capitalatwork
Wealth Management Foyer Group

Overview of key features and risks relating to financial instruments

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Table of contents

The purpose of this document is to outline the key features and risks relating to the financial instruments in which you may invest or in which Capital*at*Work Foyer Group S.A. (hereinafter the "Company") may invest on your behalf. If you have specific questions or are interested in particular financial instruments, we advise you to contact us directly for further information.

Please note that this document does not cover the tax or legal consequences of transactions in financial instruments. We therefore recommend that you seek tailor-made specialist advice on all such matters before proceeding with any investment.

1. General risks

These risks apply to all types of investments. However, depending on the financial instrument concerned, one or more of the risks described below may apply cumulatively, thereby resulting in an overall increase in the level of risk incurred by the investor.

1.1. Economic risk

Changes in the activity of a market economy inevitably impact the price of financial instruments and exchange rates. Prices fluctuate more or less in line with the economic cycle, during phases of recession and growth. The duration and scale of the economic cycles of recession and growth vary, as well as the impacts on the different sectors of the economy. The economic cycle may also vary from one country to another.

Failing to take account of the economic situation or misinterpreting the situation when taking an investment decision may lead to losses. The most important factor to take into consideration is the impacts of the economic cycle on the price of investments.

Even when fluctuations in, for example, the economic context are taken into account, past performance of a financial instrument is no guarantee of future results for the same instrument. Depreciation, resulting in losses for the investor, always remains a possibility.

Investors must therefore always ensure that their investments are appropriate to the economic context and, if required, make the necessary changes to their portfolio.

1.2. Liquidity risk

For investors, liquidity refers to the possibility of selling the financial instruments that they hold at any time at the market price.

In the case where there is insufficient liquidity in the market, investors risk not being able to sell their financial instruments at the market price. In principle, a distinction must be made between low liquidity due to the bid-offer spread and low liquidity attributable to the features of the financial instruments or to market practices.

Low liquidity due to the bid-offer spread arises when the bids (selling price) or offers (purchase price) for a financial instrument at a certain price are very limited or non-existent. In such circumstances, an order to buy or sell cannot be executed immediately and/or can only be executed in part (partial execution) and/or under unfavourable terms. The transaction fees may also be higher.

Low liquidity attributable to the features of the financial instruments or market practices may arise, for example, in the case of lengthy transfer procedures for registered shares, long execution delays due to market practices or other restrictions on transactions, a short-term liquidity requirement that cannot be covered by the sale of financial instruments or long notification periods before being able to execute a transaction, particularly in the case of alternative funds. Fixed-term instruments may also be impacted by the liquidity risk.

1.3. Credit risk

Borrowing to finance the purchase of financial instruments entails a certain number of additional risks. On the one hand, additional guarantees may be required (sometimes at very short notice) in case of a breach of the credit limit caused by a variation in the price of the securities given as collateral. If the investor is not capable of providing such guarantees, the Company may be forced to liquidate the Client's financial instruments at an unfavourable time. However, the loss suffered when the prices fall may prove to be greater than the initial investment. Fluctuations in the price of the financial instruments given as collateral may therefore negatively impact the ability to repay the loans.

It is important to be aware that the leverage obtained to purchase the financial instruments on credit results in a proportionally increased sensitivity to price fluctuations, offering the possibility of not only greater gains but also the risk of greater losses. The bigger the leverage, the higher the risk associated with such purchases.

1.4 Counterparty risk

Counterparty risk is the risk of payment default by a counterparty.

1.5. Interest rate risk

In general, any short term or long term fluctuation in interest rates can have a significant negative impact on the value of financial instruments.

The risk indicator for a fall in the price of fixed-income instruments is sensitivity, which measures the variation in yields of a financial instrument in relation to interest rate movements. In this way, the greater the sensitivity, the more the yield from the financial instrument will be impacted by a variation in interest rates.

1.6. Inflation risk

Investors may suffer monetary losses on their investments under the effect of currency depreciation. Such depreciation may have an impact on the real value of existing wealth, as well as on the actual return that could have been obtained with this wealth. The Client must therefore focus on the actual returns,

i.e. the difference between the interest rate and the rate of inflation for fixed-rate products.

If the rate of inflation therefore exceeds the return generated with the financial instrument (capital gains and interest), the value of the capital invested will decline.

1.7. Country risk and transfer risk

Although solvent, a foreign debtor may find itself unable to pay interest and repay the debt by the due date or may completely fail to fulfil its obligations owing to the absence or unavailability of transfer facilities in its country of origin due to, for example, economic, political or social instability in the country in question.

It is possible that the payments to which the investor is entitled cannot be made as a result of a currency shortage or restrictions imposed on foreign transfers. For financial instruments denominated in a foreign currency, the investor may receive payments in a currency that is no longer convertible as a result of exchange restrictions.

Furthermore, even in the absence of any crisis, state interventionism in certain sectors of the economy (e.g. nationalisation) may impact the value of the assets invested. In certain extreme cases, the assets of investors may sometimes be confiscated or frozen by the local authorities or the rights of investors may be restricted.

In principle, investors have no way of protecting themselves from such risks. However, the ratings assigned to countries in the financial press may provide indications that investors may find useful in this regard.

Finally, more generally, political, economic and/or social instability in certain countries may trigger rapid fluctuations in prices.

1.8. Foreign exchange risk

The rates of exchange between currencies fluctuate, and a foreign exchange risk may exist when financial instruments are held in a foreign currency. Depending on foreign exchange rates, the same investment may generate gains or suffer losses.

Furthermore, since the activities of companies are, to a greater or lesser extent, linked to exchange rates, fluctuations in these rates are likely to influence the value of financial instruments issued by the companies.

The main factors that influence the exchange rate of a currency are the rate of inflation in the country, differentials in the country's interest rates and rates of domestic versus foreign productivity, the evaluation of developments in the economic environment, the global political situation and the security of investments. Psychological factors, such as a crisis of confidence in political leaders, are also likely to weaken a currency's exchange rate.

1.9 Legal and regulatory risks

Legal risk is defined as the risk of an error in the drafting or interpretation of a contract binding the counterparties resulting in financial losses or leading to an unwanted increase in the obligations of the counterparties.

Regulatory risk is defined by changes and developments in the regulations of different countries, as well as by interpretations specific to each country in terms of investor protection and financial markets. Certain financial instruments may be traded on foreign markets. Every foreign investor will therefore be subject to the risks of the foreign market in question. In this way, the financial instrument may be governed by foreign legislation that does not provide for continuous monitoring by a regulatory authority aimed at ensuring protection for investors

1.10 Delivery risk

This is the risk of transactions in financial instruments not being settled on the planned delivery date. Indeed, in certain markets, it can happen that the settlement rules do not permit the volume to be managed and absorbed. The investor may not therefore be able to fully take advantage of the market opportunity or, conversely, be exposed to greater losses due to a fall in the price of the securities occurring between the desired delivery date and the effective delivery date, particularly in the case of cash transactions or movements only executed at maturity: forward rate agreements (FRA), OTC options, foreign exchange market, swaps, etc.

1.11. Solvency risk of the issuer or clearing system

The insolvency of the issuer of financial instruments or the clearing system on which such instruments are traded may result in the partial or total loss of the capital invested by the investor.

1.12. Additional risks in emerging markets

Emerging markets are country markets with low or lower middle per capita income, according to the World Bank definition. In more practical terms, they are markets based in countries that present a certain degree of political instability, with relatively uncertain markets and economic growth, with a still-developing financial market and an economy that is not thriving. A large number of markets in Latin America and Eastern Europe and a number of countries in Asia satisfy this definition.

In general, the risks described above are amplified in such markets. Political or economic changes (e.g. inflation, exchange rates) will therefore have a greater impact on the value of in-

vestments in emerging markets than in other countries. Similarly, emerging markets often react more strongly and for a longer duration in the case of natural disasters or acts of war.

In addition, emerging markets often apply less sophisticated rules in terms of liquidation or clearing of trades with the result that accounting errors or breaches in the delivery of instruments occur more frequently.

Finally, the prudential control exercised in such markets and the rules governing investor protection are often weak.

1.13. Psychological risks

Irrational factors can impact global price movements, such as trends, opinions or rumours likely to cause a sudden fall in prices, even in the absence of any negative change in a company's situation or financial outlook.

1.14. Other general risks

Information risks

This is the risk of making inappropriate investment decisions due to a lack of information or due to incomplete or incorrect information. This might be caused by an investor's use of unreliable sources of information, a misunderstanding by the investor of the information provided, or by errors in communication.

Transmission risks

When placing an order, the investor must provide the Company with certain information necessary to execute the order (instrument, type of order, volume, execution date, etc.) The more precise the order, the lower the risk of a transmission error.

Risks associated with transaction fees

The Company and other national or foreign intermediaries may be involved in the execution of an order (e.g. brokers), in which case the fees and commissions of such persons are borne by the investor.

An investment only becomes profitable once all such fees have been covered.

