will grant him the right to purchase 100 shares in ABC at the fixed price of X in three months.* Options are usually used to protect the positions of an investment portfolio. Options can be also used to invest into share price movement trend.	When purchasing an option, the investor will pay option premium to option issuer. This is the price paid by an investor for an option. Should the price of a share move in a direction, unfavourable for the purchase of option, the investor will lose the premium paid upon the arrival of maturity of the option as the option becomes worthless. *For example, upon the arrival of the effective date the investor has the right to purchase 100 shares in ABC at the price of X, however, there has been a decline and the share is traded at $X – 5 in the market.* In the situation described, the loss of the investor who purchased the option is only limited to the loss of the premium made. However an option can be also sold before the maturity date. In such cases, the investor will lose the difference in option purchase and sales price in case of unfavourable movement of the price of underlying assets.
Future	Future is a security, **committing** its bearer to purchase or sell, in the future, specific underlying assets at a price that has been previously fixed. As futures are market traded, buyers of futures can sell their futures before the effective date and therefore, also	Futures are accompanied by major gearing that will allow to earn either high profit or bear high losses even at minor movements of underlying assets. One must keep on mind that as the consequence of

	avoid the commitment to deliver some goods in reality.	limited liquidity, it may not be possible to close future position at a reasonable price as there will be no suitable other parties to the transaction.
Forward	Forward is a security, **committing** its bearer to purchase or sell, in the future, specific underlying assets at a price that has been previously fixed. Unlike future, **forward is not freely market traded.**	Forward risks are largely similar to future risks, but as forwards are not market traded, the owner of a forward must be ready, in reality, to deliver the goods concerned at the agreed price. This would mean massive losses, should the price of underlying assets move in an unfavourable direction. It must be also considered that the other party to the transaction may not be able to fulfil its delivery obligation at times specified.
Contract for Difference or CFD	Contract for Difference (CFD) is a financial derivative that is aimed at expressing the difference in opening and closing price of an instrument. For the purposes of CFD, the financial instruments can be either shares, bonds, futures, options etc. Traditionally, CFDs are not stock market instruments; however, these can be traded on stock exchange.	CFDs involve high risks as the gearing they offer means that a small initial amount can generate major profits or losses. This also means that even a relatively insignificant change in the value of underlying assets may result in a disproportionate change in investment value.
REIT (Real Estate Investment Trust)	REIT is a security that is stock market traded and the issuer of this security will invest the monies raised directly into real estate or loans that are linked to and secured by real estate. Such securities can be used for simple real estate investments that do not require purchase and maintenance of real estate by the investor itself. The investor will purchase a participation in a fund that owns real estate and will thus acquire the right to participate in distribution of profits, generated by the investments.	Risks involved in real estate securities are usually linked to the movement of real estate prices either in the region concerned or at global level. Economic indicators in general, ability of individuals and companies to meet their lease and rent payments must be also taken into consideration. Real estate securities also involve interest rate risk. In the case of higher interest rates, consumers have problems with generating the required funding and investments into real estate will usually drop, which means there may be a general negative influence on real estate prices and lease and rent revenues/returns.