Information about investment services and investment instruments, and the risks involved in investments into these investment instruments

This information document ("Document") summarizes the most important information regarding implementation of the rules of Directive 2014/65/EU of the European Parliament and of the Council ("MIFID II") in the Czech Republic into Act No. 256/2014 Coll., on Business Activities on the Capital Market (the "Act") by its amendment, Act No. 204/2017 Coll. These new rules further extend the protection of clients previously provided under MiFID.

This Document contains information about the investment services provided by WOOD & Company Financial Services, a.s. ("WOOD & Company") and the investment instruments traded by WOOD & Company, as well as information about the potential risks which may be involved in those investment services or individual investment instruments.

Capitalised terms in this Document have the meaning defined in the Business Conditions of WOOD & Company.

Investment instruments

WOOD & Company provides investment services within the scope of its valid licence of a securities broker. WOOD & Company especially receives instructions for instruments such as investment securities, collective investment securities and derivative investment instruments. The individual investment instruments and scope of services provided are regulated in a contract between WOOD & Company and the client.

Risks involved in provision of investment services

General information about risks

WOOD & Company points out to clients that any investment into investment instruments must always be considered in view of the below-stated individual risks. Clients are also notified that they must take into account not just the below-stated risks but also other factors such as their financial situation, experience and established investment objectives. Investments into investment instruments entail a relatively high level of risk and clients need to realize that the anticipated or potential revenues are not guaranteed, that the past revenues are no guarantee of future revenues, and that there is no guarantee that at least the invested amount will be returned.

Information about risks contained in this Document cannot be considered as a complete and exhaustive advice about all risk aspects of the trade in investment instruments. Clients are obliged to get acquainted with the risks of any contemplated trade or transaction as much as possible, and consult such trade or transaction with their financial, legal, accounting or tax advisors in case of any uncertainty or enquiry, or request additional information from WOOD & Company. WOOD & Company is authorised to provide its clients with any objective and publicly available information. WOOD & Company is not authorised to provide its clients with any tax or legal advice. Also, WOOD & Company hereby expressly states that it does not provide its clients with any investment advice.

Each trade or transaction with an investment instrument carries certain risks. Generally, the higher the expected revenues and/or the longer the duration of the trade or transaction, the higher the potential risk of loss.

Trades in investment instruments carry the risk of a failure to achieve the expected revenues, i.e. creation of loss. Clients who do not fully understand the conditions of any trades or transactions and the scope of potential loss of the invested funds or, in some cases, a loss exceeding the invested funds, should not take part in such trades or transactions.

Clients should take into account that the risk of loss involved in trades in derivatives and instruments using the leverage effect (e.g. futures contracts or options) is not limited by the value of the invested funds, but may exceed their value (i.e. the loss may exceed the amount of the invested funds). Trades in derivative investment instruments therefore require specific knowledge and experience.

The level of risk also differs depending on the type of the investment instruments. Generally, financial derivatives are among investment instruments with the highest level of risk, as even a small change in the market conditions or market price of the underlying assets may cause a great change in their market value. Also shares and other similar securities and commodity instruments are deemed to be instruments with a high level of risk.

Bonds and other similar securities representing a right to repayment of the owed amount, and especially state bonds and bond securities issued by central banks, are among investment instruments which carry a relatively lower risk.

Risk overview

Individual specific risks are particularly:

- market risk, including interest risk, currency risk, equity risk, commodity risk and inflation risk,
- issuer risk,
- risk of insufficient liquidity,
- credit risk,
- concentration risk, and
- risk involved in investments into derivative investment instruments.

Market risk is based on potential rise or fall of the price of the relevant investment instrument as a result of a change of the economic conditions or market perception of the relevant investment instrument or fluctuation of interest rates.

Depending on the character of the market factor which may cause a change in the value of the relevant investment instrument, market risk means especially interest risk, currency risk, equity risk and commodity risk.

Other market risks can be identified based on the current situation on the market and the manner of realization of trades on such market.

Interest risk affects the fluctuation of the revenue rates of investment instruments caused by changes of the interest rates (a rise of the interest rates causes a fall of the market prices and vice versa).

