

CM-Equity AG

General Information and Risk Disclosure for Foreign Exchange (Forex) Transactions

(„General Information and Risk Disclosure“)

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I. General Information regarding Foreign Exchange (Forex)

1. Terminology

A currency transaction provides the possibility to speculate on rising or falling rates. Currencies are quoted as currency pairs (e.g. EUR/USD or EURUSD). The first named currency is called base currency, the second is called counter currency.

Forex offer the possibility to speculate on a rising or falling "price". With a position aimed at a rising price, the base currency is bought (*long position*) and the counter currency is sold (*short position*). With a position aimed at a falling price, the counter currency is bought (*long position*) and the base currency is sold (*short position*). This is also expressed by the term "Foreign Exchange" ("Forex").

When closing, the position is taken off the market and the price speculation ends. The speculation is related to the price change of the base currency relative to the counter currency. No delivery of currencies takes place. The Client may participate in such a business as buyer or seller.

A Forex transaction is a buying or selling agreement on a currency between two parties without delivery of the involved currencies. The buyer never actually owns the underlying amount of currency. Only the price difference between the currency position's values at different points of time is paid out to the buyer upon closing of the position. Settlement is made through cash payments.

Currency trades are not executed on a stock exchange but on the interbanking market. Currency price changes are expressed through the change of the exchange rate of the two involved currencies. Most currency rates, e.g. EUR/USD, are expressed with four decimal places. The smallest possible change in the exchange rate is the change of the respective last decimal place, i.e. from 1.4976 to 1.4977 or 1.4975. This smallest change is called a "Pip" (percentage in point). In the case of the major currency pairs such as EUR/USD and GBP/USD, the exchange rates are often quoted with five decimal places, so changes in the range of tenths of pips are possible.

Should neither the base currency nor the counter currency be in Euro, an additional currency risk must be considered. If the investor or its authorized agent trades as for example USD/JPY (buying US-Dollar and selling Japanese Yen), the success depends not solely on the development of the USD/JPY position but also on the development of the Euro relative to the counter currency – EUR/JPY, due account management being in Euro.

In a Forex transaction, a standard lot equals to 100,000 units of the base currency and a smaller so-called mini lot equivalent to 10,000 units of the base currency. Some Forex brokers offer so called micro lots (equivalent to 1,000 units of the base currency). For EUR/USD, a standard lot is EUR 100,000, a mini-lot EUR 10,000 and a micro-lot corresponds to EUR 1,000.

Forex is an over-the-counter market (OTC). Forex trades are not executed on a central exchange, they are over-the-counter trades. There is no central market or a central clearinghouse where orders are matched. Instead, trading is decentralized via an electronic network of banks, brokers, investment companies, pension funds, hedge funds and corporations. The Institute Servicing the Account, the Forex Broker, offers the Forex business on an over-the-counter basis.

2. Term and Offsetting Possibility

A Forex operation can be concluded for an indefinite period. The Client may close the Forex Position at the next tradable rate and stop the speculation in this way.

3. Margin

The total fees are calculated upon the offsetting of the Forex operation. The Client is required to deposit collateral (Initial Margin) to pay for any losses that may be incurred. This Margin provides the required equity to close the contract. The remaining amount of the initial deposit upon the offsetting of the Forex shall be credited to the Client's account and thus increase their liquidity.

The equity required for a Forex transaction (Margin) is much lower than the equity required for spot transactions, which may be up to 100 % of the currency's volume. The Margin requirements are determined by market conditions, particularly the volatility of the currency. The requirements may vary depending on market conditions.

The Margin may be calculated as a percentage of the trading volume (see examples in section I.8). Daily conditions can be found on the Broker's website. Details regarding the Broker are available in the Brokerage Agreement.

4. Leverage and Financing Costs

The Client should understand that Forex operations with margins are subject to the effect of leverage. The effect is because the client must provide only a fraction of the traded volume of the base currency as required equity capital (Margin). In this way the Client can move a multiple of the Margin.

