athlos CAPITAL

RISKS DISCLOSURES

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TABLE OF CONTENTS

1 VERSION CONTROL 4

2 INTRODUCTION 5

2.1 Purpose 5

2.2 Applicable Laws and Regulations 5

3 Risks Disclosures 5

3.1 General Risks 5

4 Specific Risks 6

4.1 Market risk 6

4.2 Systemic risk 6

4.3 Credit risk 6

4.4 Settlement risk 6

4.5 Liquidity risk 6

4.6 Operational risk 7

4.7 Currency/Exchange rate risk 7

4.8 Country risk 7

4.9 Interest rate risk 7

4.10 Issuer/Counterparty risk 7

4.11 Concentration risk 7

4.12 Margin 7

4.13 Leverage 7

4.14 Price fluctuations 7

4.15 Past performance 7

4.16 Inflation 8

4.17 Custodian 8

4.18 Order execution 8

4.19 Emerging Markets 8

4.20 Macroeconomic risk 8

4.21 Covenant risk 8

4.22 Subordination risk 8

4.23 Loss absorption risk 8
4.24 High Yield risk 8

5 Financial Instruments and Related Risks 9
5.1 Stocks/Shares 9
5.2 Warrants 9
5.3 Rights 9
5.4 Fixed income securities/Bonds 9
5.5 Convertible bonds 9
5.6 Callable bonds 9
5.7 Contingent Convertible ("Coco") Bond (AT1) 10
5.8 Collective Investment Schemes (Mutual Funds) 10
5.9 Hedge funds 10
5.10 Exchange Traded Funds (ETFs) 10
5.11 Money Market Instruments 11
5.12 Futures 11
5.13 Options 11
5.14 Swaps 11
5.15 Derivatives 12
5.16 Structured Products 12

1 VERSION CONTROL

Policy Owner	Athlos Capital Investment Services Ltd		
Created On	December 2017		
Date of approval by the Board of Directors	November 21, 2022		
Review date	Reviewed By	Comments/Suggestions	Date of approval
05/08/2022 (V.01/2022/08)	Compliance Function	Policy has been updated to include versioning	23/08/2022
16/11/2022 (V.02/2022/11)	Compliance Function	Updated to include the new address details of the Company	23/08/2022
08/10/2024 (V.01/2024/10)	Compliance Function	Updated to include the new template of the Company and to include additional risks	18/10/2024
08/01/2025 (V.01/2025/01)	Compliance Function	Updated to include risks associated with Structured Products	N/A

2 INTRODUCTION

2.1 Purpose

2.1.1 The Company is required under the Applicable Laws and Regulations to provide its Clients with information on the risks associated with investments and particular financial instruments to ensure that Clients are able to take informed decisions prior to entering into a transaction.

2.1.2 The Risks Disclosures notice contains information on the general risks associated with investments, on specific risks associated with investments and risks related to specific financial instruments.

2.1.3 Clients should take into consideration the risks detailed herein prior to entering into transactions in any financial instrument and where appropriate seek independent advice.

2.2 Applicable Laws and Regulations

2.2.1 The Risks Disclosures notice has been prepared taking into consideration the applicable legal framework as follows:

- Law 87(I)/2017 which provides for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters (Law).
- Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II).
- Commission Delegated Regulation (EU) 2017/565 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (Reg 2017/565).

3 RISKS DISCLOSURES

3.1 General Risks

3.1.1 Investing in any type of Financial Instruments involves significant risks. The nature and extent of these risks depends on the type and complexity of a given Financial Instrument and may vary from country to country. The Client acknowledges and understands that various risk factors may affect his investment.

3.1.2 The Client acknowledges and understands that he should not engage in any investment directly or indirectly in Financial Instruments unless he understands the risks associated with the specific Financial Instruments offered by the Company. The Client should consider carefully whether a specific Financial Instrument is appropriate for him considering his investment objectives and investment experience, personal circumstances, and financial resources to tolerate losses.

3.1.3 The Client must proceed with seeking independent financial advice in case he does not fully understand the risks involved with the specific Financial Instruments offered by the Company if he wishes to trade with the Company.