Currency risk: in case of investments into investment instruments in foreign currencies, the risk and potential profit or loss depends not only on the overall development of the market price of the relevant investment instrument, but also on the development of the applicable currency exchange rate. A negative currency development may therefore adversely affect the overall development of the investment, even if the development of the relevant investment instrument is positive.

Equity risk is a risk of a negative change of the market price of equity investment instruments or financial derivatives derived from such instruments. The source of this risk is the trade in equity instruments.

Commodity risk expresses the change of the prices or revenues of investment instruments on the change of the price of the commodities (e.g. raw materials, energies, precious metals). Commodity risk is typical for those investment instruments which have commodities as their underlying assets. However, to some extent, commodity risk affects all investment instruments depending on sensitivity of the economy or the issuer of the investment instruments to the development of prices of the relevant commodities.

Inflation risk influences the real revenue rate of the investment instruments. Inflation (i.e. decrease in the purchasing power of money) reduces the real revenue of the investment. A high inflation may cause that the client has a negative real revenue rate, as the revenue generated by the investment instrument is lost in the inflation.

Issuer risk includes, in addition to market risk related to the financial situation of any individual issuer, also the risk that the issuer of the relevant investment instrument may be unable to perform its obligations for some time, or even that the whole investment may be lost.

Risk of insufficient liquidity means that it may be impossible to realize the relevant investment instrument for the required price, or to purchase or sell the relevant investment instrument at the required time or in the required volume.

Credit risk is one of the main financial risks. Even a reduction in the creditworthiness (solvency) of a debtor may represent a credit risk. A debtor's insolvency or unwillingness to pay its debts may also arise in case of trades in investment instruments. When the client executes a transaction with WOOD & Company, it always faces the credit risk regarding WOOD & Company.

Concentration risk is a risk of a loss caused by a significant concentration of exposures to counterparties or groups of counterparties, where the probability of their failure depends on a common risk factor, as in case of counterparties conducting their business in the same industry or geographical area, performing the same activities and trading in the same commodities, or counterparties belonging to the same economic circles, or use of procedures which are to reduce the credit risk, especially the risk involved in great indirect engagement, e.g. in respect to the same issuer of collateral.

Investments in derivative instruments may involve a variable level of risk, from very low risk in case of certain types of swaps which primarily serve to secure risk, to derivative instruments with the so-called leverage effect, which is based on the ratio (agreed in advance) in which the value of the relevant investment instrument (the price of which is many times lower than the price of the underlying assets) affects the rise or fall of the value of the underlying assets.

The risk of such investment is that even a small change in the value of the underlying assets may cause a significant change in the value of the whole investment. Investments in derivative investment instruments with leverage effect may pose a rather high risk and investors should acknowledge that they are more likely to lose the whole investment.

Individual names of derivative investment instruments might be inaccurate or misleading. It is therefore always necessary to study the document containing the conditions of the relevant investment instrument which specify its structure and conduct in various market conditions.

All the above risks can be partly prevented by diversification, e.g. by investments into several types of investment instruments, investments into shares of businesses operating in different sectors, investments into so-called secured investment funds, etc. Existing investments can also be secured by other investment instruments, such as the above-mentioned derivatives. Currency risks can be secured by currency swaps and forwards. Similarly, interest risks can be secured by interest derivatives.

However, it is always necessary to take into account the subjective knowledge, experience and practice of each investor on the capital market.

Individual types of investment instruments and the relevant risks involved

Unit trusts (units)

Units are investment instruments which represent the unitholder's share in the assets of the unit trust and which have other rights attached in accordance with the applicable legal regulations or the statute. The sum of all unit values equals the net asset value of the unit trust. Unit trusts may be created especially as open or closed. Unitholders of open unit trusts have the right for redemption of their units by the investment company which created the unit trust. Unit trusts are distinguished based on the type of assets in which they invest their funds, or the risks of the market on which they focus their investment policy:

- money market funds,
- bond funds,
- mixed unit trusts,
- equity funds, etc.

Unit trusts are managed by investment companies. Foreign unit trusts may have different structure than the local unit trusts. Within their strategies, unit trusts also use derivative instruments; the scope of their use is specified in the documents issued by the relevant unit trust, e.g. in its statute.