The leverage is the quotient of the Margin and the traded lots (product volume):

Leverage = product volume / equity

Leverage Example:

Assuming the requested equity for trading EUR/USD is 1%. This implies a leverage of 100. Example: the Client decides to buy for a EUR/USD position of 2 lots (product volume = EUR 100,000 x 2 = EUR 200,000), then the Margin is EUR 2,000 (= required equity = 1% of EUR 200,000). The leverage is 100 (= EUR 200,000 / EUR 2,000).

This leverage may have disproportional and direct consequences for the Client's position. The Client must be aware of the risks involved in leveraged trading.

The Client must also be aware that only a minor share of the equity shall be used as Margin. Should the Client use their entire equity as Margin, minor volatility may result in a total loss of all their Assets. These losses may even be higher than the amount deposited into the Client's account. In such cases, further payment obligations may arise.

The smaller the Margin is in relation to the buying or selling price, the higher and more dangerous the leverage will be. Borrowing capital creates interest liabilities should positions be held overnight. These interests must be compensated from the Client's equity.

5. Pricing, Spread

The Broker's trading platform system shows the current price and quote developments. In accordance with the agreement, the Broker shall provide the Client with pricing information reflecting current market conditions. However, the Client must understand that the prices provided by the trading platform change continuously. The Client should also be aware that there is a spread between the buying price ("bid") and the selling price ("ask").

The ask price is the price which the seller asked for their product. This is the best market price for the buying order execution. The bid price is the price which the buyer is willing to pay for the product. This is the price at which a selling order can be executed at any time.

Usually, there is a spread between the higher bid and the lower ask price because the seller wants to make gains when selling and the buyer wants to buy at the lowest possible price. One half of the spread becomes due upon buying, the other upon selling.

Example: Spread

For simplicity, it is following assumed that spreads are fixed. One lot EUR/USD is traded. It is assumed that the Institute Servicing the Account sets up a premium of 0.00006 (= 0.6 pips) and the spread in the interbanking market is 0.00002 (= 0.2 pips). This results into a spread of 0.00008 (= 0.8 pips) for the Client. When purchasing a EUR/USD lot at an execution price of 1.37500 (mean rate = mean value between sell and buy price), it will be billed at 1.37504 (1.37500 plus 0.4 pips, half spread). If the lot is sold at an execution price of 1.37550, this is billed at a price of 1.37546 (1.37550 less 0.4 pips, half spread).

The Client needs to understand that the spread represents a lost amount when opening a position. It needs to be earned back through a respective price development, depending on whether the position is short or long.

6. Stop Orders

A stop order is a conditional market order (buy or sell) that is triggered when the current price reaches a predefined price, the so-called stop price. It cannot be guaranteed that the stop price and the execution price coincide. The price at the execution time may differ from the price at the time when the stop price is reached (and the market order is triggered). The stop price and the execution price should not be confused. They shall only coincide, should there be no price changes between the time of trigger and the time of execution. In such case, the order can be executed at a price equal to the stop price.

Example: Stop Price (Buy)

One lot EURUSD shall be traded. The trader expects increasing prices and, as such, enters a long position.

It is assumed that the Institute Servicing the Account sets up a premium of 0.00006 (= 0.6 pips) and the spread in the interbanking market is 0.00002 (= 0.2 pips). This results into a spread of 0.00008 (= 0.8 pips) for the Client.

When buying a lot EUR/USD at the execution price of 1.3750 (mean rate) including the spread, 1.37504 (incl. half of the spread) will be billed.

In order to protect the EUR/USD position from high losses, the stop price is fixed at 50 points, for example, i.e. at 1.3700 ($1.37500 - 0.0050$).

Should the price move contrary to the trader's expectation, i.e. the price declines, and reach a level of 1.3700 (mean rate), a sell order shall be automatically triggered to close the Forex position.

However, there is a risk of the execution price deviating considerably from the stop price due to market conditions (news, liquidity, etc.).

The sell order may be executed at 1.3698 (mean rate), as a result, including the spread, 1.36976 may be billed.