3.1.4 There is a high risk of incurring losses and damages as a result of dealing with any Financial Instrument and the Client declares and accepts that he is prepared to take such risk.

3.1.5 The Company provides Clients with an array of financial instruments. Each instrument requires different amount of knowledge and experience s and are specifically addressed to Retail, Professional Clients and Eligible Counterparties, based on each asset classes' product governance description.

3.1.6 It is noted that the Company is authorised to provide the investment services of Reception and Transmission of orders and Execution of orders on behalf of Clients, Investment Advice and Portfolio Management to its Clients o. The Client acknowledges and unconditionally accepts that he is fully responsible for any losses incurred from his investments, in the case of Execution only trades, whereby the client gives instructions without the Company's input.

3.1.7 Following the implementation of the Markets in Financial Instruments Directive 2014/65/EU ("MiFID II") and in accordance with the provisions of the Law, the Company aims to provide information to its clients about general

Investment Risks and Risks associated with different categories of Financial Instruments.

3.1.8 Every type of Financial Instrument has its own characteristics and entails different risks depending on the nature of each investment. A general description of the nature and the risks of financial instruments is summarized below. However, this document does NOT disclose all the associated risks or other important aspects of the financial instruments and it should NOT be considered as investment advice or recommendation for the provision of any service or investment in any financial instrument.

3.1.9 The Client should NOT carry out any transactions in Financial Instruments unless he is fully aware of their nature, the risks involved and the extent of his exposure in these risks. In case of uncertainty as to the meaning of any of the warnings described below, the Client must seek an independent legal or financial advice before taking any investment decision.

3.1.10 The Client should also be aware that:

a) The value of any investment in financial instruments may fluctuate downwards or upwards and the investment may diminish to the extent of becoming worthless,

b) Previous returns do not constitute an indication of a possible future return,

c) Trading in Financial Instruments may entail tax and/or any other duty,

d) Placing contingent orders, such as “stop-loss” orders, will not necessarily limit losses to the invested amounts, as markets may fluctuate more than expected, and

e) Changes in the exchange rates, may negatively affect the value, price and/or performance of the Financial Instruments traded in a currency other than the Client’s base currency.

4 SPECIFIC RISKS

4.1 Market risk

4.1.1 Market Risk: is the risk that the value of a portfolio will decrease due to the change in value of the market factors such as stock prices, interest rates, exchange rates and commodity prices. In case of a negative fluctuation in prices, investors in financial instruments run the risk of losing part or their invested capital.

4.2 Systemic risk

4.2.1 Systemic Risk: is the risk of collapse of the entire market or the entire financial system. It refers to the risks imposed by interdependencies in a system or market, where the failure of a single entity or cluster of entities can cause a cascading negative effect, which could potentially bring down the entire system or market.

4.3 Credit risk

4.3.1 Credit Risk: is the risk of a borrower's failure to repay a loan or otherwise meet a contractual obligation (i.e. failure to pay interest to bond holders). Credit risk is closely tied to the potential return of an investment, the most notable being that the yields on bonds correlate strongly to their perceived credit risk.

4.4 Settlement risk

4.4.1 Settlement Risk: is the risk that a counterparty does not deliver a security or its value in cash per agreement when the security was traded after the other counterparty or counterparties have already delivered security or cash value per the trade agreement. This risk is limited where the investment involves financial instruments traded in regulated markets because of the regulation of such markets. This risk increases in case the investment involves financial instruments traded outside regulated markets or where their settlement takes place in different time zones or different clearing systems.

4.5 Liquidity risk

4.5.1 Liquidity Risk: is the risk stemming from the lack of marketability of an investment that cannot be bought or sold

quickly enough to prevent or minimize a loss. Liquidity risk becomes particularly important to investors who are about to hold or currently hold an asset, since it affects their ability to trade.

4.6 Operational risk

4.6.1 Operational Risk: is the risk of business operations failing due to human error. Operational risk will change from industry to industry and is an important consideration to make when looking at potential investment decisions. Industries with lower human interaction are likely to have lower operational risk.

