Information on risks relating to transactions in standardised and non-standardised derivatives/structured products and on investment vehicles with special risks ("Risks brochure")

With **Bank Lombard Odier & Co Ltd**
(hereinafter referred to as **"Lombard Odier"** or the **"Bank"**)

This complete but non-exhaustive document supplements the Swiss Bankers Association document entitled "Special Risks in Securities Trading". There is a significant documentation on the internet about the risks related to the instruments mentioned here.

Furthermore, the Client's attention is drawn to the fact that each financial instrument contains specific risks, which the Client must analyse in depth before deciding to buy or sell the instrument in question.

1. Standardised and non-standardised derivatives.

1.1. Description of transactions

a. **Standardised and non-standardised derivative instruments** are instruments whose value is based on one or more underlying assets or financial instruments (in particular, shares, indices, bonds, commodities, precious metals, foreign exchange, interest rates, investment funds, credit events, derivatives, structured products or a combination of these instruments), which may be traded on the stock exchange or over the counter and which have specific characteristics in terms of volatility and liquidity.

b. **Transactions in standardised derivatives** include the purchase and sale of options and futures whose specific features are defined by organised markets (hereinafter **"Listed Transactions"**).

c. **Transactions in non-standardised** (or **over-the-counter, OTC**) **derivatives** include transactions in derivatives that are not traded in the stock markets or in any other organised market and have the following specific characteristics:

   - are agreed individually between the contracting parties: options, forwards, swaps (hereinafter the **"OTC Transactions"**), or
   - are determined by the issuer of the product: there are various forms such as certificates, notes, warrants, structured bond issues (hereinafter **"Structured Products"**).

1.2. Risks

The risks associated with standardised or non-standardised derivatives may have a negative impact on trends in the value of a derivative and even result in significant losses for the Client.

Such risks differ from the risks inherent in traditional investments in shares, bonds and units of collective investment schemes, as well as from the risks arising from a direct investment in the underlying in question.

The Client acknowledges and accepts the high risk potential or complex risk profile associated with derivatives.

Specifically, the risks relating to the structure of Listed Transactions or OTC Transactions are the following:

- for the purchase of an option: the total loss of the premium paid;
- for the sale of an option:
  - the leverage involved in these transactions, which may entail large future liabilities with a small initial investment;
  - the obligation to buy or sell assets at the value set out in the option, which may differ significantly from the market value of the underlying assets or to pay a cash amount corresponding to this difference in value;
  - the need to meet margin calls, which may be large, at very short notice, or the risk to have the position closed and to have some or all of the assets held in the account sold at an unfavourable time
  - the fact that margin calls or the sale of some or all the assets in the account take place without any consideration for the Client's interests;
  - the total loss of the amount in the account or even the need to pay the bank an additional amount if the liquidation of the positions causes a loss that cannot be covered by realising the assets in the account;
  - delivery risk (obligation to deliver or to accept delivery) of the underlying of the transaction.

- In case of forward transactions (especially forward, future and swap transactions): the aforementioned risks may materialize regardless of the obligation to buy or sell assets at the agreed value, provided the transaction is cancelled by concluding a reverse transaction before maturity, with, as the case may be, a considerable loss.
- the – sometimes high – volatility of derivatives prices, and their liquidity, which may be low.
- when derivatives are cleared with a central clearing system, the risks, in particular, solvency and operational risk, linked to the involvement of third parties (especially brokers, central systems, clearing agents and markets).

OTC transactions are also subject to the following risks:

i **Lack of transferability and tradability:** They may only be liquidated by way of a reverse transaction with the same counterparty or the assignment of transactions to third parties with the consent of all parties;

ii **Lack of a market and no price transparency:** The contractual provisions are agreed between Lombard Odier and the counterparty on an individual basis, and there is no organised market on which to trade and set prices;

iii **Credit risk and counterparty risk:** Transactions are concluded directly between Lombard Odier and the counterparty without the involvement of a central clearing system. As a result, when Lombard Odier acts for the account of the Client, the Client incurs the risk of a default by the counterparty of Lombard Odier;

iv **Adjustment risk:** The value of the Client's positions may be negatively affected by calculations made by the markets or by the counterparties of the Client or of Lombard Odier in hedging transactions;

v **Netting risk:** To limit the credit risk incurred, Lombard Odier may consider it necessary to conclude master agreements with counterparties that stipulate netting mechanisms and that may lead to the total liquidation of all existing transactions at a given time. These mechanisms may also result in the early liquidation of some transactions at a time that is not favourable for the Client. Moreover, Lombard Odier may conclude transactions with several counterparties. In this case, the benefit of netting for Lombard Odier, and thus also for the Client, may be significantly restricted if the only transactions concluded with a given counterparty are liquidated. The Client may only benefit to a limited extent from the advantages of netting mechanisms or may not benefit at all if the liquidated transaction(s) with a given counterparty only represent(s) a portion of the total OTC transactions concluded in application of this document.