Buy execution price of EUR/USD = 1.3750 (mean rate)

Buy billing price of EUR/USD = 1.37504

Sell execution price of EUR/USD = 1.3698 (mean rate)

Sell billing price of EUR/USD = 1.3698

In this example, the loss amounts to 52.8 pips which exceeds the proposed maximum loss of 50 pips by 2.8 pips.

Example: Stop Price (Sell)

One lot EURUSD shall be traded. The trader expects declining prices and, as such, enters a short position.

It is assumed that the Institute Servicing the Account sets up a premium of 0.00006 (= 0.6 pips) and the spread in the interbanking market is 0.00002 (= 0.2 pips). This results into a spread of 0.00008 (= 0.8 pips) for the Client.

When selling a lot EUR/USD at the execution price of 1.3750 (mean rate) including the spread, 1.37496 (incl. half of the spread) will be billed.

To protect the EUR/USD position from high losses, the stop price is fixed at 50 points, for example, i.e. at 1.3800 ($1.37500 + 0.0050$).

Should the price move contrary to the trader's expectation, i.e. the price increases, and reach a level of 1.3800 (mean rate), a buy order shall be automatically triggered to close the Forex position.

However, there is a risk of the execution price deviating considerably from the stop price due to market conditions (news, liquidity, etc.).

The buy order may be executed at 1.3802 (mean rate), as a result, including the spread, 1.38024 may be billed.

Sell execution price of EUR/USD (opening the short position) = 1.3750 (mean rate)

Sell billing price of EUR/USD (opening the short position) = 1.37496

Buy execution price of EUR/USD (closing the short position) = 1.3802 (mean rate)

Buy billing price of EUR/USD (closing the short position) = 1.38024

In this example, the loss amounts to 52.8 pips which exceeds the proposed maximum loss of 50 pips by 2.8 pips.

The trading stop is a dynamic stop price. Should the price move favorably, the stop price shall be automatically adjusted to the price movement. The adjustment shall follow predefined steps.

7. Costs

For any Forex Transactions, there is a charge per purchase (half turn) and per sale (half turn), which shall be paid to the Institute Servicing the Account by the Client. The entire amount shall be reimbursed to CM-Equity AG. Depending on the currency pair, the transaction fee may either be charged as a fixed amount per lot and half turn. The types and rates of the charges are defined on www.optimtrader.com.

The charges are due for any opening and closing of a position, separately and independently from whether the transaction is executed by the Company or directly by the Client.

The Company may also receive a share of the spread, which the Institute Servicing the Account may claim from the Client. This remuneration may amount to a maximum of 100 % of the spread, which may be claimed by the Institute Servicing the Account and is calculated at the mean rate between bid and ask price. In such case, the remuneration can be disregarded as costs from the Company since it is included in the costs of the Institute Servicing the Account.

Example: Cost structure

It is important to note that the charge rates in the following calculations are only exemplary and for descriptive purposes. The actual charge rates are defined on www.optimtrader.com. Personal taxes, such as income tax and flat rate withholding tax, are also not included in the calculations. Potential securities transaction taxes are also omitted. For completeness, the spread of the Institute Servicing the Account is displayed, even though it is not charged separately. Transaction fees are computed based on the billing rate and not on the mean rate.

EUR/USD

A trade signal to buy a lot EUR/USD (long position) is assumed. The available speculation capital is EUR 40.000 and the execution price is 1.3976. 2 lots are bought, and the stop level is fixed at 30 pips below the execution price. The position is closed at 1.3976. The following costs accrue:

1. Costs of the Institute Servicing the Account:

Spread (0.8 pips = 0.00008) x volume (100.000 x 2) = USD 16

2. Costs of the Company (buy and sell):

0.55 pips per Lot (USD 5.50 x 2) upon buying = USD 11

0.55 pips per Lot (USD 5.50 x 2) upon selling = USD 11

3. Total costs:

Assuming an exchange rate of 1.3976 the total cost is equivalent to: EUR

(16 + 11 + 11) / 1.3976 = EUR 27.19.

