HOXTON

CAPITAL MANAGEMENT

EUROPE

Risk Disclosure Policy

Version 1.0

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1. Introduction

Hoxton Capital Management (Europe) Ltd (hereinafter the 'Company') is committed to providing its clients with clear and comprehensive information regarding the risks associated with the financial instruments and investment services it offers. This Risk Disclosure Policy outlines the potential risks clients may encounter when investing in money-market instruments, transferable securities, and units in collective investment undertakings.

2. Legal Framework

This policy is established in accordance with:

- The Markets in Financial Instruments Directive (MiFID II) 2014/65/EU

- The Cyprus Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017)

- CySEC Directives and Regulations

3. Purpose of the Risk Disclosure Policy

The purpose of this policy is to ensure that clients are fully aware of the risks involved in investing in the financial instruments offered by the Company. By understanding these risks, clients can make informed investment decisions that align with their financial goals and risk tolerance.

4. General Investment Risks

Investing in financial instruments involves various types of risks, including but not limited to:

- Market Risk: The risk that the value of an investment will decrease due to changes in market conditions.

- Credit Risk: The risk that an issuer of a financial instrument will default on its obligations.

- Liquidity Risk: The risk that an investor will not be able to buy or sell a financial instrument quickly at a fair price.

- Interest Rate Risk: The risk that changes in interest rates will affect the value of a financial instrument.

- Inflation Risk: The risk that inflation will erode the purchasing power of returns.

- Currency Risk: The risk that changes in exchange rates will affect the value of investments denominated in foreign currencies.

- Regulatory Risk: The risk of changes in laws and regulations affecting the financial instruments and markets.

5. Specific Risks Associated with Financial Instruments

5.1 Equities or Shares

Equities or shares represent ownership in a company. When you buy shares, you become a shareholder, giving you voting rights and the potential to receive dividends. However, the value of shares can fluctuate due to company performance, market conditions, and economic factors. Investing in equities involves:

- Market Risk: The value of shares can rise or fall.

- Dividend Risk: Dividends are not guaranteed and may be reduced or eliminated.

- Liquidity Risk: Some shares may not be easily sold or bought without affecting the price.

5.2 Money-Market Instruments

Money-market instruments are short-term debt securities with high liquidity and low credit risk, typically maturing in one year or less. They include Treasury bills and commercial paper. While generally safe, they are not risk-free:

- Credit Risk: The issuer may default.

- Interest Rate Risk: Changes in interest rates can affect yields.

- Liquidity Risk: There may be times when it is difficult to sell these instruments quickly.

5.3 Bonds

Bonds are debt securities where you lend money to an issuer (such as a government or corporation) in exchange for periodic interest payments and the return of the bond's face value at maturity. Bonds involve:

- Credit Risk: The issuer might default on interest or principal payments.

- Interest Rate Risk: Rising interest rates can cause bond prices to fall.

- Liquidity Risk: Some bonds may not be easily sold or bought.

- Inflation Risk: Inflation can erode the purchasing power of the bond’s returns.

5.4 Mutual Funds (UCITS)

Mutual funds (UCITS) are specially constituted collective investment portfolios that pool money from multiple investors to invest in a diversified portfolio of assets, managed by professional fund managers. UCITS (Undertakings for Collective Investment in Transferable Securities) are regulated investment funds that offer a high level of investor protection and are subject to strict regulations. They include:

- Domestic or Foreign Funds

- Equity Funds

- Mixed Funds

- Bond Funds

- Cash Funds

Risks associated with UCITS include:

- Market Risk: The underlying assets can fluctuate in value.

- Management Risk: The fund’s performance depends on the investment decisions of the fund managers.

- Liquidity Risk: UCITS are generally more liquid, but there can be periods of illiquidity.

- Diversification Risk: While UCITS aim to diversify, concentrated exposure to certain assets can still pose risks.

UCITS are managed by a management company and are safeguarded by a custodian. The assets are divided into equal units belonging to unit holders, who share in the profits and losses. The net asset value of UCITS units is calculated by subtracting liabilities and expenses from the total assets, divided by the number of units.

5.5 Collective Investment Schemes

Collective investment schemes involve arrangements that enable multiple investors to pool their assets and have them professionally managed by an independent fund manager. They typically include investments in bonds and shares of listed companies but may also include broader investments such as property. Risks associated with collective investment schemes include:

- Market Risk: The underlying assets can fluctuate in value.