Revenues

The development of the value of units depends on the investment strategy outlined in the statute of the relevant fund as well as on the market development of the individual investment instruments held by the relevant fund. Revenues generated from units may be paid to the unitholders or re-invested into the fund. The amount invested into units or the revenues from such amount are not guaranteed by law.

Benefits

These investment instruments are understandable for investors. However, the parameters of the relevant fund, as specified in the statute and other documents issued by the fund, must be taken into account upon investment.

A simple and flexible type of investment into a diversified basket of shares or other underlying assets.

Risks involved in investments into unit trusts

Price risk

Typically, units may be redeemed by the investment company which is their issuer at any time for the current redemption price. In extraordinary cases, the redemption of units may be temporarily suspended. Prices for which the units can be sold may differ from the prices which can be achieved from redemption by the investment company.

Currency risk

Currency risk is only not applicable if the securities in the fund are denominated in the home currency. If the securities are denominated in a foreign currency, there is also the currency risk. However, it depends on the movement of the currency exchange rate between the relevant securities and the home currency.

Exchange traded funds (ETFs)

ETFs, also called index shares, are financial instruments which enable the purchase of the full base of the selected equity index or any other underlying assets.

<u>Benefits</u>

The investor can purchase the individual indices (e.g. Dow Jones or Nasdaq), invest into selected underlying assets (e.g. shares, bonds or commodities), economy sectors (e.g. energy or telecommunications) or geographical areas (e.g. emerging markets). Within a single trade, the investor can invest into a diversified basket of underlying assets.

<u>Risks involved in investments into ETFs</u>

Market risk

Since the market prices of investment instruments (e.g. the above-mentioned shares or bonds) in fund portfolios continuously fluctuate, their fluctuation is reflected in the valuation of ETFs. The rate of the ETFs, just as the rate of the underlying investment instruments, may therefore rise or fall during the time. However, in view of the diversified portfolio of the underlying investment instruments in ETFs, this volatility is generally lower than that of the same investment instruments individually.

Currency risk

Since ETFs are usually issued in foreign currencies (especially in EUR or USD), there are two facts to be taken into account when trading in ETFs which affect the currency risk ((i) the currency in which the fund makes the investment, and (ii) the currency in which the fund is listed on the market). Investors from the Czech Republic also face the risk of negative development of the Czech crown towards the currency of the investment into ETFs. In such case, it might be appropriate to use currency hedging which, however, means further expenses related to the investment.

Bonds

Bonds are investment instruments which represent the debtor’s obligation of the issuer towards the entitled owner of the bonds. The owner of the bonds therefore has the right to request that the issuer repay the nominal value by the maturity date of the bonds and, within set terms, the agreed revenue (interest). The rights and obligations of the issuer of the bonds and the owner of the bonds (i.e. the investor) are usually stipulated in the issue conditions of the relevant bonds.

Revenues

Bonds may have revenues determined at (i) a fixed interest rate, (ii) a variable interest rate, (iii) zero interest rate, where the owner's revenues are based on the difference between the lower purchase price upon the issue of the bonds and the sales nominal price paid upon maturity, or (iv) in any other way. The payment of the nominal value and revenues from the bonds is not guaranteed to the clients by law.

By law, the banks and securities brokers who issue bonds participate in a guarantee system which partly satisfies the investments of bonds owners if their issuers face financial problems.

Benefits

Clear revenues known in advance, especially in case of corporate bonds, which are generally higher than revenues generated by state bonds and money market instruments (usually due to compensation for existing corporate risks).

Risks involved in investments into bonds

Credit risk

There is a risk that the debtor may become unable to perform its obligations in full or in part. When considering the investment, it is always necessary to assess the solvency and credit situation of the relevant debtor.

Price risk

The client, as the owner of the bonds, will receive the redemption price stipulated in the conditions of the bonds at the maturity date. However, the issue conditions may stipulate the option of early repayment of the bonds by the issuer. If the bonds are sold prior to the maturity date, the client will receive the current market price, where the price of the bonds is determined by offer and demand for the relevant bonds and the current interest rate. For example, prices of securities with a fixed rate will fall, if the interest on bonds with comparable maturity rises. And on the contrary, the value of bonds will rise, if the interest on bonds with comparable maturity falls. The market price may also be affected by changes on the part of the issuer of the bonds, such as any changes in solvency and market position or impairment of goodwill, etc.