2. Risks associated with specific investments

Of the products mentioned and presented below, the following are categorised as complex products: derivative instruments, structured products, credit derivatives, synthetic products and alternative investment funds and offshore funds.

2.1. Term deposits

These are cash deposits that bear a predefined rate of interest on a specific maturity date.

2.1.1. Features

- Return: payment of interest;
- Duration: short term (< 4 years), medium term (4-8 years) or long term (> 8 years);
- Interest: the interest depends on the conditions specific to each deposit; fixed rate of interest over the entire duration or variable interest, often linked to the financial market rates (e.g. LIBOR or EURIBOR).

2.1.2. Advantages

Depending on market conditions, these products may generate more attractive returns than other fixed income products.

2.1.3. Risks

These products are particularly exposed to the inflation, foreign exchange, interest rate and counterparty risks described above.

2.2. Bonds

Bonds are negotiable, registered or bearer securities issued by a commercial company or public institution intended for lenders; the nominal value of the bond issued corresponds to a fraction of the total amount of the loan. Bonds bear fixed or variable interest. The duration and method of bond redemption are predetermined. Specific types of bonds (structured products, EMTN and credit-linked notes, etc.) are presented in a specific section of this document.

The bond issuer (borrower) in reality borrows money from the bond purchaser (lender), with the issuer then owing a debt to the purchaser.

2.2.1. Features:

- Return: payment of interest, possible increases in value (difference between purchase/issue price and selling/liquidation price);
- Duration: short term (< 4 years), medium term (4-8 years) or long term (> 8 years);
- Currency: the national currency of the investor or a foreign currency. It can be stipulated that payment of the principal and interest will be in different currencies. In this case, it is possible to combine the bond with an option to limit the foreign exchange risk;
- Form: individual units with a set face value (issued to investors) or collectively represented by a global certificate deposited with a deposit-taking bank;

- Issue price: at par (100% of the face value), below par (issue price lower than face value) or above par (issue price greater than face value);
- Place of issue: this may be the investor's market of origin or a foreign market;
- Redemption: at a predetermined maturity date: unless otherwise provided or the issuer is insolvent, the loans are repaid at the bond maturity date or via annuity (generally after a lock-in period), or on different dates selected at random (generally after a lock-in period); on indeterminate dates: the issuer may reserve the right to make the repayment on a date freely chosen at a later date;
- Interest: the interest paid depends on the terms of the issue; a fixed rate of interest over the entire duration or variable interest, often linked to the financial market rates (e.g. LIBOR or EURIBOR). In the latter case, a minimum and/or maximum rate may be stipulated;
- Specific features (e.g. relationship between the issuer and the investor): defined in the terms and conditions of the bond issue.

2.2.2. Advantages

Depending on market conditions, these products may generate more attractive returns than other fixed income products.

2.2.3. Risks

2.2.3.1. Risk of insolvency
There is a risk of the issuer becoming temporarily or definitively insolvent and therefore becoming incapable of paying interest and/or repaying the loan. The solvency of an issuer can change as a result of changes to certain factors during the duration of the loan. These changes can, in turn, be due to changes in the economic situation, changes specific to the company, to the sector of activity of the issuer and/or the country concerned, or to political changes with significant economic effects.

This risk increases depending on whether the bonds are issued by a public body or a private institution. The risk also depends on the nationality of the issuing public authority or the type of activity or sector in which the private institution that issued the bonds operates (bank, industrial company, etc.), as well as, more generally, the financial health of the private institution.

This risk is more limited if the bonds are guaranteed. Nevertheless, in this case, the additional protection from which the investor benefits will depend on the status and solvency of the guarantor.

In this regard, we note that, in general, bonds issued by entities considered to be safe offer, in principle, lower returns. However, the risk of total loss of the investment is also reduced.

A deterioration in the solvency of the issuer also negatively impacts the price of the financial instruments concerned.

2.2.3.2. Interest rate risk
Uncertainty relating to fluctuations in interest rates means that the purchaser of a fixed rate financial instrument is subject to the risk of a fall in prices if interest rates increase. A bond's sensitivity to fluctuations in interest rates is largely dependent on its remaining duration until maturity and the nominal interest.

2.2.3.3. Prepayment risk
The issuer of a bond has a right of early repayment which may be exercised if market rates decrease. Such prepayment can affect the return anticipated by the investor.

2.2.3.4. Risk of lottery bonds
Bonds repaid by means of random draws, over a period that is difficult to determine, may result in unexpected variations in the anticipated return.

2.2.3.5. Risk associated with the country of issue
If the bond is issued in a foreign market, it is, in principle, subject to the laws of the country of issue. Investors should therefore inform themselves about the potential impact of such foreign laws on their rights.

2.2.3.6. Risks specific to certain bonds
Certain types of bonds may come with additional risks: for example, floating rate bonds, inverse floating rate bonds, zero-coupon bonds, foreign currency bonds, convertible bonds, option-linked or index-linked bonds, subordinated bonds, etc.

For these types of bonds, it is highly recommended that investors carefully examine the risks presented in the prospectus and not acquire such securities without first assessing all of the risks.

The below explanations only provide an overview of the additional risks assumed by investors with these specific bonds.

<u>Floating rate bonds</u>
Floating rate bonds can take a number of forms, such as:

- Floored floaters are bonds with a guaranteed minimum interest rate. If the sum of the reference rate and the margin rate does not therefore reach a certain level, the investor will receive interest at least equivalent to the fixed minimum rate. Conversely, in the case of capped floaters, the interest that the investor can receive is limited to a predetermined maximum rate.

  For such bonds, it is impossible to forecast, at the time of the issue, the actual return on the investment since it will depend on movements in the market rates;

- For certain floating rate bonds, it is also possible for the interest rate to move in the opposite direction to the market rates (inverse floating rate bonds). For such medium or long term bonds, the interest rate that will be paid to the investor is calculated based on the difference between a fixed rate and a reference rate (e.g. 16% minus LIBOR). In other words, the amounts paid to the investor increase when the reference rate falls. In general, the value of such bonds is subject to greater volatility than fixed rate bonds of similar duration;
- There are also convertible floating rate bonds which give the issuer or investor (according to the bond issue terms and conditions) the right to convert the bond into a traditional fixed rate bond. If this right is restricted to the issuer, the return obtained on the bond may prove to be lower than the return anticipated by the investor.

Zero-coupon bonds

Zero-coupon bonds do not pay any interest. Instead of periodic interest, the investor receives the difference between the liquidation price and the issue price (in addition to repayment of the capital). In general, such bonds are issued below par and repaid at par. The extent of the discount given to the investor depends on the maturity of the bond, the solvency of the borrower and the rates generally applicable in the markets.

A single amount is therefore paid for such bonds at a later date if the bond is held until maturity (which can result in different tax consequences depending on the countries). However, if sold before maturity, the investor only receives the selling price of the bonds.

If market rates fall, the value of such bonds will therefore decline by a greater amount than that of similar bonds with the same maturity. In addition, if such bonds are denominated in a foreign currency, the foreign exchange risk is greater since there is no payment of interest at regular intervals, but instead payment of a single amount at a predetermined later date.

Combined-interest or step-up bonds

For combined-interest or step-up type bonds, the interest paid to the investor for the entire duration of the bond is not subject to a fixed rate. However, these bonds are similar to fixed rate bonds insofar as the interest rate is predetermined at issue and is not therefore dependent on fluctuations in market rates. On the contrary, the interest rate only varies for the duration of the bond in accordance with a schedule defined at the time of issue.

This is why it is agreed, for combined-interest type bonds, that there will be no entitlement to the payment of interest during the first few years of the bond, but that the investor will subsequently be entitled to the payment of interest at a rate higher than the average during the remaining years. Such bonds are generally issued and repaid at par.

For step-up type bonds, relatively low interest is initially paid and a higher rate of interest is subsequently paid to the investor during the following years. Such bonds are generally issued and repaid at par.

Step-up bonds

These are actually a combination of fixed rate bonds and floating rate bonds. They generally have a duration of 10 years and pay a fixed rate of interest during the first few years. Then, for the next few years, the investor receives interest calculated at a floating rate according to market rates. During the final years of the bond, the investor once again receives interest calculated based on a fixed rate.

Index-linked bonds

For these bonds, the redemption price and/or interest is determined based on the level of a predefined (at the time of repayment or payment of interest) index or managed account and they are not therefore fixed. Such bonds are often of the zero-coupon type.

These bonds are generally issued in two tranches: bull bonds (the value of which increases with rises in the index) and bear bonds (the value of which increases with falls in the index). The risk for the investor is seeing the value of the bond decline if the value of the index falls (bull bond) or rises (bear bonds).

Subordinated bonds

For these bonds, investors are advised to obtain information about the ranking of the bond in relation to the issuer's other bonds because, if the issuer goes bankrupt, such bonds can only be repaid after payment of all higher ranked creditors (preference bonds and those on an equal footing).

However, in general, the higher the ranking of the investor in case of bankruptcy, the lower the return on the bond.