4. Margin and total loss:

A margin amounting to EUR 2,000 (1% of 100,000 x 2) must be provided. By closing the position at the stop level, a loss of 30 pips is realized. This corresponds to (1.3976 to 1.3946) x 100,000 x 2 / 1.3946 = 430.23 EUR

The total loss of this transaction for the Client is EUR 457.42 comprising a speculation loss (EUR 430.23) and total cost (EUR 27.19). Given the original speculation capital of EUR 40,000.00, the total loss is approximately 1.1%.

Note: The lower the original speculation capital, the higher the loss percentage.

USD/JPY

A trade signal to buy a lot USD/JPY (long position) is assumed. The available speculation capital is EUR 40.000,00 and the execution price is 102.50. 2 lots are bought, and the stop level is fixed at 30 pips below the execution price. The position is closed at 102.20. The following costs accrue:

1. Costs of the Institute Servicing the Account:

Spread (0.8 pips = 0.00008) x volume (100,000 x 2) = JPY 1,600

2. Costs of the Company (buy and sell):

0.55 pips per Lot (JPY 550 x 2) upon buying = JPY 1,100

0.55 pips per Lot (JPY 550 x 2) upon selling = JPY 1,100

3. Total costs:

Assuming the EUR/JPY exchange rate being 140.70 the total cost is equivalent to:

EUR (1,600 + 1,100 + 1,100) / 140.70 = EUR 27.01.

4. Margin and total loss:

A margin amounting to EUR 1,431.02 (USD 2,000 = 1% of 100,000 x 2, assuming the EUR/JPY exchange rate being 140.70) must be provided. By closing the position at the stop level, a loss of 30 pips is realized. This corresponds to (102.50 – 102.20) x 100,000 x 2 / 140.70 = 426.44 EUR.

The total loss of this transaction for the Client is EUR 453.45 comprising a speculation loss (EUR 426.44) and total cost (EUR 27.01). Given the original speculation capital of EUR 40,000.00, the total loss is approximately 1.1%.

Note: The lower the original speculation capital, the higher the loss percentage.

8. Precedence of the Broker's Policies and Contract Conditions

Please note that the details for Forex transactions are regulated in the Broker's respective contract conditions. They shall take precedence. The documents on hand shall serve as general information and shall clarify the structure and execution of a Forex trade.

Should there be any questions, or should anything be unclear in these documents, please contact the Company.

II. Risk Disclosure for Forex operations

When entering Forex operations, the following risks must be considered. Without knowledge and awareness of these risks, no Forex transaction shall be made. Forex trades are no common investment, but a highly speculative form of investment subject to severe risks that may result in a substantial loss or, in the worst case, even in a loss exceeding the assets. Please read this risk disclosure thoroughly with due diligence and comprehend its content.

1. General Risks

a) Severe Loss Risk

There is no financial protection from third parties for capital invested in Forex, as it may be the case for bonds. In case of a financial loss, there is no guarantor compensating for the loss fully or partially.

The depreciation of Forex is not the exception, in fact, it happens frequently. A total loss of the assets, as well as a total loss exceeding the assets, is possible. Forex is no common investments but highly speculative investments. This risk cannot be limited or eliminated, not even by involving asset management service providers or by following trading systems provided by third parties. Assuming a trade is closed due to its stop level with a 4% loss, it would only take 25 disadvantageous trades to expend the total investment capital. With intraday trading, this may happen within a few trading days.

b) No Delivery

It is not possible to execute a Forex transaction in a way such that the involved currency is delivered against cash. The only possible form of settlement is the cash settlement of the difference.

c) Credit Risk of the Issuer

The Client must know the Institute Servicing the Account is the contractual partner of the Client. Consequently, the Client is dependent on the creditworthiness of the Institute Servicing the Account. Should the Institute Servicing the Account not be able to meet its payment obligations, the Client may not receive profits resulting from a positive Forex trade owed to him. Neither can this risk be eliminated through a one-to-one hedging transaction on the exchange executed by the Institute Servicing the Account. The reason being that its illiquidity may have been caused by a different business and the hedging transaction does not involve separate assets for the benefit of the Client.