4.7 Currency/Exchange rate risk

4.7.1 Currency Risk: When a Financial Instrument is negotiated in a currency other than that of the base currency of the Client, any changes in the exchange rates may have a negative effect on its value, price, and return. If applicable, investment techniques used to attempt to reduce the risk of currency movements (hedging), may not be effective. Hedging also involves additional risks associated with derivatives.

4.8 Country risk

4.8.1 Country Risk: is the risk that an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers, or military control.

4.9 Interest rate risk

4.9.1 Interest Rate Risk: is the risk that an investment's value may change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship.

4.10 Issuer/Counterparty risk

4.10.1 Issuer/Counterparty Risk: The risk of insolvency of the issuer or the counterparty i.e. the issuer or the counterparty may become unable to meet their obligations in a timely and complete manner which in return results to an investment becoming of worthless and entails at least a partial loss of the invested capital.

4.11 Concentration risk

4.11.1 The risk of losses due to heavily investing in a single sector, asset or geographical region, leading to reduced diversification.

4.12 Margin

4.12.1 Use of Margin: Trading on margin is used to increase the purchase power of an investor, for the investor to be able to buy more without paying entirely the value of the investment. This can either result in greater gain for the investor or it may similarly mean that he may suffer greater and more substantial losses.

4.13 Leverage

4.13.1 Use of Leverage: The use of leverage is similar to the use of margin i.e. borrowing funds in order to purchase an asset. As with trading on margin, the possibility of excessive losses while trading leveraged products is high. Leverage occurs when the economic exposure created using derivatives is greater than the amount invested. A leveraged portfolio may result in large fluctuations in the value of the portfolio and therefore entails a high degree of risk including the risk that losses may be substantial.

4.14 Price fluctuations

4.14.1 Price fluctuations: The price or value of a Financial Instrument may present high fluctuations which may even result in becoming valueless and as a result the Client may lose all his invested capital.

4.15 Past performance

4.15.1 Past Performance: Information regarding past performance of any investment is not indicative of future performance i.e. the use of historic data does not constitute a safe forecast as to the corresponding future return of a specific Financial Instrument.

4.16 Inflation

4.16.1 Inflation Risk: Inflation risk is also known as Purchasing Power risk which arises from the decline in value of an investment, thereby minimising the purchase power of the invested capital.

4.17 Custodian

4.17.1 Custodian Risk: Financial Instruments may be held or delivered for settlement to a custodian who has an established Business Relationship with the Company and/or to a third-party custodian who may not have an established relationship with the Company. Such third parties are not under the control of the Company and the Company accepts no liability for any default of any nature by such third-party custodians arising from the transfer of Financial Instruments.

4.18 Order execution

4.18.1 Order Execution Risk: Order execution risks are often associated with delays in in execution or non-execution at all of an investor's order. The volatility in the market may create conditions where orders are difficult to execute due to extreme price movements. The market may move significantly from the price which the investor wishes his order to be executed thereby resulting in slippage.

4.19 Emerging Markets

4.19.1 Emerging markets are likely to bear higher risk due to lower liquidity and possible lack of adequate financial, legal, social, political and economic structures, protection and stability as well as uncertain tax positions.

4.20 Macroeconomic risk

4.20.1 Risks which include inflation, geopolitical and political aspects may erode the value of the investment.

4.21 Covenant risk

4.21.1 This refers to the risk that a borrower (a company issuing debt) will breach the terms, or covenants, agreed upon in a bond or loan agreement. These covenants are conditions set by the bondholders to protect their investment by ensuring the borrower maintains certain financial ratios or behavior. If these covenants are violated, it can trigger penalties, including default or restructuring of the debt.

4.22 Subordination risk

4.22.1 Bank capital and namely AT1 & LT2 (Lower Tier 2) issues are considered subordinated to senior unsecured issues and deposits. In the event of a bank liquidation and/or bankruptcy, bank capital holders are lower in the hierarchy of payment, only above equity holders. Hence, they may suffer significant losses or be wiped out entirely.

4.23 Loss absorption risk

4.23.1 Bank capital (AT1& LT2) and senior non preferred bonds, contain a loss absorption feature, which means that if the bank's capital ratio falls below a certain threshold (as set by the regulators) the bonds may either be written down (partially or full) or converted to equity. This means investors could lose part or all their principal or be forced to become shareholders in the distressed bank.

