Panmure Gordon
AND COMPANY

Nature and Risk of Financial Instruments Disclosure

Financial Instruments and Associated Risks

This risk disclosure notice is for potential clients and clients of Panmure Gordon and is intended to give you a general description of the nature of investments and information on and a warning of the risks associated with investments you may deal in. It is essential to study the nature of the instrument and the risks it entails before deciding on making an investment, it's important that you do not trade in a financial instrument unless you are fully aware of the risks involved. If you are unclear as to the meaning or effect of any of the disclosures or warnings described below, you should seek independent legal or financial advice.

This document should be read in conjunction with any other documentation and any product specific disclosures provided separately to you which may highlight a non-exhaustive set of additional risks particular to such product or service.

You acknowledge and agree that the information provided in this notice does not constitute investment advice or a recommendation to make an investment.

General Risk Factors

All financial products carry a certain degree of risk and even low risk investment strategies have an element of uncertainty. The types of risk that might be of concern will depend on various factors, including how the instrument is structured and the circumstances of, and relationships between, the relevant parties. Risk factors may occur simultaneously and may compound each other resulting in an unpredictable effect on the value of any investment or investments.

Outlined below are some of the generic risks that may apply to your investment in any financial instrument;

Volatility of returns

The value of investments and the amount of income derived from them may fluctuate both negatively and positively, depending on market supply and demand, investor perception, the prices of any underlying or allied investments, as well as a variety of other factors, including macro-economic market conditions such as the interest or exchange rate, or other general political factors in addition to more company or investment specific factors. These factors are outside your or our control and past performance is not an indicator of future performance.

Market risk

The price of investments may fluctuate both negatively and positively, depending on market supply and demand, investor perception and the prices of any underlying or allied investments as well as, sector, political and economic factors. These factors can be unpredictable. Additionally, overseas and emerging markets may pose different risks from those of the home market of the investor.

Impediments to disinvestment and liquidity

The liquidity of an instrument is affected by the supply and demand for that instrument, as well as a number of other factors, and under certain conditions it can become difficult or impossible to liquidate or acquire a particular position. Please note that some financial instruments may be illiquid from the outset due to, the structure or bespoke nature of the financial instrument such as a fixed investment term, or an exit cost upon sale or transfer.

Credit risk

Exposure to credit risk (i.e. the risk of loss caused by borrowers or counterparties failing to fulfil their obligations or the risk of such parties' credit quality deteriorating) is particularly relevant to credit linked products. The losses which may be sustained, and the frequency and likelihood of such losses occurring may be substantially greater when investing in such products than when investing in the underlying reference entity.

Insolvency

The insolvency or default of the firm with whom your investment is entered into with, issuer of the financial instrument, or of any brokers involved, may lead to positions being liquidated or closed out without your consent or your investments not being returned. In addition, banks and other financial institutions may become subject to resolution procedures, in such situations the value of your investments may be written down in whole or in part or your ability to terminate your positions may be halted.

Settlement risk

Settlement risk is the risk that a counterparty does not deliver the relevant financial instrument in accordance with agreed terms.

Currency risk

A movement in exchange rates can have a favourable or unfavourable effect on the profits achieved in respect of financial instruments that are denominated in a currency other than your home currency that your accounts are denominated in.

Interest rate risk

Interest rates can fluctuate which can positively or negatively impact your investments. Government agencies or regulatory authorities can influence interest rates based on Macroeconomic factors which may result in interest rates falling below zero which could result in interest amounts being payable by you under certain circumstances.

Regulatory and legal risk

All investments can be exposed to regulatory, legal or structural risk, which can impact the nature of any return on investment. Legal and regulatory changes can also impact the way that you are able to sell financial instruments or enter into markets.

Operational risk
Operational risk, such as breakdowns or system or control malfunctions, including IT systems, can impact all financial products. Business risk, especially the risk that the business is run incompetently, could also impact on shareholders of, or other investors in, such a business. Personnel and organisational changes can severely affect such risks and, in general, operational risk may not be apparent from outside the organisation.

Conflicts of interest
Panmure Gordon may have positions in, and non-public information about, the markets underlying a transaction. Panmure Gordon maintains and operates organisational and procedural arrangements to limit the impact of their identified conflicts of interest, as stated in the conflicts of interest policy.

Taxation
The tax treatment of an investment for individual clients is relevant only to the specific circumstances of each client. There can be no guarantee that the nature, basis or incidence of taxation may not change during the lifetime of an investment. This may cause potential current or future tax liabilities, and you should be aware of the tax treatment of any investment product before you decide to invest.

If your circumstances are changing, or if you are uncertain about any aspect of how an investment might relate to your own tax position, please seek professional tax advice.

Risks associated with individual financial instruments;

Ordinary Shares
An ordinary share represents an equity ownership interest in a company with holders of ordinary shares typically being entitled to voting rights (as specified in a company's articles of association). As stakeholders in a company, in return for the capital investment made by a shareholder, a company may elect to pay dividends to shareholders in the form of cash or additional shares.

The price of a company's ordinary shares is subject to many of the general risk types set out above including, but not limited to, market risk, liquidity risk, and the perception of the strength of the company's business.