d) Bankruptcy Risk

In the event of insolvency of the Institute Servicing the Account, the Client is, according to bankruptcy law, on a par with other creditors. The assets of the Institute Servicing the Account shall be liquidated and distributed among the creditors. The Client's claim may be satisfied in parts or not at all. It cannot be guaranteed that Deposit-Guarantee Institutions will accept the claim.

e) Foreign Country Problem

The Institute Servicing the Account may have their place of business abroad. Contracts may be subject to foreign laws and, as such, legal actions may have to be undertaken abroad. As a result, it may be difficult and costly to enforce claims against the Institute Servicing the Account. It is unlikely that legally binding regulations for client protection pursuant to German exchange law can or will be enforced. A possible judgment of a German court would also have to be enforced abroad.

f) Conflicts of Interest of the Institute Servicing

Compensation Interest

Compensation arises from every transaction. As such, the Institute Servicing the Account may recommend, directly or indirectly, transactions to the Client with its own interest in earning commissions and not the Client's in mind.

Conflict of Interest Arising from Being the Contracting Party to the Client

An Institute Servicing the Account which acts as market maker, is the opposite party in a Forex transaction. A profit to the Client equals a loss to the Institute Servicing the Account. As such, the Institute Servicing the Account prefers that the Client incurs losses. By its own account, the Institute Servicing the Account hedges its market risk, however, this cannot be verified. Even if the contracting party has hedged its risk, it may still pursue an interest in opposition to the Client's interest. The

Institute Servicing the Account is not subject to an obligation to contract. Since Forex transactions are not traded on an exchange and the Institute Servicing the Account is the only possible contracting party, there is a risk that an open trade may not be closed to the usual conditions or, in extreme cases, may not be closed at all.

No Guarantee for Best Execution

Should the Institute Servicing the Account have its place of business outside the European Economic Area, best execution regulations may not be applicable. Furthermore, prices by the Institute Servicing the Account as market maker may not be equal to the prices on the interbanking market. As such, best execution may not be guaranteed.

2. Special Risks

a) Risk of Price Changes

Currency prices are subject to non-predictable volatility. Periods of rising and falling prices occur in addition to lateral movements of currency prices and supersede each other, without any explanation. The price development of stocks depends on long-term, medium-term, and short-term factors, which cannot be anticipated. The price of a currency may also be influenced by general factors that influence the entire currency market or the individual industry (market risk) or affect the respective currency directly (political risk).

b) Risks in the conditions and market psychology

The basic conditions of currency pricing are the inflation rate, the interest rates determined by the monetary authority, and other economic factors, which may be processed positively or negatively by the stock exchange or another market. These factors may influence the market value of a currency significantly.

The Client must also understand that most decisions in the Forex markets are not based on rational criteria, but may be influenced by nonrational opinions, hopes and mass psychological behavior. These may include the general mood of the market, opinion leaders' (e.g. analysts) views, consequences of used market techniques, trend intensification, globalization of the markets and general social events. All these factors may influence currency prices without providing a rational reason.

This may result in double-digit percentage decreases in currency prices, without any changes in the substance.

c) Liquidity Risk

Tight markets are subject to the risk of poor and unfair pricing and the risk of market manipulation. This risk exists especially in secondary trading hours.

d) Political Risk

Due to political changes or government intervention the exchange rate may change considerably over a short-term period. Prices react especially to changes in economic and financial politics.

Currency pairs which include the Euro may be subject to higher risks because of economic or political developments in the Euro Area.

e) Interdependency of Currency Pairs

The development of a currency pair may influence other currency pairs. This interdependency may be positive (rising prices reinforcing rising prices or falling prices reinforcing falling prices) or negative (rising prices reinforcing falling prices or falling prices reinforcing rising prices).

3. Market and Speculation Risk

a) Incalculable Risks of Loss

Forex trading bears the risk of losing the Margin and the fees incurred. The risk of loss may also exceed these collaterals. The deciding factor is the difference between the set stop price and the execution price. In the event of high price volatility, the stop price and execution price may be far apart. As a result, the potential loss may exceed the Margin provided.