Convertible bonds/Bonds with warrants

In this case, the investor receives the right to exchange its bonds, on a certain date or period, for shares from the issuer at a predetermined rate. In general, there is a minimum lock-in period during which the investor may not exercise the conversion right. If the conversion right is not exercised, the bonds remain fixed rate bonds, repayable at par upon maturity.

Given the existence of the conversion right, this type of bond pays a lower rate of interest than ordinary bonds. The value of such bonds is largely dependent on the value of the underlying shares. Therefore, if the price of the shares falls, the value of the bond also falls. There is therefore a greater risk of depreciation with this type of bond than with other non-convertible bonds (but generally lower than the risk of loss associated with directly investing in the shares in question).

There are also bonds that entitle the investor to subscribe for shares in the issuer in addition to the bond itself and not as an alternative. The investor's subscription right is evidenced by a certificate (warrant) detachable from the bond.

This warrant can be traded separately. The investor can subscribe for shares in the issuer of the bond upon production of this warrant, in accordance with the pre-established terms and conditions. The investor retains, moreover, the bond until maturity. Just like convertible bonds, the rate of periodic interest paid is generally low. In addition, the value of such bonds, if combined with a warrant, is also dependent on the value of the underlying shares. If the bonds are not combined with a warrant, they remain traditional bonds and their value will therefore be above all dependent on market rates.

Certain variations of the bonds described in the above paragraph entitle the holder of the warrant to purchase or sell another predetermined bond at a fixed price.

Perpetual bonds
Certain bonds, called perpetual bonds, do not have any maturity date. The issuer is not required to repay the principal at a specific date. However, in general, the issuer has the right to repay the principal at its discretion from a certain date. The issuer will exercise this option as soon as the transaction is in its own interests, i.e. when market conditions are favourable for refinancing.

2.3. Shares

A share is a security issued to a shareholder that evidences the shareholder's rights with regard to a specific company. The share represents a portion of the share capital of what is called a société par actions (private company limited by shares).

There are different types of shares, of which the main ones are ordinary shares and preference shares.

Ordinary shares represent equity ownership in the company and entitle owners to a share of profits (dividends). In the long term, ordinary shares provide a better return than most other instruments due to growth in the capital. However, this higher return comes with a cost: there is a higher risk associated with ordinary shares. If the company becomes bankrupt and is liquidated, holders of ordinary shares will only receive money after creditors, bondholders and preference shareholders have been repaid.

Preference shares confer a certain equity ownership in the company but do not usually offer the same voting rights. Preference shareholders generally receive a fixed dividend in perpetuity. This distinguishes them from ordinary shareholders, for which the dividend varies and is never guaranteed. Another advantage is that, in the case of liquidation, preference shareholders are repaid before ordinary shareholders.

The rights attached to the share can take different forms:

- Right to dividends: this is an entitlement on the part of the shareholder to receive a share of the profits realised by the company.
- Right to vote: this permits the shareholder to vote at general meetings of shareholders.
- Right to information: this is the entitlement on the part of the shareholder to receive any periodic or once-off information communicated by the company.
- Rights on the winding up of a company: in the case of the company being wound up, the shareholder is entitled to a share of the company's assets.
- Right of subscription: the shareholder holds a priority right of subscription for new shares in the case of a capital increase.
- Right of transfer: in the case of listed companies, the shareholder can sell its shares on a regulated market.

2.3.1. Features

- Return: dividends and increases in price are possible;
- Rights of shareholders: pecuniary rights and rights to share in profits; these rights are defined by law and by the articles of association of the issuing company;
- Transfer of shares: unless otherwise stipulated by law, bearer shares may be transferred without any specific formalities, while registered shares are often subject to restrictions.

2.3.2. Advantages

In principle, investors benefit from voting rights and enjoy a share of the company's profits. Investors may also enjoy higher returns than those from investments in term deposits or in bonds.

2.3.3 Risks

2.3.3.1. Business risk
A shareholder is not a creditor but contributes to the capital and therefore becomes a co-owner of the company limited by shares.

Shareholders therefore contribute to the development of the company and in any related opportunities and risks which can lead to fluctuations in the value of their investment. The worst case scenario is where the company that issued the shares becomes bankrupt because, in this case, the entire investment may then be unrecoverable.

2.3.3.2. Price risk
Share prices can fluctuate in unpredictable ways generating a risk of loss. Increases or decreases in prices occur in the short, medium or long term and there is no way of determining the length of any such cycles.

In principle, it is necessary to distinguish between the general market risk and the specific risk associated with the company itself. Both risks impact fluctuations in the share price.

2.3.3.3. Dividend fluctuation risk
The dividend paid on a share is above all determined by the profit realised by the issuing company. If profits are low or if the company records losses, the dividend may be reduced or completely eliminated.

2.3.3.4. Risk of non-distribution or redemption at a reduced price
If the issuing company suffers a loss, there is a risk of no interest being paid in the absence of any provision relating to minimum interest, as well as the risk of a reduction in the amount paid in repayment of the principal.

2.3.3.5. Risk of insolvency
There is a risk of loss of the entire amount invested in the case of the issuing company going bankrupt.

2.4. Investment funds

An investment fund is a company or joint body that collects money from a certain number of investors to invest it in different assets according to the principle of diversification of risks, which enables shareholders or investors to benefit from the fruit of the management of their assets.

There are different types of investment fund: some are mutual funds (or Undertakings for Collective Investment in Transferable Securities - UCITS) while others are alternative investment funds, with each governed by specific regulations at European level. The latter type, as well as other types of more complex mutual funds, is described in the next sections of this document.

2.4.1. Features

- Open-ended investment funds: in an open-ended investment fund, the number of shares, and therefore the number of participants, is not determined at the beginning. The fund may issue new shares or redeem shares already issued. As regards investors, the fund is required to redeem the shares, at its own expense, at an agreed redemption price and in accordance with the terms of the contract;

- Closed-ended investment fund: in a closed-ended fund, the issue is limited to a fixed number of shares. Contrary to open-ended investment funds, the fund is under no obligation to redeem the shares. They may only be sold to third parties or, as the case may be, on the stock exchange. Their price is determined by supply and demand.

2.4.2. Advantages

Shareholders receive a portion of the fund income.

The level of diversification in the fund's underlying investments increases the possibility of achieving gains or, at least, limiting the risk of losses.

In principle, the fund benefits from more favourable conditions in the investments that it makes (particularly relating to costs) than those that an investor would receive if investing directly in the same products.

2.4.3. Risks

2.4.3.1. Management risk

Given that the return on an investment in a fund depends, among other things, on the expertise of its managers and the quality of their investment decisions, errors of judgement in the management of the fund can result in losses.

2.4.3.2. Risk of a decrease in price

There is a risk of a fall in the price of the shares in the investment fund under the effect of a decline in the securities or currencies in which the fund invests, all other things being equal. The more diversified the investments, the lower the risk of losses (in theory). Conversely, the more specialised and non-diversified the fund's investments, the greater the risks. Close attention should therefore be given to the general and specific risks associated with the financial instruments and currencies in which the fund invests.

Investors must familiarise themselves with the risks specific to each fund, in particular by carefully reading the fund prospectus.

2.5. Derivative instruments

A derivative product is a financial instrument, the value of which depends on the value of an underlying asset that may be a stock market index, an interest rate, a currency, a commodity or even another derivative instrument.

It is necessary to distinguish between two types of derivative products:

- Options, which give one of the parties the right, but not the obligation, to execute a specified trade. One of the parties (the writer of the option) firmly undertakes to sell while the other party (the holder of the option) receives a right to purchase which it is free to exercise or not;

- Futures, in which the parties agree to execute a trade at a future date. In this type of contract, each party undertakes to execute the trade on the specified date and terms.

- Transactions relating to such products involve a risk of major losses and may even result in the loss of the entire capital invested. All transactions of this type may give rise to margin calls throughout the entire lifetime of the product. Investors must be certain of having sufficient cash at their disposal before initiating such transactions.

2.5.1. Options trading

Options are derivative instruments, the value of which is linked to the value of the underlying asset. The buyer of the option (the holder) acquires the option of purchasing (call option) or selling (put option) the underlying asset at a later date or during a specific time period at a specific price (strike price), in exchange for the payment of a premium to the counterparty, the seller of the option.

The specifics of the option are standardised or defined on a case-by-case basis between the purchaser and the seller.