4.24 High Yield risk

4.24.1 High yield instruments, meaning investments which pay a high amount of income generally involve greater credit risk and sensitivity to economic developments, giving rise to greater price movement than lower yielding instruments.

5 FINANCIAL INSTRUMENTS AND RELATED RISKS

5.1 Stocks/Shares

5.1.1 Stocks/Shares: represent ownership in the share capital of a company. Investors are exposed to all major risks and in particular to market risk. It must be emphasized that there are no guarantees when it comes to individual stocks. Some companies pay out dividends, but many others do not. Without dividends, an investor can make profit on a stock only through its price appreciation in the open market. On the downside, in case of the company's insolvency, the investor may lose the entire value of his investment.

5.2 Warrants

5.2.1 Companies will often include warrants as part of a new issue offering to entice investors into buying the new security, usually at a discount. A warrant is like an option. It gives the holder the right but not the obligation to buy an underlying security at a certain price, quantity before expiration. The Warrant is invariably limited in time, with the consequence that if the investor does not exercise or sell the Warrant within the pre-determined timescale, the Warrant expires with no value. Warrants do not pay dividends nor have voting rights.

5.2.2 An investor can leverage their position in a security, using warrants, as well as hedge against downside.

5.2.3 A relatively small fluctuation in the price of the underlying security may lead to a disproportionately larger fluctuation, favourable or unfavourable, to the price of the Warrant. The price of Warrants can therefore be very volatile. Before the purchase of a Warrant, the investor must be aware that there is a risk of losing the whole amount of his investment as well as any commissions and costs incurred. Warrants are subject to all of the major risks mentioned.

5.3 Rights

5.3.1 A security giving stockholders entitlement (but not the obligation) to purchase new shares issued by the corporation at a predetermined price (normally at a discount) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire. If the Right is exercised, its holder is required to pay to the issuer the exercise price. The exercise of the Right will give its holder all the rights and risks of ownership of the underlying security. Rights can be left to expire or even sold.

5.4 Fixed income securities/Bonds

5.4.1 Fixed Income Securities/Bond are debt securities that provide a return in the form of fixed or variable periodic payments and the return of principal at maturity. Bonds can be issued either by governments (government bonds) or companies (corporate bonds). In this sense, Bonds represent a form of government or corporate borrowing. The credit risk of governments, financial organisations, corporations and generally of any Bond issuer may be rated by Credit Rating Agencies. The result of these ratings constitutes a valuable guide for investors in Bonds. Bond issues of lower credit ratings tend to offer higher coupons to compensate the investors for the higher risk they assume. Some Bonds trade on recognised stock exchanges while many trade outside regulated markets (OTC). Liquidity usually differs between various types of Bonds.

5.4.2 Interest Rate risk: When interest rates rise, bond prices fall, reflecting the ability of investors to obtain a more attractive rate of interest on their money elsewhere. Bond prices are therefore subject to movements in interest rates which may move for several reasons, political as well as economic.

5.5 Convertible bonds

5.5.1 Convertible Bonds: give the holder the option to exchange the bond for a predetermined number of shares in the issuing company. When first issued, they act just like regular corporate bonds with a slightly lower interest rate, compared to what a fixed bond could pay and can be converted to shares.

5.6 Callable bonds

5.6.1 Callable Bonds: are bonds that can be redeemed by the issuer prior to their maturity. Any difference between a Bond's call price and nominal value is the call premium. Call provisions expose investors to additional risks and are therefore issued with higher yields than comparable Bonds with no such provisions.

5.7 Contingent Convertible ("Coco") Bond (AT1)

5.7.1 This bond may result in material losses to the portfolio based on certain trigger events. The existence of these trigger events creates a different type of risk from traditional bonds and may more likely result in a partial or total loss of value or alternatively they may be converted into shares of the issuing company which may also have suffered a loss in value. Unlike traditional bonds, AT1 bonds give the issuing bank the discretion to suspend coupon payments, without it being considered default. The bank may suspend coupon payments if its financial health weakens or if required by regulators to preserve capital. AT1 bonds are typically perpetual instruments with no fixed maturity date, but they often come with call options that allow the issuer to redeem the bond early. If market conditions are favorable, banks may call the bonds to force the investors to reinvest at a potentially lower yield. Lastly, the regulatory environment surrounding AT1 instruments is complex and subject to change. Regulatory authorities may impose stricter capital requirements or new rules that could affect the value or repayment structure of the AT1 bonds.