Additional collaterals may be required, should the loss exceed the available amount. Should the Client not provide these additional funds upon request of the Broker, the Forex trade shall immediately be closed. Should the liquidity of the Client's account not be sufficient to cover all losses, the Client shall

be obligated to compensate for such losses. This may lead to additional debt and may have negative effects on the Client's total Assets, without the loss risk being determinable in advance.

Under no circumstances should Forex speculations be credit-financed, as costs, such as interest or administrative fees, continue to be incurred upon the event of a total loss and must be paid from other sources. The obligations for compensation shall exceed the losses resulting from the speculation and may result in personal bankruptcy, should no other financial sources for compensation of the credit liabilities be available.

b) Increasing Risk for First Losses

Upon losing the Margin, an extraordinary high price movement in the initial price of the Forex is necessary to compensate for the losses and to reach the financial starting point again. The occurrence of such positive price movements is uncertain. Any additional losses may add up until the total loss can no longer be prevented. Initial profits do not change this general principle.

c) Risk of Leverage

The Client must understand that a Forex trade is a leveraged transaction. Only a minor share of the product volume must be provided as the Margin. As such, a multiple of the Margin can be moved in transactions. The leverage involves substantial risks. In the case of EUR/USD, a 1% Margin based on the product volume is enough for a 1% price change contrary to the Client's expectations to result in a total loss of the Margin, transaction costs not included. The Client must understand that any subsequent price losses shall result in further losses.

The smaller the amount of the Margin in relation to the contractual value, the greater the leverage will be. A minor price change may therefore result in a total loss.

Price changes of 1% are possible within a day, especially in volatile markets. A high leverage carries the risk of short-term losses, even in the event of normal price movements.

d) Risk of Hedging

Having set a stop too close to the initial price, especially in volatile markets, may lead to the offsetting of the position, even though the price continues to move within its normal volatility frame. To still speculate in the respective position, it would have to be bought again and is, as such, subject to new charges. The risk remains that the new position may be bought at a price less favorable to the Client. Even if this second speculation may be offset successfully, it cannot be excluded that, considering former losses and charges to offset the initial speculation, an overall loss may be incurred.

e) Currency Risk

Due to volatility in the foreign exchange markets, additional risks may arise when speculating in foreign currencies or trading lots, which do not correspond to the account currency (i.e. trading of USD/JPY and billing is in EUR; here, the Forex transaction is subject to an additional currency risk in EUR/JPY).

f) Price Determination

The price shall be determined in the market, where the Forex is traded or quoted in accordance with the regulations in force. Suitable prices may not exist in tight markets and, as a result, prices are impossible to be determined.

g) Rapid Price Jumps

Prices may change rapidly for various reasons (e.g. news releases in the market). Such rapid price jumps may occur during trading hours or outside of trading hours (over night or on the weekend). Should price changes occur outside of trading hours, the new opening price may vary significantly from the previous closing price, without the possibility of offsetting a position in between. As a result, price jumps may cause severe losses.

h) Spread

A higher spread, caused by the Broker or by transaction-related remuneration, decreases the likelihood of earning back the spread and, as such, of making gains, especially in connection with higher trading activities. The spread is always an amount lost to the Client and must be earned back in addition to the speculation costs before the financial starting point may be regained.

4. Risks Imposed by the Costs and Pricing

a) Transaction Costs

In judging investments, incurring costs which negatively impact the results will always need to be earned back. The Client must consider any costs when making investment decisions. The charges of the Broker or other financial institutes involved have a negative impact on the financial result.

b) No Consideration of Private Speculant's Costs

Any costs resulting from the Forex trade have a negative impact on the result. Any costs occurred in the context of Forex business must be earned back through an appropriate market price development before the client makes a profit.

The higher the transaction costs, the smaller is the chance for profits until they fully disappear. In the case of repeat speculations, a positive course of the overall speculation is very unlikely, if not completely impossible, even if profits are generated initially.

c) Higher Risk Through Churning

Where transaction-based remunerations are concerned, potential conflicts of interest may arise between the financial services provider earning money with every transaction and the Client. As such, it is in their interest to execute as many transactions as possible. The financial service provider may be tempted to conduct as many transactions as possible to maximize the remuneration, even if this seems meaningless from the Client's point of view.