2.5.1.1. Features

- Duration: the duration of the option corresponds to the period between the purchase date and the expiration date;

- Relationship between the option and its underlying asset: this relationship represents the number of units of the underlying asset that the holder of the option is entitled to purchase or sell when exercising the option;

- Strike price: the strike price is the agreed predetermined price at which the holder can purchase or sell the underlying asset when exercising the option;

- Exercise date: options that can be exercised at any time until their maturity are called "American options". Options that may only be exercised at the maturity date are called "European options". However, European options can be freely traded on secondary markets before their expiry if the market is liquid;

- General terms and conditions: the option may entail a physical delivery, in which case the purchaser of a call option may claim delivery of the underlying asset in return for payment of the strike price, or the purchaser of a put option has the right to deliver the underlying asset to the seller in return for payment of the strike price by the seller. The option may also provide for cash settlement, in which case the difference between the strike price and the market price of the underlying asset is due, as long as the option is in-the-money;

- In-the-money, out-of-the-money, at-the-money options:
  A call option is referred to as in-the-money when the market price of the underlying asset is higher than the strike price. Conversely, a call option is out-of-the-money when the current price of the underlying asset on the market is lower than the strike price.

  A put option is referred to as in-the-money when the price of the underlying asset on the market is lower than the strike price. Conversely, a put option is out-of-the-money when the current price of the underlying asset on the market is higher than the strike price.

  When the market price and the strike price are the same, the option is referred to as being at-the-money;

- Option price: the option price depends on its intrinsic value and a series of other factors (time value), particularly the time remaining before maturity and the volatility of the underlying asset. The time value reflects the probability of the option being in-the-money. The time value is therefore greater for long term options based on a highly volatile underlying asset;

- Margin: during the lifetime of an option, the seller must provide either the appropriate amount of the underlying asset as collateral or other guarantees. The margin is determined by the Company. The markets require a minimum margin for listed options. If the percentage of the margin deposited by the investor is considered insufficient, the Company is permitted to request additional collateral, sometimes at very short notice;

Form:

- Option certificates (warrants, exchange traded options): the rights and obligations associated with the option in question are guaranteed by the issuer. They are often listed on a market.

- Exchange traded options: these are standard options, the rights and obligations of which are not guaranteed and that are traded on certain specific markets.

- Over-the-counter options (OTC): these are options traded outside an exchange or directly between two parties. The degree of standardisation depends on market practices. They can also be personalised according to the needs of investors. These options are not listed on an exchange and are rarely evidenced by certificates;

- Leverage: any variation in the price of the underlying asset in principle leads to a proportionally greater variation in the option price;

- Purchasing a call or put option: the purchaser of a call option hopes that the price of the underlying asset will

rise during the lifetime of the option, thereby increasing the value of the purchaser's option, while the purchaser of a put option expects to make a profit when the price of the underlying asset declines. Purchasing an option is a very volatile investment and there is a very high probability that the option will expire without being exercised. In this case, the investor will have lost the entire amount spent on purchasing the initial premium plus the commission. After purchasing an option, investors may choose to maintain their position until maturity or liquidate it or even, in the case of American options, exercise the option before it expires.

Exercising the option may entail paying the difference in cash or the purchase or delivery of the underlying asset. If the option relates to a futures contract, exercising the option necessitates taking a futures position and accepting the obligations associated with it to comply with the margin percentage.

- Selling a call or put option: a seller of a call option expects to see the underlying asset lose value, while the seller of a put option expects to achieve a profit if the price of the underlying asset increases. In general, selling an option is more risky than purchasing an option.

  Even though the price agreed for the option is fixed, the possible losses suffered by the seller are potentially unlimited..

  If movements in the price of the underlying asset on the market are not in the seller's favour, the seller will be required to modify its margin percentage to maintain its position. In the case of an American option, the seller may be asked at any time to settle the transaction in cash or purchase or deliver the underlying asset. If the option relates to a futures contract, the seller will take a futures position and will be subject to the obligations associated with it to comply with the margin percentage.

  The seller's risk exposure can be reduced by taking a position in the underlying asset (shares, index or other underlying asset) equivalent to that in the option sold.

- Purchase of the underlying asset in the case of short selling

  The seller of a naked call option does not have ownership of the underlying asset at the conclusion of the contract (short position). The Company does not permit this type of transaction.

- In the case of an option with physical delivery, the risk of loss for the investor corresponds to the difference between the strike price at which the underlying asset will be delivered in the case of the option being exercised and the price that the investor will have to pay to purchase it. In the case of an option with cash settlement, the risk of loss for the investor corresponds to the difference between the strike price and the market price of the underlying asset.

- Since the market price of the underlying asset may considerably exceed the strike price when the option is exercised, the risk of loss for the investor selling the option cannot be determined in advance and would, at least in theory, be unlimited.

- This risk is greater for American options, which can be exercised at any time and therefore at an inconvenient time for the seller of the option.

- An additional risk for the investor selling the option is in not being able to obtain the required underlying asset at the time the option is exercised or in only being able to obtain it under very unfavourable terms (particularly expensive) given the market situation.

- In this context, it should be remembered that the potential loss may also exceed the amount of the margin deposited by the investor.

2.5.1.2. Information

The attention of investors is especially drawn to the documents on options trading published by the markets on which these options are traded and, in particular, the following documents:

- The "Characteristics and Risks of Standardized Options" booklet on options traded on the Chicago Board Options Exchange, available on request from the Company and on the website www.cboe.com;

- "The Information Note (visa COB no. 00-1228 of 4 July 2000)", on options traded on the Euronext MONEP market (Paris traded options market), available on request from the Company and on the website www.monep.fr;

- "Officieel Bericht Opties en Futures", on options and futures traded on the AEX, available on request from the Company.

2.5.1.3. Advantages

During the period of validity of the option, the beneficiary of the option enjoys a right to purchase or sell certain assets. The possibilities for making gains are great as a result of the leverage associated with the use of an underlying asset. For the counterparty, such a transaction is primarily a way to improve the return from an existing position.

2.5.1.4. Risks

2.5.1.4.1. Price risk

The options are traded on an exchange or over-the-counter and are subject to the law of supply and demand. One of the main factors for determining the price of an option is whether or not there is a sufficiently liquid market for the option in question and any actual or anticipated change in the price of the asset underlying the option. When the price of the underlying asset falls, a call option loses value while a put option gains value. The price of an option is not only determined by fluctuations in the price of the underlying asset, but also by a series of other factors, such as the duration of the option or the frequency or intensity of fluctuations in the price of the underlying asset (its volatility). There is therefore a risk of the option losing value even when the price of the underlying asset remains stable.

2.5.1.4.2. Leverage risk

The leverage on an option refers to the fact that, in principle, the price of an option is proportionally impacted to a greater extent by any fluctuation in the price of the underlying asset and therefore not only offers opportunities for greater gains during the lifetime of the option but also presents the risk of greater losses. The greater the leverage on an option, the greater the risk associated with its purchase.

2.5.1.4.3. Specific risks associated with over-the-counter options (OTC)

A position resulting from the purchase or sale of an OTC option may only be liquidated with the consent of the counterparty.

2.5.1.4.4. Specific risks associated with combined transactions

This involves the conclusion of two or more option contracts of the same basic value that are distinguished from each other by the type and features of the option.

There are countless possible combinations. The risks associated with each combination cannot therefore be described in this document. It is incumbent on the investor to obtain information about the risks specific to the planned combination.

Nevertheless, we wish to make it clear that, in every combined transaction, the elimination of one or more options at a particular stage can significantly modify the risks assumed by the investor.

2.5.1.4.5 Specific risks associated with "exotic" options

Such options are subject to additional conditions or clauses. Their payment structures cannot be implemented by any combination of transactions.

They can take the form of OTC options or warrants.

There is an unlimited range of exotic options with the result that it is impossible to describe the risks associated with each "exotic" option in this document.

However, the most commonly encountered "exotic" options present the following additional risks compared to traditional options.

<u>Options that depend on overall changes in the underlying asset</u>
The market price of the underlying asset is critical throughout the entire lifetime of the option and not only at maturity or on the exercise date. Investors must therefore take account of potential fluctuations in the underlying asset during the entire lifetime of the option to assess the likelihood of gain or the risk of suffering a loss.

- Barrier options
  The rights associated with such options become completely and irreversibly active (knock-in options) or inactive (knock-out options) when, within a specified period, the price of the underlying asset on the market reaches a set threshold.

- Pay-out options
  These options give rise to the payment of a fixed amount that is determined in advance:

- Digital options
  Payment is only made if, at maturity, the market price of the underlying asset is higher (digital call option) or lower (digital put option) than the strike price. In this case, if the option is in-the-money, the seller of the option must pay the amount initially fixed.

- *Lock-in options*
  Payment is only made if, during the lifetime of the option or during a predetermined period of its lifetime, the price of the underlying asset on the market reaches a preset threshold. When the preset level is reached, the seller of the option must pay the amount initially specified, irrespective of future movements in the price of the underlying asset.

- Lock-out options
  Payment is only made if, during the lifetime of the option or during a predetermined period of its lifetime, the price of the underlying asset on the market never reaches one or more initially set thresholds. In this case, once the threshold or thresholds are reached, the option becomes void and therefore loses any value, irrespective of future movements in the price of the underlying asset.