In case of bonds with variable interest rate, where the interest rate is indexed to the rates on the capital market, the risk that the interest will stagnate is much higher than in case of bonds with interest rate based on money market rates. The longer the time remaining to the maturity date, the greater the impact of any changes of the basic interest rates on the price.

Liquidity risk

Negotiability of bonds depends on many factors, e.g. the volume of the issue, the nominal value of the bonds, the time remaining to the maturity date or the conditions on the markets on which the bonds are traded. If the bonds cannot be sold, the owner of the bonds will have to keep the bonds until their maturity date.

Trading in bonds

Bonds may be traded on regulated markets (e.g. foreign exchange markets) or other markets. If the bonds are not admitted for trading on any regulated or other market, the client must find out from the issue conditions whether the issuer is entitled or obliged to redeem the bonds from their owner prior to the maturity date and under what conditions the bonds may be transferred to a third party. If the bonds are traded on different markets, the price for which the bonds are traded may differ from market to market.

Shares

Shares are investment instruments with attached rights of the shareholders to participate in the management of the company and its profit as well as its liquidation balance in case of the company's winding-up. Shareholders do not have the right to request that the company redeem their shares. Shareholders are not liable for the company's obligations. Shares may be traded within trading systems or outside trading systems (over-the-counter – OTCs).

Revenues

Clients' revenues from the ownership of shares are represented by dividends and capital profit or loss from the sale of those shares. The value of dividends depends on the relevant resolution of the general meeting on distribution of profit among the shareholders.

Risks involved in investments into shares

Price risk

Shares may be traded within trading systems or outside trading systems (over-the-counter – OTCs). The price (rate) for which the shares are traded is usually determined on each trading day on the basis of offer and demand. If a client acquires shares which cannot be traded on public markets, it must find out from the statutory documents of the issuer of such shares whether the shares are transferable to a third party.

Rates of the shares in trading systems depend on the economic development of the issuer, economic situation, political environment and many other factors. If the issuer of the shares becomes insolvent, the client may generate loss of up to 100% of its investment.

If the shares are listed on several trading venues in different currencies, the client should also consider the related currency risk.

Credit risk

The client, as the owner of the shares, is a shareholder of the company and may lose up to 100% of its investment in case of the issuer's insolvency.

Liquidity risk

Shares admitted for trading on several regulated markets or shares traded on a narrow market may face transferability issues.

Currency risk

There is no currency risk if the shares are denominated in the home currency. If the shares are denominated in a foreign currency, there is a risk based on the exchange rate of the home currency.

<u>Benefits</u>

The advantage of investments into shares traded on regulated markets is the possibility of high revenues. However, there is also a significant risk that the high revenues will not be achieved.

Warrants

Warrants are close to the above-mentioned options as regards the manner of their valuation and trading. As in the case of options, also owners of warrants may purchase or sell the underlying assets (i.e. share, equity index, currency, commodity) for a price stipulated in advance throughout the validity of the warrants or on their maturity date. The seller is obliged to sell or purchase the underlying assets. In case of warrants, there is no actual realization, i.e. no real purchase or sale of the underlying assets. The seller only pays to the purchaser the difference between the realization price and the current price. Unlike options, warrants have certain limitations, especially as regards fill-in options. The price of warrants is based on the difference between the realization price and the current price (intrinsic value) and the time remaining to the maturity date of the relevant warrants (time value). The time value of the warrants falls as the time remaining to their maturity date shortens. The price of the warrants is also affected by the offer and demand of investors, the movement of the prices of the underlying assets and the applicable interest rates.

<u>Revenues</u>

Revenues from warrants are based on the difference between the realization price and the current price of the underlying assets. When assessing the investment, it is also necessary the deduct the purchase price of the warrants and the transaction costs. The purchaser's loss cannot exceed the amount of the invested capital. The seller's loss is unlimited. Investor's failure to exercise the right attached to the ownership of a warrant leads to a total loss of the investment.