5.8 Collective Investment Schemes (Mutual Funds)

5.8.1 Collective Investment Schemes (Mutual Funds): involve an arrangement that enables a number of investors to 'pool' their assets and have these professionally managed by an independent fund manager. Investments typically include bonds and shares of listed companies but depending on the type of the scheme, they may include broader investments such as property. The ability to liquidate certain Schemes may be limited, depending on the terms of operation and the long-time period of notice required for redemption during which the value of each unit may exhibit high volatility and possibly decrease in value. It is possible that there is no secondary market for such Schemes and hence such an investment may be liquidated only through redemption.

5.9 Hedge funds

5.9.1 Hedge Funds: are aggressively managed portfolios of investments that use advanced investment strategies such as leverage, long/short and derivative positions in both domestic and international markets with the goal of generating high returns (either absolute or over a specified benchmark). Hedge funds are considered a riskier investment than traditional funds and are suitable for more experienced investors, since they are not regulated and lack transparency. They usually invest in risky or illiquid securities and although they target absolute returns, if they fail to manage risk, they may realise significant losses. Beyond the liquidity risk, Hedge Funds have the ability to leverage which means that a relative small fluctuation in the price of the underlying security may lead to a disproportionately larger fluctuation, favourable or unfavourable, to the value of the investment.

5.10 Exchange Traded Funds (ETFs)

5.10.1 Exchange Traded Funds (ETFs): are securities that track an index, a commodity or a basket of assets, but trade like a stock on an exchange. ETF prices change throughout the day as they are bought and sold. Investment in ETFs expose investors to the same risks as the underlying securities but to a significantly lower degree due to the diversification of investments.

5.10.2 Counterparty risk: A party that the portfolio transacts with may fail to meet its obligations which could cause losses. In the case of ETFs, it will bear the counterparty and settlement failures which could have an adverse effect on the ETF's price. ETFs that achieve their objective by synthetic exposure use derivatives. Those derivatives represent direct, general and unsecured contractual obligations of the counterparty only and no other persons. Some synthetic ETFs have accompanying collateral to reduce the counterparty risk, but there may be a risk that the market of the collateral has fallen substantially when the synthetic ETF seeks to realize that collateral.

5.10.3 Liquidity risk: The portfolio may not always find another party willing to purchase an asset that it wants to sell which

could impact the portfolio's ability to meet redemption requests on demand. In the case of ETFs, there is no assurance that active trading will be maintained. If a market maker defaults, an investor will not be able to buy or sell units in that ETF. Synthetic ETFs involve greater liquidity risk if the derivatives do not have a secondary market.

5.10.4 Trading risk: ETFs may suffer from crowded trade risks, given the sheer number of market participants involved in this market. Like other assets, ETFs also carry opportunity costs, creation and redemption fees.

5.10.5 Composition risk: While two ETFs may track the same index or sector, their performance may not be equal due to different holdings in the underlying basket.

5.10.6 Tracking Error Risk: Changes in the price of the ETF are unlikely to match the exact performance of the relevant index. Factors such as fees and expenses payable in respect of the ETF, liquidity of the market, failure of the tracking strategy, currency effect, policies etc.; may affect the correlation with the underlying index.

5.11 Money Market Instruments

5.11.1 Money Market Instruments: are usually debt securities which mature in one year or less (Treasury Bills), or money market funds comprising of fund of funds which invest in debt like securities. Risks related to this type of instruments are the liquidity risk, interest rate risk and credit spread risk.

5.12 Futures

5.12.1 Futures are financial derivative contracts obligating the buyer to purchase an asset (or the seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future date and price. Futures contracts detail the quality and quantity of the underlying asset; they are standardized to facilitate trading on a futures exchange. Some futures contracts may call for physical delivery of the asset, while others are settled in cash. The futures markets are characterized by the ability to use very high leverage relative to stock markets. Therefore, a relatively small fluctuation in the price of the underlying asset may lead to a disproportionately larger fluctuation, favourable or unfavourable, to the price of the future.