- Liquidity Risk: Some schemes may have long notice periods for redemptions or may lack a secondary market, making them less liquid than UCITS.

- Management Risk: The performance depends on the investment decisions made by the fund managers.

- Regulatory Risk: These schemes may be subject to less stringent regulatory oversight compared to UCITS.

The ability to liquidate certain schemes may be limited, depending on the terms of operation and the long notice period required for redemption. The value of each unit may exhibit high volatility, and there may be no secondary market for such schemes, making liquidation possible only through redemption.

5.6 Exchange Traded Funds (ETFs)

ETFs are securities that track an index, commodity, or basket of assets and trade like a stock on an exchange. ETFs offer diversification but come with risks:

- Market Risk: The value of the ETF can fluctuate with the underlying assets.

- Liquidity Risk: While generally lower than individual securities, there can still be periods of illiquidity.

- Tracking Error: The ETF may not perfectly track the performance of the underlying index or asset.

5.7 Structured Products

Structured products are financial instruments designed to meet specific investor needs, which can involve combinations of underlying assets and leverage. Risks include:

- Complexity Risk: Structured products can be complex and difficult to understand.

- Market Risk: Their performance depends on the underlying assets or indices.

- Liquidity Risk: These products may not have an active secondary market, making them difficult to sell.

6. Types of Risk

a. Market Risk

The risk that the value of a portfolio will decrease due to the change in value of market factors such as stock prices, interest rates, exchange rates, and commodity prices.

b. Price Risk

The risk of unexpected changes in prices of securities and derivatives that may result in a significant decrease in the value of financial instruments.

c. Systemic Risk

The risk of collapse of the entire market or financial system, where the failure of a single entity can cause a cascading failure.

d. Credit Risk

The risk that a borrower will fail to meet a contractual obligation, such as failure to pay interest to bondholders.

e. Settlement Risk

The risk that a counterparty does not deliver a security or cash value as agreed upon, particularly in transactions involving different time zones or clearing systems.

f. Liquidity Risk

The risk stemming from the lack of marketability of an investment that cannot be quickly bought or sold to prevent or minimize a loss.

g. Operational Risk

The risk of business operations failing due to human error or system failures.

h. Political Risk

The risk that an investment's returns could suffer due to political changes or instability in a country.

i. Issuer Risk

The risk of an issuer's insolvency or negative changes in their credit rating, which can decrease the value of their securities.

j. Currency Risk

The risk that changes in exchange rates will negatively affect the value of investments denominated in foreign currencies.

k. Tax Risk

The risk concerning the complexity and changes in tax laws that could affect investment returns.

l. Legal Risk

The risk due to ongoing regulatory changes that could impact the results of investments.

7. Risk Management and Mitigation

The Company implements several measures to manage and mitigate risks associated with investment products:

- Diversification: Encouraging clients to diversify their investments across various asset classes to spread risk.

- Due Diligence: Conducting thorough research and analysis of financial instruments and issuers.

- Client Assessment: Evaluating clients' risk tolerance, investment objectives, and financial situation before recommending investments.

- Continuous Monitoring: Regularly monitoring market conditions and the performance of clients' investments.

8. Client Responsibilities

Clients are responsible for:

- Understanding Risks: Reading and understanding the risks associated with the financial instruments they invest in.

- Providing Accurate Information: Supplying accurate information about their financial situation, investment objectives, and risk tolerance.

- Monitoring Investments: Regularly reviewing their investment portfolio

and staying informed about market conditions.

9. Record Keeping

The Company maintains records of all risk assessments, client communications, and other relevant documentation in accordance with regulatory requirements.

10. Review and Update of the Policy

This Risk Disclosure Policy is reviewed periodically and updated as necessary to reflect changes in regulatory requirements, market conditions, and the Company's business practices.

11. Contact Information

For more information or any questions regarding this Risk Disclosure Policy, clients can contact:

Client Services Department

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12. Conclusion

Investing in financial instruments carries inherent risks that can affect the value of investments. This Risk Disclosure Policy aims to provide clients with a comprehensive understanding of these risks, enabling them to make informed investment decisions. The Company is committed to transparency and client education to help clients achieve their financial goals while managing risk appropriately.