The Client acknowledges and accepts that for transactions including an option component, in particular Structured Products:

- offers in terms of price, risk structure and remuneration may differ from one establishment to the other, and the price of these instruments and the client's gains potential are influenced in particular by the remuneration that may be paid to Lombard Odier by the issuer. The Client's attention is drawn to art. 44 of the General Terms and Conditions;
- the intrinsic value of the product is calculated on the basis of mathematical models, and the price of the product may differ from its intrinsic value;
- reselling a structured product may be difficult or only possible at a value different than the one indicated by Lombard Odier in the Client's statements;
- the issuer of a structured product can become insolvent.

Derivatives may also present a legal risk if they are concluded/subscribed in jurisdictions in which an authority only exercises limited supervision or in which there is no regulatory supervision of the derivative or its issuer, which means that investor protection may be less effective and risks may be higher, especially counterparty risk.

2. Investments in higher-risk collective investment vehicles such as hedge funds, funds of hedge funds, private equity funds, offshore funds and real estate funds (hereinafter "Funds")

2.1. Description of Funds

Hedge funds are collective investment vehicles that use unconventional techniques such as financial derivative instruments, short selling, and/or borrowing, irrespective of their legal form, their country of incorporation and their investment strategy. These types of funds are generally highly leveraged and do not respect the principle of diversification of risks.

Funds of hedge funds are collective investment vehicles that invest in hedge funds, irrespective of their legal form and country of incorporation.

Private equity funds are collective investment vehicles that invest in companies that are not listed on a stock exchange or traded in another regular market and that are not liquid, irrespective of their legal form and country of incorporation.

Offshore funds are collective investment vehicles domiciled in countries that do not have the same supervision of collective investments as Switzerland, irrespective of their legal form and investment strategy.

Real estate funds are collective investment vehicles that invest directly or indirectly in real estate, irrespective of their legal form and country of incorporation.

2.2. Risks

The risks are described in the Swiss Bankers Association brochure entitled "Special Risks in Securities Trading". The risks are as follows:

i **Economic risk:** The Funds usually have high minimum investments and carry substantial financial risks, including the risk that all the assets invested will be lost. The Funds' fee structures are generally more complex, and fees are higher than for traditional investments. Past performance does not guarantee present or future results;

ii **Funds may still be at the development stage and may not yet be generating gains.** They may have high exposure to technology developments, commodity prices and the environment in which they operate. For these reasons, some Funds may never make any profit on their business, or even lose all the money received from investors;

iii **Legal risk/lack of regulatory supervision:** The Funds may be established in jurisdictions with very little or no regulatory supervision and poor or no accounting or transparency requirements, which means that there is less effective protection of investors' interests. In addition, some Funds require substantial guarantees from investors prior to any investment;

iv **Operational risk:** The operating systems and checking procedures of some Funds may be poor or unsuitable and thus lead to losses. There may also be risks stemming from the lack of transparency regarding the investments made. When the investment are indirect investments, counterparty risks exist (administrator, custodian of the investment vehicle and prime broker);

v **Lack of liquidity:** The investments made by some Funds may be illiquid and it may thus be impossible to honour requests for redemption in time (delay in execution of redemption orders) or it may only be possible to redeem part of the investments (establishment of “side pockets”). Furthermore, Funds generally have long waiting periods for subscriptions and redemptions, as well as lock-up periods. In some cases, particularly with private equity funds, the lock-up period may be up to several years;

vi **Valuations:** Valuing some Funds is difficult and depends on subjective assessments in the absence of any real market for their shares. As a result, valuations may be inaccurate, even if they are carried out diligently;

vii **Limited diversification:** the portfolio is exposed therefore exposed to adverse trends in certain industries and/or regions;

viii **Capital call,** the Client may be exposed to capital calls in addition to the amount already invested. Commitments for subsequent capital calls may cover several years. Thus, the Client's commitments are not limited to his initial investment. If the Client defaults on a capital call, he generally loses some or all of his rights;

ix The legal documents of some Funds contain "claw-back" clauses, whereby investors may be required to return some previously received capital distributions or income to the Fund pro rata to their participation in the Fund in order to satisfy certain Fund obligations. Claw-back clauses may also stem from applicable legislation;

x If the **Fund becomes bankrupt or is subject to legal proceedings,** Lombard Odier shall not take make any filing or take follow-up measures. The Client shall bear sole responsibility for taking the steps necessary to safeguard or assert his rights;

xi The fact that the Funds or some of the parties involved in these structures are subject to supervision does not mean that one or other of the above-mentioned risks will not materialise;

The Client hereby confirms that he is aware of and accepts the risks associated with the above transactions.

Lombard Odier is hereby released from any liability in relation to the transactions it carries out in accordance with general or specific instructions regarding such investments.