Ordinary shareholders are entitled to their share of the residual economic value of a company should the business unwind, however, ordinary shareholders would generally have the lowest legal priority to receive repayment. Consequently, in a bankruptcy or other distressed scenario, ordinary shareholders could suffer a loss of all or nearly all of their original investment.

Preferred Shares
A preferred share is a form of equity that has a higher legal priority on a company's assets and earnings than an ordinary share. If a company elects to pay a dividend, holders of preferred shares would be paid before dividends to shareholders of ordinary shares. Unlike ordinary shares, however, preferred shares do not usually carry voting rights.

The price of a company's preferred shares is subject to many of the general risk types set out above including, but not limited to, market risk, liquidity risk, and the perception of the strength of the company's business.

In an unwinding of the company, holders of preferred shares will generally have a lower legal priority than holders of debt, in a bankruptcy or other distressed case scenario, holders of preferred shares could suffer a loss of all or nearly all of their original investment.

Debt Securities/Bonds

Debt securities are an investment in an instrument that generally obligates a company to pay interest and repay the principal to the security holder.

Debt securities may be subject to the risk of the issuer's inability to meet principal and/or interest payments on the obligation and may also be subject to price volatility due to many of the general risk types set out above including, but not limited to, market risk, credit risk, currency risk, interest rate risk, as well as perception of the strength of the issuer's business.

A structured debt instrument will contain an embedded feature and will therefore expose the structured debt instrument holder to additional risk depending on the feature. If you are uncertain about any of the risks relating to structured debt instruments you must determine on your own behalf or through independent professional advice the merits and risks of the transaction prior to any decision to invest.

Unlisted securities

Unlisted securities are, for example, bonds and shares that are not listed on regulated securities markets bear higher risk than in listed securities. Such as, liquidity risk, these securities are not listed on regulated securities markets and can therefore be illiquid and difficult to sell whilst their price formation may be imperfect and lack transparency. There is a shortage of information relating to these shares due to fewer disclosure requirements, less news and analytical data on unlisted companies. The operations of these companies are therefore less transparent, and risk increases since less information is publicised. Finally, these company's operations are often considerably smaller in size than those of listed companies and are therefore considerably more vulnerable to changes in general economic developments and/or political circumstances which entail economic consequences.

Derivatives

A derivative is a financial instrument whose value is derived from the value of an underlying asset. Derivative agreements give investors rights, which may be optional, to buy or sell certain underlying assets or request a cash settlement. The value of these agreements is based on the development of these underlying factors from the contract date to the settlement date. Investments in derivatives are often leveraged so that a change in the value of the underlying assets can have a bigger impact on the value of the derivative agreement with potential positive or negative consequences for the investor. Derivative agreements are temporary and therefore can be worthless when they expire. Investors in derivatives should be prepared for the possibility of withstanding considerable losses prior to entering into any agreement. Investments in derivatives agreements are subject to certain terms, such as collateral requirements and margin calls, which investors are advised to acquaint themselves with before making an investment.

Forwards and future contracts

Forward contracts stipulate the obligations of the contracting parties to buy or sell certain assets at a certain price and a predetermined time. Contracts of this kind can also be settled in cash. Forward contracts are risky investments, particularly in view of the fact that investors often only have to contribute a part of the amount that is invested and therefore take a loan for the difference. This leverage means that a slight change in the prices of the underlying assets can have a bigger impact on the value of the agreement and consequently the instrument's market value.

Options and Warrants

An option is a contract which gives the buyer, the right but not the obligation to buy or sell specified assets at a predetermined price at a specified time or within specified time limits. As a payment for that right, the seller, receives a certain fee which is determined by the market value of the option at the beginning of the contract. There are many different types of option agreements and each has its own characteristics. What matters the most, though, is whether the investor is the buyer or seller of such an agreement.

The purchase of an option agreement entails less risk than the sale of one because, if the price development of the underlying assets is unfavourable for investors, they can decide not to exercise their option. The maximum loss of the investor is therefore the option fee that was paid at the beginning of the agreement.

The sale of an option agreement entails considerably more risk than the purchase of one. By selling an option agreement, the investor assumes the obligation to buy or sell the underlying asset if the buyer of the option exercises their right. The investor who sells the option agreement may need to put up collateral at the beginning of the agreement and additional collateral if the value of the agreement develops unfavourably for the seller and, at the moment of settlement, the seller may suffer a loss which far exceeds the option fee which the seller was paid at the beginning of the option agreement. In the case of a put option in which the investor owns the assets, which they have undertaken to sell, the risk is less. If the investor does not own the assets they have undertaken to sell the risk can be unlimited.

Swap Agreements

A swap agreement is an agreement between parties to swap different payment flows over a certain period. There are different types of swap agreements, but the most common type that Panmure facilitates are equity swaps that carries the following main risk factors of, market risk, liquidity risk, the perception of the strength of the company's business, interest rate risk and indices risk.

Derivatives outside regulated markets

Trading in derivatives frequently occurs outside the regulated securities market and financial undertakings are obliged to inform investors when this occurs. Investing in derivatives outside the regulated securities market may entail the risk of investors not being able to settle open derivatives agreements because there is no market for the relevant financial instrument and the value of these agreements may be unclear.