- Asian options
  For these options, an average price is calculated based on the market price of the underlying asset over a predetermined period. This average is used to fix the price of the underlying asset to be delivered (average-rate option) or the strike price to be paid (average-strike option). Such a reference to an average price can result in:

  - An average-rate option: with the price of the option at maturity being lower for the buyer and higher for the seller than the difference between the strike price and the market price of the underlying asset at maturity;

  - An average-strike option: the strike price of the call option is higher than the initially set price or the strike price of the put option is lower than the initially set price.

- Lookback options
  The market price of the underlying asset is determined periodically over a predetermined period.

  For a strike-lookback option, the lowest (call) or highest (put) price serves as the strike price.

  For a price-lookback option, the strike price remains unchanged, but the highest (call) or lowest (put) price is used to determine the price of the underlying asset.

  The risk lies in the strike price or price of the underlying asset deviating from the market prices established at maturity. In the aforementioned cases, the seller must therefore be aware that the option will always be calculated or exercised at the most unfavourable market price or strike price for the seller.

- Contingent options
  The purchasers of such options must only pay the premium if the price of the underlying asset reaches or exceeds the strike price during the lifetime of the option (American option) or at maturity (European option).

  The risk therefore lies in having to pay the whole premium even if the option is only in-the-money or at-the-money.

- Ratchet options and ladder options

  - Ratchet option: the strike price is periodically adjusted for the following period - usually at regular intervals - in line with the market price of the underlying asset. As the case may be, an intrinsic value is then set and accumulated during the lifetime of the option.

  - Ladder option: in this case, the adjustments are only made periodically if certain market prices are reached. In general, only the highest market price is used.

In addition to the potential intrinsic value of the option at maturity, the seller of a ratchet option is also liable for all the accumulated market prices, while the seller of a ladder option is liable for the highest market price. For the seller, the amount to be paid may therefore be considerably higher than just the intrinsic value of the option at maturity.

Options on several underlying assets

- Spread and outperformance options
  Both of these types of options are based on two underlying assets. For spread options, the absolute difference in the movement of the price of the underlying assets is used to determine the price of the option.
  For outperformance options, the relative difference is used, i.e. the best performance of an underlying asset compared to the other is taken into account.
  The risk is that, despite a positive trend in the market value of the underlying assets, the difference may remain constant and even reduce and therefore impact the price of the option.

- Compound options
  The underlying assets of these options are options.
  These products therefore have significant leverage, which can involve significant financial commitments.

2.5.2 Warrant

2.5.2.1. Features

A warrant is a financial instrument that entitles the holder to purchase (call warrant) or sell (put warrant) a financial asset (the "underlying") at a price (the "strike price") until (or on) an expiration date (maturity) fixed in advance. Financially, the principle is the same as an option or, in the case of a call, an equity warrant. The underlying of a warrant can be a share, an index, a currency, a commodity or an interest rate and its strike price corresponds to the price at which the underlying can be purchased or sold on the warrant's maturity date. A warrant may have a duration of a few months or a few years. By purchasing a warrant, an investor is attempting to anticipate the direction of movement of the price of the underlying asset. A call allows investors to take a long position in the price of the underlying asset and a put a short position.

To place an order on a warrant, only a brokerage account with a financial intermediary is required. Warrants can be traded during a longer time period than shares, e.g. 8 a.m. to 10 p.m. They can therefore be bought and sold as often as desired before their maturity date.

Movements in the price of the warrant (premium) are impacted by several parameters: its duration, strike price, the price of the underlying, the expected dividends and the volatility of the

interest rates. The price of the warrant is very low compared to the price of the underlying. However, its value can fluctuate greatly since the warrant follows movements in the underlying asset. This is the leverage effect. Warrants are issued by financial institutions that make the market for their own warrants. The issuer of the warrants is responsible for the pricing and liquidity of the order book in accordance with the rules defined by the Euronext stock exchange.

Like with any order, you will have to pay your financial intermediary's brokerage fees (and, possibly, custodial fees). These fees vary from one intermediary to the next. The difference between the purchase price and the selling price of the warrant (the "price spread") also represents a cost for the investor.

2.5.2.2. Advantages

- The maximum loss is known in advance

  The maximum loss to which an investor is exposed when buying a warrant can never be greater than the amount initially invested (excluding brokerage fees). In the worst case scenario, the holder of a warrant may lose the entire premium (or 100% of the initial investment), which generally only represents a small amount in comparison to the losses that could have been suffered if the investor had purchased the underlying asset directly

- A cost-effective method of diversifying your portfolio
  Warrants enable you to invest, at reduced cost, in large global multinationals, international indexes, strategic indexes, currencies, commodities or in thematic baskets.

- A method of hedging
  The price of put warrants moves in the opposite direction to the price of the underlying. This is of interest if you wish to benefit from a fall in price of the underlying but also if you want to protect your portfolio.

2.5.2.3. Risks

2.5.2.3.1 Leverage risk:

The investor may benefit from a large leverage effect. In the case where the variation in the price of the underlying is perfectly forecast, the potential gains are multiplied. However, if the forecast proves to be incorrect, the premium may drop sharply in a few hours or days. However, the maximum loss is limited to the total amount invested.

Time works against the value of the warrant: the warrant loses value as it approaches its expiration (referred to as "maturity"). Short duration warrants will be a lot more time-sensitive than long duration warrants.

2.5.2.3.2 Volatility risk:

This represents the realised (historical volatility) or future range (implied volatility) of price movements (upwards and downwards) for the underlying asset. The greater the volatility, the higher the warrant premium as this means there is a greater likelihood of the strike price being reached. However, when uncertainty over movements in the price of the underlying declines, volatility tends to decrease as can the value of the warrant, even if the trend for the underlying is in line with the forecast.

2.5.3. Futures

Futures are contracts traded on exchanges. The quantity of the underlying asset and the duration of the transaction are standardised. OTC contracts or forward contracts are not traded on a market and may have standardised terms or specific terms agreed between the purchaser and the seller on a case-by-case basis.

2.5.3.1. Features

- Initial margin: in a forward purchase or sale of an underlying asset, an initial margin is specified when the contract is entered into. In principle, this margin is expressed as a percentage of the contract value;

- Variation margin: a variation margin is periodically calculated and must be paid by the investor during the lifetime of the contract. The variation margin represents the accounting profit or loss resulting from the variations in the contractual price or the price of the underlying asset. The variation margin may be several times greater than the initial margin. The method used to calculate the variation margin during the lifetime of the contract or in the event of liquidation, is based on stock exchange rules and the specific provisions of each contract. The investor must immediately respond to requests received from the Company to deposit a variation margin;

- Liquidation: in principle, investors may unwind or liquidate this contract at any time during its lifetime, before the expiration date, either by selling the contract or entering into an offsetting contract relating to the delivery and receipt obligations. In the case of an offsetting contract, the terms of the offsetting contract will be such that the delivery and receipt resulting from the two contracts will cancel each other out.

- Liquidation extinguishes the risk positions: the gains and losses accumulated up to the time of liquidation are realised;

- Performance: contracts not settled by the expiration date

must be honoured by the parties involved. Contracts with an asset as the underlying may, in principle, be honoured either by physical delivery of the underlying asset or by a cash payment (although the first method is the most common), while contracts based on benchmark rates (excluding foreign currency) may only be honoured in cash and not by physical delivery of the underlying asset. When the underlying asset is physically delivered, the assets specified in the contract must be delivered in full; in case of cash settlement, only the difference between the agreed price and the market price at the time of settlement must be paid.

For this reason, an investor will require more cash for a physically-settled contract than for a cash-settled contract.

- Purchase of the underlying asset in the case of short selling

  The forward sale of an underlying asset that the seller does not own at the time the contract is entered into (short selling) also entails the risk of having to purchase the underlying asset at a largely unfavourable market price in order to be able to honour the obligation to deliver the underlying asset at maturity. The Company does not permit this type of transaction.

2.5.3.2. Advantages

The possibility of significant gains depends on the market price of the underlying asset at expiration, even more so if the amount of capital initially invested is small. There is also the possibility of guaranteeing existing positions.

2.5.3.3. Risks

2.5.3.3.1. Risk of variation in the value of the contract or the underlying asset

The investor assumes a risk if movements in the actual value of the contract or underlying asset are not consistent with the projections made by the investor when concluding the contract.

If the value of the contract or underlying asset increases, the short seller will still be required to deliver the underlying asset at expiration at the agreed price, which could prove to be significantly lower than the current price. For the seller, the risk therefore lies in the difference between the price agreed when entering into the contract and the market price at maturity. As there is no limit, in theory, to the potential increase in the market price, the potential loss for the seller is unlimited and may significantly exceed the margin percentage.

If the value of the contract or underlying asset decreases, the short buyer will still be required to take delivery of the underlying asset at the agreed price, which could prove to be significantly higher than the current market price. For the purchaser, the risk therefore amounts to the difference between the price agreed when negotiating the contract and the market price at expiration. The purchaser therefore risks, at worst, losing most of the initially agreed price. This loss may prove to be significantly greater than the margins required.