Warrants are attractive for investors due to the possibility of using the leverage effect. Even a small change of the price of the underlying assets may cause a great change of the price of the warrants. Since the leverage effect acts in both ways, it may cause both great revenues and, in some cases, the loss of the invested capital.

Risks involved in investments into warrants

Credit risk

Credit risk is based on the credibility of the seller. If the seller of the warrant becomes insolvent and unable to perform its obligations, the investor faces the risk of a loss of all of its invested capital.

Liquidity risk

Warrants are generally issued in smaller issues, which increases the risk of insufficient liquidity.

Interest risk

The level of interest risk in case of warrants depends on their maturity date and structure. Increase in the market interest rates has positive effect on the value of purchase warrants. For sales warrants, the effect on value is the opposite. Fluctuation of interest rates also indirectly affects the underlying assets.

Price risk

The price risk is based on the price volatility of the underlying assets. Movements of the price of the underlying assets are reflected in the value of warrants by great fluctuations due to the leverage effect, which may cause great profit as well as great loss.

Currency risk

There is currency risk involved in investments into currency warrants. The value of the warrants depends on the exchange rate of the currency of the underlying assets.

Benefits

Warrants are deemed to be high-risk securities. Since the time value of warrants falls as the maturity date approaches, it is not recommended to purchase warrants close to their maturity date.

Investments into warrants should only be made by investors who are able to identify and assess all the involved risks. Investors must understand that the higher the leverage effect, the greater the risk of the investment. As in case of options, the purchaser knows its maximum loss. However, the seller's loss is unlimited.

Structured products

Specification

Structured products are investment instruments which are a combination of several financial products, at least one of which is usually a derivative. Generally, derivatives are financial instruments, the value of which is linked to the value of the underlying assets (e.g. currency, commodity, share, index). The value of derivatives also depends on other factors, such as interest rate, maturity date and volatility of the underlying assets.

Simple structured products are for example hedge funds, which combine term deposits and options, where the deposits are usually the hedging components and the options are the revenue-bearing components. Guaranteed investment certificates, which usually consist of low-risk bonds and options, are another example.

Bonds "guarantee" the return of the capital by the maturity date and options generate the potential revenues, a participation in the underlying assets. In case of fall of the underlying assets, the option will not be exercised and the investor will thus receive at least the guaranteed part of the initial capital.

There is a whole number of structured products on the financial market and their characteristics are very different as regards for example their structure, payment options and, last but not least, terminology. In view of that, clients must become well acquainted with the product conditions of the relevant structured product.

Risks

Structured products take on the risks of the instruments that they include. Therefore, they are primarily intended for more experienced clients. Prior to the realization of a trade in a structured product, it is necessary to become acquainted with all conditions of the relevant product and the scope of the potential loss.

Generally, structured products are subject to practically all types of risks involved in investments into investment instruments, although some risks may be significantly limited by the combination of more than one instrument in certain types of structured products.

Currency risk

If the investment instruments or any part thereof is denominated in a currency different from the home currency of the client, the revenues from the investment may be significantly affected in case of a change of the currency exchange rate, even if the client considers the development of the underlying assets positive. The currency exchange rate may cause both profit and loss to the client.

Interest risk

Similarly to the currency risk, the revenue rate of the investment instruments is also affected by another variable based on the development of the investment market – the interest rates develop in time and the changes in interest rates have an inverse effect – when the interest rates rise, the prices of shares and bonds fall (as well as the growth of revenues in case of bonds). The market reacts to a fall in the interest rates by a growth of shares and bonds.

Liquidity risk

The rate of the client's investment instrument may be affected by low liquidity and the client may not be able to purchase or sell the investment instrument at the required time. This risk especially affects small-volume investment instruments and trades outside trading systems (over-the-counter – OTCs).

Issuer risk (credit risk)

Securities are issued by an issuer. For one reason or another, the issuer may become unable to perform its obligations or pay the revenues or the value of securities. In extreme cases, all of the investment may be lost.

Volatility risk

This risk is based on the underlying assets of the derivative included in the structured product. Some types of derivatives may lose all of their value (typically options) or they may lose their value in time (the above-mentioned warrants). Also, their value develops according to the market, usually on a daily basis.