The absolute amount of the transaction costs may be too high in relation to the market utilization or the result of frequent, economically pointless entries into and exits from transactions ("churn"). The reason for this may be one-sided advice to the Client that benefits the adviser's commission interests as he receives a share of the commissions.

Loss limitation measures may also be calculated too tightly compared to the expected variation range of the prices (stop orders). This may result in hectic market entries and exits with the result that new costs are continually being incurred and ultimately, uses up the capital invested without having incurred any substantial losses.

Please note that this conflict of interest also applies to the Company.

d) Special Risks of Day trading

Day trading involves short-term market participation. The participation takes place in the form of day trades. The opened position is closed on the same day. It may be the case, if triggered by trading signals, that the exact same position is opened and closed multiple times in a single day (intraday trading).

While day trading, unexpectedly small, short-term price changes may cause a total loss. In addition to market risks, transaction costs must be considered for risk calculation. These transaction costs are mainly remunerations for the Broker and commissions of other financial services companies, i.e. the Company's commissions, plus execution costs.

The short-term nature of this business may result in a total portfolio turnover within a day leading to a high number of trades in the Client account. Any costs incurred may be extraordinarily high. As a result, this cost burden may entail the consumption of the Client's capital through the costs incurred (commissions). This is especially the case, if the market has a low volatility, so that the gains cannot compensate the losses when offsetting the positions.

The risk of accumulating commissions exists for short-term transactions, even without the service provider's intention to churn. A high number of transactions is characteristic for day trading. Favorable market conditions may only become profitable, should the price movements have compensated for the total costs. Price movements are usually limited due to the short-term nature of this strategy. As such, a precise calculation is required to determine the correct buying and selling points for overall profitable day trading. However, there is no guarantee that the Client is always positioned on the correct side of the market.

Market risk means that the price of the Client's position may not move or develop contrary to the Client's interest and may have to be offset incurring a loss. Even in such case, a correct offsetting point must be determined in advance. Should this not happen, the losses may use up the entire

Margin within a short-term period. Even losses exceeding the Margin may be incurred and need to be covered by the Client's Assets.

The loss risk consists of losing the Margin and exists in the incurring costs, but it may also go beyond the collateral provided. Should the Client not be able to pay for the losses, the risk of personal bankruptcy exists. Stops cannot exclude this risk, as they increase the number of transactions which again contribute to the respective risks. This risk is reinforced with investments in high daily volatility values.

The transaction proceeds must compensate for the costs and the losses plus costs of former transactions prior to the Client having a positive account balance. This may be impossible, should the initial losses have been too high. For this reason, the Client should have advanced knowledge of day trading, securities markets, trading techniques, trading strategies and derivatives and should trust the provider of the trading signals. This is because the Client may be in competition with well-financed professional day traders.

Additional risks exist due to the short-term nature of the trading activities.

5. Special Risks Involved in Automated Trading Systems

Automated trading systems can execute a high number of trades in a short-term period. As such, a high number of open, leveraged positions can be created that may only be closed in the medium-term. In the case of anticyclic systems, these open positions may lead to a high drawdown, which can lead to a substantial loss, or, in the worst case, even to a total loss of the Assets. The trading systems use market orders to some extent and no stop or limit orders. The systems are continuously monitored by the portfolio manager and backup systems are in place, however, the risk of trading losses through technical problems (e.g. internet service failure, hard- and software problems, errors in the trading system, breakdown of the broker connection to the order and price systems) remains. Positive past results of trading strategies do not indicate future profits.

6. Inevitability of Risks

All risks mentioned exist in any case. The risks cannot be fully eliminated by using the services of an Asset Manager, nor through any technical equipment or computer programs. Any other statements regarding the Risk Disclosure made by anybody else (e.g. advisors, experts, etc.), or even firm promises of profits, are invalid. They are acting without authority. Please notify the Company if any unauthorized incidents occur. Please also read the Risk Disclosure of the Broker with due diligence.