The transactions are evaluated at regular intervals (mark-to-market) and the investor must have a sufficient margin at all times. If the current margin on a transaction is insufficient, the investor will be asked to deposit the variation margin at very short notice, in the absence of which the transaction will be liquidated, in principle at a loss.

2.5.3.3.2. Risk of liquidation being difficult or impossible

In order to limit excessive fluctuations in price, a market may set price limits for certain contracts. In this case, the investor must remember that once a price limit is reached, it may be very difficult, or even temporarily impossible to settle the contract. Investors are therefore strongly advised to check whether any such price limits exist before entering into a futures contract.

It will not always be possible, depending on the market and the terms of the contract, to execute trades to offset or reduce the risks of a transaction.

Stop loss orders, when they are permitted, will only be executed during the Company's hours of business. They do not offer the possibility of limiting losses to the amount specified, but will be executed once the limit amount is reached on the market, at which point they become "at best" orders.

2.5.3.3.3. Specific risks associated with OTC transactions

The market for standardised OTC transactions is, in principle, transparent and liquid. Contracts can therefore generally be settled without difficulty. There is no market for OTC forwards with individual contractual terms. Liquidation is therefore only possible with the agreement of the counterparty.

2.5.3.3.4. Risks specific to forward exchange products

A forward exchange transaction allows for the sale or purchase of a currency at a future date at a price fixed at the time the contract is entered into.

Use of this type of investment allows the foreign exchange risk to be eliminated. In addition, no premium has to be paid at the time the contract is entered into.

The main risk for the investor is the loss of a gain if movements

in exchange rates are more favourable than the movements in exchange rates anticipated at the time the contract was entered into.

2.5.3.3.5. Specific risks associated with combined transactions

There are countless possible combinations. The risks associated with each combination cannot therefore be described in this document. It is incumbent on the investor to obtain information about the risks specific to the planned combination.

However, in general, it must be remembered that the risks associated with such transactions may change as the transactions making up the combination are settled.

2.6. Structured products

Structured products are combinations of two or more financial instruments that together form a new product. At least one of these instruments must be a derivative product.

The most commonly traded structured products are those with capital protection.

Such products can be traded on an exchange or over the counter.

Due to the many possible combinations, each structured product presents its own risks as the risks associated with each of the instruments composing the product are reduced, eliminated or increased by the combination chosen. It is therefore incumbent on the investor to obtain information about the risks specific to the structured product concerned. This information can be found, for example, in the brochures or marketing leaflets describing the product.

2.6.1. Specific case of capital protected structured products (e.g. GROI, PIP, PEP, GRIP)

2.6.1.1. Features

- Combination of two elements: such products generally have
- Two components: a fixed income investment product (e.g. bonds or monetary investments) and an option or combination of options. An investor can therefore benefit from movements in the price of one or more underlying assets while simultaneously limiting the risk of losses. Depending on the case, the capital protection component may only cover part of the assets invested. In addition, the capital protection aspect and the investment aspect can be divided into separate components to ensure the independence of these components or even so that they can be sold separately;
- Capital: fully or partially guaranteed (at maturity). The capital protection component enables the proportion of the nominal value of the product that will be repaid to the investor at maturity to be determined, independently of movements in the investment component;
- Return: the direct investment/option in underlying asset component determines how and to what extent the investor may benefit from movements in the value of this underlying asset. This component therefore allows for the potential gain to be evaluated independently of the capital protection component;
- Flexibility: the products can be adapted to the requirements of each client and to all types of underlying asset.

2.6.1.2. Advantages

Investing in a market while reducing the risk of capital loss that would exist if investing directly in the same market. Returns may be greater than from investments in the money or bond market, with an equivalent level of protection.

2.6.1.3. Risks

2.6.1.3.1. Risks associated with the capital protection component

The capital protection depends on the nominal value of the product and not its issue price or purchase price on a potential secondary market. The investor therefore only benefits from a guarantee up to the amount of the nominal value of the product, with the result that the capital protection does not necessarily mean 100% repayment of the capital invested. This is why the protection is reduced if the purchase price or issue price exceeds the nominal value and, conversely, it increases if the purchase price or issue price drops below the nominal value, particularly in case of subscription at a value other than par or following a transaction after the initial issue. The soundness of the guarantee depends on the soundness of its issuer. The capital is therefore only protected if the issuer of the guarantee is capable of fulfilling its obligations.

The maximum risk of loss is therefore limited to the difference between the price paid and the capital protection provided at final maturity. However, over the lifetime of the product, its price may fall below the amount of the capital protection, which increases the risk of loss in case of a sale before maturity. The capital protection only applies if the investor holds the product until maturity and is not guaranteed in case of early redemption.

At maturity, if the capital is not 100% guaranteed, the investor will not be repaid all of the amounts initially invested.

2.6.1.3.2. Risks associated with the direct investment/ option component

Depending on movements in prices in the financial markets, this component may have a value of zero at maturity. The risks associated with this component correspond with the risks associated with the option, combination of options or direct investment used.

With capital protection, the investor may obtain a lower return than that which could have been obtained if investing directly in the underlying asset.

2.6.1.3.3. Liquidity risk

In principle, the liquidity of the investment is only guaranteed above a certain amount, more often than not taking account of the bid-ask spread and/or any penalty for exiting the position before maturity.

2.6.2. Specific case of structured products without capital protection such as reverse convertibles or discount certificates

2.6.2.1. Features

- Futures product: the investor receives a guaranteed coupon in a specific currency, but assumes a risk in relation to the capital at maturity;
- Underlying: shares, indexes, baskets, etc.;
- Capital: protected if the market price of the underlying asset is at least equal to the strike price at maturity;
- Redemption: in cash or by physical delivery of the underlying asset at a predefined strike price if the price has fallen or risen. At maturity, if the value of the underlying asset is higher than the value of the strike price, the investor receives the guaranteed coupon plus 100% of the capital initially invested (in cash). If the value of the underlying asset is less than the strike price, the investor receives the guaranteed coupon plus the underlying asset at the strike price;
- Flexibility: the products may be adapted to all types of underlying asset;
- Discount certificate: in this case, the investor only receives the coupon at maturity, but initially purchases the product at a discount.

2.6.2.2. Advantages

Earnings are higher than from investments in money market products. They usually involve short term investments so that it is easier to assess potential earnings.

2.6.2.3. Risks

2.6.2.3.1. Capital risk

Capital protection is not guaranteed if the investor receives the underlying asset instead of the capital invested at maturity.

The risk at this level is closely linked to movements in the market price of the underlying asset.

2.6.2.3.2. Liquidity risk

In principle, the liquidity of the investment is only guaranteed above a certain amount.

2.6.2.3.3. Foreign exchange risk

For products denominated in a currency other than the currency of the underlying, the investor is exposed to an additional foreign exchange risk.

2.7. Specific case of certain credit derivatives

2.7.1. Credit-linked notes (CLN)

2.7.1.1. Features:

An investment in a CLN is comparable to a direct investment in a floating rate note issued by the same entity.

2.7.1.2. Risks

Dual risk

An investor who purchases a CLN bears the credit risk of both the issuer of the CLN itself and of the underlying reference entity or entities. In the case of a credit event, the investor receives either a debt instrument (security or loan) issued or guaranteed by the corresponding reference entity, or a cash settlement amount corresponding to the value of the debt instrument, calculated based on the relevant credit event.

Risk accentuated by the notion of a credit event

The term "credit event" is broadly defined and covers more than just the default of the reference entity concerned. The notion therefore encompasses, for example, the postponement of a payment deadline or a reduction in the interest rate of a loan. A credit event can therefore result in losses for the holder of a CLN, even when there is no default in the strictest sense of the term. In other words, a credit event is more likely to occur than a default.

Extent of the risk of loss

For a CLN, a credit event can result in more significant losses

than the average losses on securities associated with the same reference entity because the issuer of the CLN generally has a wider choice of debt instruments issued in case of default and may therefore opt for the least expensive security. In certain structures, this risk is mitigated by the setting of specified recoverable amounts in advance that, for example, predetermine the loss in case of a credit event.
In addition, the loss may be greater in case of the delivery of a security or loan with a term longer than the CLN, or in the case where the evaluation is based on such a security/loan. However, the main credit-rating agencies are aware of these two characteristics and take them into account when rating the CLNs.

2.7.2. Collateralised debt obligations (CDO)

2.7.2.1. Features
CDOs are also structured products based on an underlying basket or portfolio of debt instruments, primarily bonds, loans and/or credit default swaps.

A CDO is usually divided into several tranches with different risk profiles for the underlying basket of debt instruments. In principle, the most junior tranche is composed of equity, with each successive tranche being more senior with a higher credit rating.

2.7.2.2. Advantages
These synthetic structures enable investment in underlying credit that is not always available through direct bond investments.

2.7.2.3. Risks
Risk associated with the system of tranches
Losses recorded in the portfolio are borne firstly by investors in the equity tranche and then by the holders of the next tranches in order of seniority. The holders of a senior tranche only incur losses if a credit event occurs that results in the loss of all equity and the capital of the more junior tranches. The tranches other than the equity tranche are therefore partially protected against losses, while the equity tranche and the more junior tranches are more exposed to fluctuations in the underlying portfolio.