Risk of the underlying assets

Where the payment of interest, dividends or principal is conditional on the future development of the underlying assets or any specific event (price of shares, value of commodities, underlying indices, etc.), the payment may be reduced or even suspended depending on the development. In case of the underlying assets, all the related risks must be taken into account, including interest risk, currency risk, issuer risk and industry risk.

These factors may also affect the price of the instrument throughout its validity. In extreme cases, the issuer risk, industry risk, global risk and credit risk may lead to total loss due to a restriction of the rights of secured creditors.

Risk of the leverage effect

If the structured product includes a derivative with a leverage effect, the potential revenues as well as the potential losses rise.

<u>Selected types of structured products</u>

Investment certificates without leverage

Investment certificates belong to favourite structured products, as they represent an alternative to the purchase of bonds and shares. Clients can choose from a wide range according to the underlying assets and risk profile. Investment certificates are typically linked to the development of individual shares, equity baskets, equity indices, currency exchange rates or commodities, and may generate sufficient revenues whether the market grows, stagnates or falls. It always depends on the structure of the relevant product – the conditions are specified in the prospectus of each relevant certificate.

In case of equity certificates, clients do not own the shares as such but, in some cases, they have the dividend rights. Investment certificates are mostly issued by renowned financial institutions and are traded directly with the issuer (primary market) or within trading systems (secondary market).

Risks

Purchase of investment certificates carries the issuer risk, which may, in extreme cases, cause the loss of all the invested funds.

The risk can be limited by selecting products on a regulated market from renowned (high-ranking) issuers. Liquidity risk is closely related to the issuer and the valuation of the certificate. Any certificate in a foreign currency carries the currency risk, which is variable. Clients should also take into account the risk of the underlying assets – in case of extremely negative development, clients will fully face the market risk.

Investment certificates with leverage

Investment certificates with leverage are high-risk investment instruments, sometimes also called turbo certificates or knock-out certificates. The client purchases the certificate for a part of its value and takes a loan to finance the rest (margin trading). This creates the leverage – the client may multiply its profit as well as its loss by using less of its own resources. In extreme cases, the investor may lose the invested capital and still be obliged to repay the loan, i.e. its **loss is not limited to the amount of its own invested funds**.

When choosing the turbo certificates, the investor should focus on the following (in addition to the essential parameters):

- Subscription ratio – how many certificates are required to obtain a unit of the underlying assets.
- Strike – the price of the underlying assets; in case of long certificates (i.e. growth certificates), the rate is determined as the difference between the current price and the strike; in case of short certificates, the rate is determined as the deduction of the current price from the strike.
- Knock-out – the price of the underlying assets when the certificates lose their value. The turbo long certificates (i.e. turbo growth certificates) become worthless when the underlying assets break the bottom limit – i.e. when their value reaches or drops under the set limit. In case of

short certificates, it is the other way around – they lose value when the value of the underlying assets breaches the top limit and the trend of the market goes against the expectations.

- Cap – the maximum share of investor's revenues from the underlying assets, determined by the issuer; if the rate rises above the cap, the investor no longer takes part in the revenues generated from the growth. The cap is also related to the discount, i.e. the amount of discount on a discounted certificate as opposed to a direct investment into the underlying assets.
- Gear – determines the certificates' level, by which the value of the certificates rises/falls if the value of the underlying assets changes by 1 %.

Risks

Risks of certificates with leverage are the same as the risks of certificates without leverage. In addition to that, certificates with leverage carry the risks specific for the leverage effect, as stated above.

The risk of a breach of the knock-out barrier – if the underlying assets reach the knock-out barrier prior to the maturity date, the certificate is no longer valid and loses its value, or else a residual value is paid as agreed in advance.

Swaps

Swaps are contracts between two or more parties on the exchange of future periodical payments from the underlying assets for a set period of time. It is a common feature of most swaps that they are over-the-counter derivatives, as they are tailor-made to both parties. The most frequent swaps are interest rate swaps, currency swaps and cross currency swaps (contracts on the exchange of the principal of two currencies and the related interest costs).