5.13 Options

5.13.1 Options are financial derivatives that represent a contract sold by one party (option writer) to another party (option holder) and trade on exchanges or Over-the-Counter (OTC). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). Their value is derived from the market value of the underlying asset (shares, currencies, interest rates, commodities, financial indices or any combination) and its volatility, the time up to maturity as well as the interest rates.

5.14 Swaps

5.14.1 Swaps are derivatives in which counterparties exchange certain benefits of one party's financial instrument for those of the other party's financial instrument. The benefits in question depend on the type of financial instruments involved. For example, the most common type of Swap is the Interest Rate Swap. In interest rate swaps, one contracting party agrees to pay to the other contracting party a fixed interest rate on a pre-agreed principal amount for a specific time period. In exchange, he receives a floating interest rate on the pre-agreed principal for the specific time period. The principal in such type of Swaps is usually not exchanged. At every settlement date, payments of the contracting parties are netted so that there is only one payment made from the contracting party with the greater liability. Interest Rate Swaps are usually used to convert a floating rate loan into a fixed rate one or/and vice versa.

5.14.2 Another common type of Swaps is the Currency Swap where the contracting parties exchange a specific amount in different currencies for a specific time period. With Currency Swaps, there is an exchange of principal both at the inception and termination of the Agreement, while the payments between the two contracting parties at the settlement dates are not netted since they are in different currencies. In such Agreements, there is no foreign exchange risk since the exchange rate is determined at the inception of the Agreement.

5.14.3 Swaps include both credit and interest rate risk. Currency Swaps entail greater credit risk than Interest Rate Swaps

due to the exchange of principal both at the inception and termination of the Agreement as well as the payments from both parties at every settlement date.

5.15 Derivatives

5.15.1 Derivative instruments are highly sensitive to changes in the value of the underlying asset that they are based on. Certain derivatives may result in losses greater than the amount originally invested.

5.16 Structured Products

5.16.1 Structured Products are packaged investment products that combine two or more financial instruments to provide specific risk-return profiles. These products are often linked to the performance of the underlying assets such as equities, indices, commodities, interest rates or currencies. The risks associated with a specific structured product will be addressed to in the terms of each structured product as those are determined by the Issuer of the product. The investor should read and understand the terms governing the structured product as provided by the Issuer of the structured product. Structured products embed the risks associated with their underlying assets i.e. structured products in bonds, ETFs and derivatives will be subject to the risks associated with investments in bonds, ETFs and derivatives.

5.16.2 Below is an indicative list of the main risks generally associated with structured products:

a) **Market Risk:** The value of structured products is often tied to the performance of underlying assets. If the underlying asset performs poorly, the product may no deliver the expected return or could result in a loss of capital.

b) **Credit/Issuer Risk:** Structured products are issued by financial institutions, so their value depends on the issuer's creditworthiness. If the issuer defaults, you may lose part or all of your investment, regardless of the underlying asset's performance.

c) **Liquidity Risk:** Structured products are typically not widely traded on secondary markets and may have limited liquidity. As a result, client who wishes to sell before its maturity date, may experience a substantial discount to its value.

d) **Complexity:** Structured products have complicated structures and payout mechanisms, making it challenging for investors to understand the exact risks and rewards and are therefore addressed to experienced investors. Investors should evaluate their investment knowledge, experience and ability to bear losses prior to investing in structured products.

f) **Interest Rate Risk:** Structured products are sensitive to changes in interest rates. Rising interest rates can negatively affect the product's value, especially for those linked to fixed-income securities.

g) **Counterparty Risk:** Structured products may rely on derivative contracts, which introduce the risk that the counterparty to the derivative may fail to meet its obligations.

h) **Tax complexity**: The tax treatment of structured products can be complex and vary by jurisdiction and each individual’s specific circumstances. Investors should seek independent tax advice when planning to invest in structured products.

i) **Currency Risk**: The value of structured products may be exposed to currency exchange rates where the settlement currency is different from the currency in which some or all of the underlying assets are denominated.

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