Credit events affecting a small portion of the underlying portfolio can lead to significant or total loss of the capital invested in the equity tranche and the more junior tranches.

Risk associated with the long-term nature of investment
The value of credit derivatives can vary significantly before maturity depending on various factors, including, for example, the occurrence of credit events and movements of credit spreads in the portfolio.

In addition, like any debt instrument, the initial rating of a credit derivative can be upgraded or downgraded. The credit rating of an instrument reflects the (long-term) default risk of that instrument until it matures, and not the short-term market risk. Investors in credit derivatives are usually recommended to adopt a long-term investment perspective and be in a position to hold the products until maturity.

Risk associated with low liquidity
Credit derivatives are seldom liquid even though a secondary market may exist.

2.8. Synthetic products

Synthetic products (mainly passive investments and certificates) are characterised by their profit and loss structures that are identical or similar to those of certain traditional financial instruments (shares or bonds). Synthetic products result from the combining of two or more financial instruments in the same product. A basket of certificates covering a specific number of selected shares is a typical example of a synthetic product.

Synthetic products can be traded on a stock-exchange or over-the-counter.

Due to the numerous possible combinations, each synthetic product has its own risks. However, it must generally be remembered that the risks associated with synthetic products are not necessarily the same as the risks associated with the financial instruments combined within these products. Before investing in such products, it is therefore very important to obtain detailed information about these specific risks by, for instance, consulting the product information sheets.

2.8.1. Passive investments (e.g. BLOC warrants, DOCU, GOAL)

2.8.1.1. Features

- Limited loss: when purchasing a passive investment, the investor purchases an underlying asset (share, bond or currency) and, at the same time, writes a call option on that same underlying asset. In return, the investor receives a premium, which limits its loss if the price of the underlying asset falls;

- Limited potential gain: the potential return associated with the capital of the underlying asset is limited to the option's strike price;

- Collateral: for traditional passive investments, the investor must pledge the underlying asset as collateral, therefore becoming a passive investor;

- Synthetic passive investment: this type of investment is based on the idea of simulating traditional passive investments. But this simulation is achieved by means of a single transaction. Both the purchase of the underlying asset

and the writing of the call option are executed synthetically using derivatives. The purchase price of such a product is identical to that of the underlying minus the premium received for the sale of the call option. The product is therefore sold more cheaply than the underlying asset;

- Performance: the contract is executed at maturity in cash or by physical delivery of the underlying asset. If the price of the underlying asset is higher than the strike price, the investor receives a specified sum of money in cash. However, if it is lower than the strike price, the underlying asset is physically delivered to the investor.

2.8.1.2. Advantages

By writing a call option (traditional passive investment) or by using the revenue from a short call included in the price of the product (synthetic passive investment), any fall in the price of the underlying asset results in a lower loss than that which could be suffered in case of a direct investment in the underlying asset.

2.8.1.3. Risks

Unlike structured products with capital protection, synthetic passive investments do not offer any protection against capital losses in the underlying asset.

Therefore, if the price of the underlying asset increases and if, upon maturity, it is higher than the strike price of the option, the investor will receive the price originally agreed upon in the form of a cash payment. If the value of the underlying asset upon maturity is lower than the price expected by the investor when purchasing the product, the return from the product may be lower than the return from an investment in the money market with the same maturity.

If the price of the underlying asset upon maturity is lower or equal to the option strike price, the underlying asset will be physically delivered to the investor. The potential loss that may be suffered by the investor is therefore linked to the potential drop in the market value of the underlying asset until maturity. The risk of loss is therefore unlimited, as if the investor had invested directly in the underlying asset.

However, the option premium limits the consequences of a potential capital loss in the underlying asset.

2.8.2. Certificate/EMTN (e.g. PERLES)

2.8.2.1. Features

- Diversification: a certificate enables an investor to purchase a debt instrument that is based on several underlying assets or the value of which is derived from several indicators;
- Main types:
  - Index certificates: these reflect a whole market and are based on an official index (e.g. DAX, CAC, etc.);
  - Region certificates: these are composed of a selection of indexes or companies from a specific region (e.g. Eastern Europe, Pacific, etc.);
  - Basket certificates: they are composed of a selection of national or international companies in the same sector (e.g. biotechnology, telecoms, etc.) or indexes, bonds or other underlying securities;
- Guarantee: these certificates are guaranteed;
- Maturity and tradable: these certificates have a fixed duration that generally ranges from one to three years. However, these certificates can be traded at any time;
- Limited duration: composed of securities, the certificates have a limited duration;
- Investor rights: no voting rights and no entitlement to dividends/interest connected with the underlying securities;
- Redemption: redemption occurs at maturity and encompasses
- A certain amount per index point in the case of an index certificate;
- The spread between the market value at maturity and the strike price in the case of a region certificate or basket certificate

2.8.2.2. Advantages

Even with a minimum of capital investment, the investment can be split into several investment instruments or risk factors, thereby minimising them.

This type of product offers the same potential for gains or losses as a similar direct investment in the underlying assets but, due to the diversification of the index, it is possible to limit or even eliminate the risks specific to the companies composing this index and therefore limit the risk of losing the full amount invested.

They are, in principle, inexpensive products (in particular because they have no rights to dividends/interest and are not accompanied by voting rights).

2.8.2.3. Risks

2.8.2.3.1 Transfer risk:
Investments in index, region or basket certificates involve the same risks of loss as direct investments in the shares themselves. However, they enable the risks to be shared.
However, the risks are not entirely eliminated and may be transferred to the market or sector that is the focus of the certificate.

Absence of rights
In contrast to direct investments, certificates do not confer any voting rights nor do they entitle the investor to receive divi-

dends or interest relating to the underlying assets.
A drop in the value of the certificate cannot therefore be offset by the payment of dividends or interest.

2.8.2.3.2 Issuer risk
In addition to the risk of insolvency of the companies constituting the underlying assets of the certificate, the investor is exposed to issuer risk, i.e. the risk of the credit institution issuing the certificates shutting down.

2.8.2.3.3 Leverage risk
In principle, the leverage effect of certificates increases in proportion to the price fluctuations in the underlying products and therefore offers greater opportunities for gains as well as losses at maturity. The risk associated with the purchase of a certificate increases with the leverage effect of the certificate in question.
Such certificates are, in principle, more volatile than traditional certificates and can lose their entire value very quickly.

2.9. Alternative investments and offshore funds

2.9.1. Features

Each investment fund issues a prospectus that outlines the rights and obligations of investors. All investors are presumed to have familiarised themselves with the content of this document.

Alternative investment funds
This involves investing in a domestic or foreign investment fund, which differs from traditional investments in shares and bonds due to the type of investments that the fund makes.

Among the most common alternative investment funds are hedge funds, which use an investment strategy generally based on short selling, leverage or derivatives. The Company does not permit this type of transaction.

Private equity funds (venture capital, financing mergers & acquisitions) are also included in the category of alternative investments.

Even within the context of an alternative investment strategy, the assets can be directly invested in financial instruments (shares, fixed rate, floating-rate/zero-coupon, convertible bonds and money market instruments). The choice of financial instrument is not limited to a specific sector, geographical region, type of asset or instrument, currency or to an index type financial instrument.

In general, an alternative investment fund does not measure its performance against an index or benchmark: its objective is absolute performance (positive). Alternative investment funds are based on a wide range of investment strategies, some of which can only be classified in a relatively arbitrary manner. In addition, many funds combine several different investment styles in their day-to-day management or adopt investment methods with the features of several of the main styles described below. Each of these investment styles come with its own distinctive risks, return and correlation (or market risk).

Hedge funds
Hedge funds are free to choose the products and markets (including emerging markets) in which they wish to invest and their trading methods. Such funds generally set high minimum investment requirements for investors. The remuneration of the managers of these funds is often linked to the performance of fund.

Their basic strategy involves reducing the risk of a long position in a portfolio of securities by short selling other securities. Having thus reduced their exposure to market risk, they use the leverage to maximise returns. Hedge funds often hold a long position in securities that are considered to be under-valued and a short position in investments considered to be lower quality. The short component can also consist of index positions. More specific strategies include:

- Shares or long/short bonds: this is purely a question of investment style, as described above. Stock picking is the main source of performance for funds of this type. In general, they are based on an extensive fundamental analysis;
- Aggressive growth funds invest in stocks that are likely to experience rapid growth. There is therefore frequently a bias towards small-cap funds. Funds that specialise in specific sectors (high-tech, media, telecoms, etc.) are often included in this category;
- Value funds invest in stocks largely considered, for a number of reasons, to be under-valued compared to their intrinsic value;
- Market-neutral funds make balanced investments in a combination of long and short positions in order to reduce market correlation as much as possible. This strategy heavily relies on a fundamental analysis and the stocks selected as well as an in-depth risk analysis. The short component generally consists primarily of positions in shares;
- Short-selling funds: these are funds that solely engage in short selling. The Company does not permit this type of transaction.