Revenues

The revenues are based on the difference between the fixed and current value of the underlying assets / currency exchange rate / interest rate, etc. The purchaser of an interest rate swap (i.e. the payer of the fixed interest) profits from the growth of interest rates. On the other hand, the seller of an interest rate swap (i.e. the payee of the fixed interest) profits from the trade if the interest rates fall.

Risks

Credit risk

The credit risk of swaps lies in the danger of the other party's default or insolvency, i.e. potential temporary or permanent inability to perform its obligations under the swap, creating potential necessity to cover the transaction via the market, which may be unfavourable in some cases.

Interest risk

The interest risk in case of interest rate swaps (IRS) lies in the uncertainty of future changes of the market interest rates.

Currency risk

The currency risk in case of currency swaps lies in the uncertainty of future changes of the currency exchange rates.

Risk of transfer

The transfer options of individual currencies may be limited due to foreign exchange control exercised by the state as the issuer of the relevant currency, which may jeopardize the realization of the transaction.

Benefits

Investors use swaps for risk management purposes as well as for speculation or reduction of transaction costs. Counterparties offer each other more favourable conditions provided by the situation of their home market. Clients must take into account the amount of potential loss, which cannot be determined in advance.

Forwards

Forwards are contracts between two or more parties which undertake to purchase or sell the underlying assets at a specific time in the future under conditions agreed in advance.

Revenues

Revenues are based on the difference between the price agreed in the contract and the current price of the underlying assets. The purchaser generates profit if the current price is less favourable than the realization price. Potential loss is unlimited.

Risks

Price risk

Forwards carry the credit risk that, at the realization date of the forward, the underlying assets will be available for a more favourable price than the price agreed in the contract. The level of risk depends on the price volatility of the relevant underlying assets.

Credit risk

Forwards carry the credit risk of the partner’s default or insolvency, i.e. potential temporary or permanent inability to perform the obligations under the forward.

Interest risk

Interest rate forwards carry the interest risk of uncertainty of the future changes of the market interest rates.

Currency risk

Currency forwards carry the currency risk of uncertainty of the future changes of the currency exchange rates.

Liquidity risk

Liquidity risk is based on the level of individualization of the conditions of the relevant trade. The more specific the contract, the lower the liquidity of the instrument.

<u>Benefits</u>

Clients use forwards for risk management purposes as well as for speculation or reduction of transaction costs. Clients must take into account that the revenues cannot be determined in advance and that the potential loss is unlimited.

Money market instruments

Money market instruments are for example deposit certificates, obligations, short-term securities issued by corporations, etc. These are all short-term investments.

Investments can be made directly or through money market funds. Money market funds offer various investment strategies and enable investments of available funds both on the home market and on the foreign market.

<u>Revenues</u>

Investment strategy is always specified in the prospectus of the relevant securities. Investors making investments through money market funds may get more favourable conditions and thereby generate higher revenues due to the fact that money market funds cumulate great volumes of money. Revenues generally exceed the interest rates offered by banks on savings accounts or term deposits.

<u>Risks</u>

Credit risk

Credit risk is based on the investment strategy of the relevant fund and its managers. In case of direct investments into securities, credit risk is based on the credibility of the issuer.

Liquidity risk

There are no organized secondary markets for money market instruments, and thus no certainty that they can be easily sold, unless the relevant issuer guarantees to pay the invested capital at any time (and it can be reasonably assumed that the issuer is able to honour such undertaking). Investments through money market funds are very liquid investments.

Currency risk

There is no currency risk if the investment instruments are denominated in the home currency. The risk of investments into securities denominated in foreign currencies is based on the volatility of movements of the currency exchange rates.

Interest risk

Movements of interest rates influence the net asset value.

Benefits

These are relatively safe investments. Investments into these instruments are appropriate for conservative investors and investors wishing to invest in a short horizon.

Money market funds may be incorporated and may operate under different legal regimes. It is therefore necessary to become acquainted with the specifics of the relevant money market fund.

Investments through money market funds enable individual investors to invest into instruments which would not be otherwise readily available. However, this manner of investment usually means higher fees.

WOOD & Company is authorised to hand over the client's assets (investment instruments and funds) to the custody of third parties which are licenced and regulated by the competent supervisory authorities and participate in a guarantee scheme similar to the Guarantee Fund (in accordance with the Act on Business Activities on the Capital Market) and/or the Deposit Insurance Fund (in accordance with Act No. 21/1992 Coll., on Banks, as amended). Legal regulations applicable to the client's assets, relevant jurisdiction, supervision of competent authority, conditions for payment of compensation (including its maximum amount) under a guarantee system and any other rights of the client in relation to the regime of client assets may significantly differ from country to country.

Although WOOD & Company proceeds with due professional care in its selection and subsequent monitoring of third parties, it cannot exclude in advance that no damage will occur. WOOD & Company points out that the third parties may be unable to perform their obligations for some time or may even become insolvent. In such case, the client's funds may (depending on the applicable legal regulations) be included in the insolvency estate and the client may have to register its claims in the course of the insolvency proceedings in the position of an unsecured creditor. It is therefore the client who directly faces the credit risk of third parties holding its funds.

List of banks keeping client accounts for WOOD.

Currency	IBAN (account number)	kept with:
CZK	CZ1726000000002038010318 (2038010318/2600) Portu CZ5726000000002038012508 (2038012508/2600)	Citibank Europe plc (SWIFT: CITICZPXXXX)
PLN	PL50249000050000489013401515	ALIOR BANK SPOLKA AKCYJNA (SWIFT: ALBPPLPWXXX)
HUF	HU63108000076000000050286096	Citibank Hungary (SWIFT: CITIHUHXXXX)
EUR	BE70301010489825	ING Belgium NV/SA (SWIFT: BBRUBEBB010)
RON	RO43CITI0000000675028044	Citibank Romania (SWIFT: CITIROBUXXX)
USD	BE70301010489825	Corr.bank: BANK OF AMERICA, N.A. (SWIFT: BOFAUS3NXXX) ABA: 0260 0959 3 ING Belgium NV/SA (SWIFT: BBRUBEBB010)
GBP	FR0541329000010000778043D43	Corr.bank: BNP Paribas S.A (SWIFT: BNPAGB22XXX) Sort Code: 406384 IBAN: GB32BNPA40638473564023 BNP Paribas Securities Services (SWIFT: PARBFRPPXXX)
CAD	FR0541329000010000778043D43	Corr.bank: Royal Bank of Canada (SWIFT: ROYCCAT2XXX) BNP Paribas Securities Services (SWIFT: PARBFRPPXXX)
NOK	FR0541329000010000778043D43	Corr.bank: NORDEA BANK NORGE ASA (SWIFT: NDEANOKKXXX) BNP Paribas Securities Services (SWIFT: PARBFRPPXXX)

SEK	FR0541329000010000778043D43	Corr.bank: NORDEA BANK AB (SWIFT: NDEASESSXXX) BNP Paribas Securities Services (SWIFT: PARBFRPPXXX)
CHF	FR0541329000010000778043D43	Corr.bank: BNP-PARIBAS SECURITIES SERVICES (SWIFT: PARBCHZZXXX) BNP Paribas Securities Services (SWIFT: PARBFRPPXXX)
DKK	FR0541329000010000778043D43	Corr.bank: NORDEA BANK DANMARK A/S (SWIFT: NDEADKKKXXX) BNP Paribas Securities Services (SWIFT: PARBFRPPXXX)
JPY	FR0541329000010000778043D43	Corr.bank: HONGKONG AND SHANGHAI BANKING CORP LTD (SWIFT: HSBCJPJTXXX) BNP Paribas Securities Services (SWIFT: PARBFRPPXXX)
ZAR	FR0541329000010000778043D43	Corr.bank: STANDARD BANK OF SOUTH AFRICA (SWIFT: SBZAZAJJXXX) BNP Paribas Securities Services (SWIFT: PARBFRPPXXX)
RUB	40807810400000000436	AO Raiffeisenbank (SWIFT: RZBMRUMMXXX)
TRY	TR830003200000000026825329	TURK EKONOMI BANKASI A.S. (SWIFT: TEBUTRIS930)
RSD	10008116369	Bank Austria Creditanstalt AG, Vienna AT (SWIFT: BKAUATWWXXX)

This Document is effective as of 28 February 2019.