Such funds seek out stocks considered to be over-valued that are therefore likely to fall in value. Their main selection criteria are a deterioration in the issuer's fundamentals.

Opportunistic funds
They take advantage of specific events in the life of companies: restructuring, mergers, spin-offs. This type of strategy is generally little impacted by market trends.

- Opportunistic funds take advantage of IPOs, takeover bids, unexpected results and other specific events impacting the issuer;
- Distressed asset funds invest in securities, mainly bond or bank debt, that is largely under-valued following bankruptcy or when rescue plans are launched. This type of strategy is mainly used in the United States, where the legislation is more favourable.

Arbitrage funds

They rely on incorrect market evaluations to generate a return. They attempt to identify price or yield spreads that are not justified by the issuer's financial position. They enter the market when they discern that there is a high probability that such spreads are about to disappear. They are sometimes called relative value funds. The following trends can be distinguished:

- Fixed income arbitrage: the fund identifies incorrect valuations on the bond markets;
- Convertible bond arbitrage: the fund takes a generally long position in the convertible bond and a simultaneous, generally short, position in the stock;
- Mortgage-backed securities (MBS): the fund takes advantage of discrepancies in the MBS (and derivatives) market in the USA;
- Merger arbitrage: the fund focuses on mergers & acquisitions.

CTA funds (Commodity Trading Advisors)

These funds take highly speculative long and short positions in markets (shares, bonds, futures, commodities, foreign exchange, etc.) As a general rule, these funds do not take long term future positions. They attempt to profit from excessive short term price fluctuations or even follow trends. They have a low correlation with the stock and bond markets. Therefore:

- Systematic investment in funds using quantitative analysis based on computer models;
- Discretionary investment funds rely more on a fundamental market analysis.

Global macro

These are funds that exploit large-scale macro-economic trends. They employ an opportunistic strategy. They rely on a fundamental macro-economic analysis and expected market responses to changes in economic policy (interest rates, currency fluctuations, etc.) They invest in all forms of financial assets and in all markets, wherever opportunities arise. They also rely on a strong leverage effect

Event-driven

These funds exploit very specific situations, which they may even cause themselves, by, for example, forcing the management of a company to invalidate its own strategy. They are also called niche funds. They include, for example:

- Opportunistic funds that do not have a permanent investment strategy but which simply attempt to exploit any opportunity identified;
- Funds of funds, which are funds that invest in other alternative investment funds active in one or more of the segments described above. All of these strategies may also be classified by geographical region or by sector, like traditional funds.

The term "offshore fund"

This term refers to investment funds situated in offshore locations such as the Bahamas, Bermuda, the Cayman Islands, Panama or the Dutch Antilles.

Each fund presents its own risks with the result that it is not possible to provide an exhaustive description of the risks associated with investments in such products in this document, but only to provide some basic information. Investors are therefore advised to seek out such information on a case-by-case basis prior to investing in such products by, for example, consulting the fund prospectus.

2.9.2. Advantages

In principle, the prospects for gains are attractive for the level of risk incurred (volatility risk).

2.9.3. Risks

2.9.3.1 Leverage risk

Investment strategies in this area can entail very high risks. Using leverage, for example, means that a slight change in the market may lead to substantial gains, but also substantial losses. In certain cases, the entire investment may be lost.

2.9.3.2 Lack of transparency risk

The net asset value of such investment instruments is usually not known when the investor decides to make or liquidate the investment. This is due to the fact that a notice period is generally required before such a transaction can be performed. Consequently, the net asset value can only be calculated once the investment has been made or liquidated.

In addition, investors in alternative investments often have access to very little information. The often extremely complex strategies employed by investment funds frequently lack transparency for investors. Changes in strategy, which are likely to significantly increase the risk, are often poorly understood or misinterpreted by investors.

2.9.3.3 Liquidity risk

There is great variation in the level of liquidity of alternative investments. Liquidity may prove to be extremely limited.

Most of these investments are subject to lock-in periods or penalties if liquidated before the end of a certain period. This is due to the relatively poor liquidity of the investments embedded in such instruments, which tend to be designed with a long term investment perspective in mind.

Moreover, many of the investment techniques used in alternative investments involve financial instruments that are illiquid or subject to legal, transfer or other restrictions. It is therefore possible that selling an alternative investment position may only be permitted periodically or on certain dates, after a notice period of several weeks, for example four times a year, on specific dates. Due to the bid-ask spread, income from the sale will not necessarily equal the net asset value of the instrument.

In the case of hedge funds, it is possible that the units may only be redeemed on a monthly, quarterly or annual basis. In the case of private equity funds, the lock-in period can exceed 10 years.

Finally, due to the complexity of the underlying investments made by these funds, adjustments in the net asset value may be necessary after receipt of the audited financial statement. As a result, certain "alternative" investment funds use a portion of the investor's units, if the latter decides to liquidate 100% of its investment, until receipt of the audited financial statement.

2.9.3.4 Other

Minimal regulation

Many of the funds in this sector are domiciled offshore (offshore funds). They are therefore often subject to limited regulation. As a consequence, numerous problems or delays may occur when carrying out buy or sell orders for units in these funds for which the Company may not be held liable. The enforceability of the rights of investors is not automatically guaranteed.

Any investor interested in alternative investments, particularly offshore funds, needs to be aware of these risks. The specific investment products must be carefully examined prior to entering into any transaction.

Short selling

The mutual funds in which the Company invests, on behalf of the Client, may short sell stock likely to expose the portion of the assets of the mutual fund devoted to such activities to an unlimited risk in the absence of any upper price threshold that this stock can reach. However, the losses will be limited to the amount invested in the mutual fund in question. The Company does not permit this type of transaction.

Valuation of mutual funds

The net asset value of a unit of the fund in which investments are made is not audited (with the exception of the value calculated at the financial year end). Therefore, to evaluate these funds, the Company above all uses unaudited financial information provided by the funds, by administrative officers and/or by market actors. If the financial information used by the fund to determine the net asset value of one of its units is incomplete, inaccurate or if the net asset value does not reflect the value of the investments made by the fund, the valuation of these assets will be inaccurate.

Absence of depositary bank

For certain mutual funds in which the assets are invested, the role of depositary is performed by a broker and not a bank.
In certain cases, such brokers do not benefit from the same rating as a bank. In addition, unlike depositary banks, which operate within a regulated framework, such brokers only provide custody of assets without being subject to any regulatory obligation whatsoever.

Performance fees

Due to the specialised nature of these funds, some (even most) of them may impose performance fees.

Increased fees

Investing in an investment fund instead of investing directly in the financial instruments in which the fund will itself invest leads to additional fees that are borne by the client.

Additional risks associated with private equity funds

Private equity funds generally present the following additional risks:

- No guaranteed return for the investor:
  There is a risk of the investor not recovering all of the capital invested or even losing all of the capital. The past performance of such investments is in no way a guarantee of future results, in particular because the investment environment is constantly changing (new geographical sectors, new sectors of specialisation, etc.) For example, economic recovery often generates tremendous competition in terms of acquisitions, whereas it is difficult to withdraw from such investments when the economy returns to normal;

- Low liquidity:
  These funds generally have a duration of 7 to 15 years. There is no recognised secondary market for this type of investment. Therefore, when exiting a private equity fund (which can require payments over several years), there may be a very heavy penalty up to and including forfeiture of all rights to any amounts already invested in this type of investment.

  As regards provision of the promised funds, investors must pay particular attention to the generally very short notice periods (sometimes limited to 7 days) and ensure that they have sufficient cash that can be mobilised very quickly in case of a capital call.

2.10. Specific risks associated with the lending of financial instruments

The lending of financial instruments by an investor involves the transfer of ownership of such instruments (including the associated rights and resulting debt instruments) to the borrower. As a lender, the investor acquires the contractual right to be repaid by the borrower in instruments of the same type, quantity and quality.

The investor is therefore exposed to the risk of the borrower going bankrupt, insolvent, being subject to restructuring or other similar procedures or the borrower's assets being seized or frozen.

The investor can only have access to the financial instruments after they have been returned. While awaiting this return, which may take several days, the investor risks not being able to sell the financial instruments when their market price is rising. The investor, moreover, can have no guarantee that the financial instruments will be returned on a specific date with the result that there is a risk of the investor not being able to exercise its rights within a reasonable timeframe (e.g. voting rights over these financial instruments).

It may happen that at the time it is required to return the financial instruments, the borrower is not in a position to be able to purchase them on the market. In this case, the investor may receive a sum of money corresponding to the value of the loaned financial instruments at a specific time, instead of receiving delivery of the financial instruments.

If the borrower provides collateral to guarantee repayment of the loan of financial instruments, it must not be ruled out that the value of the assets making up the collateral may be less than the value of the financial instruments loaned at the time the collateral is called in.