GENERAL RISK DISCLOSURE

CURRENCY RISK

With foreign currency transactions, the return on and the performance of the investment depend not only on the local yield on investment in the foreign market, but also greatly on the performance of the foreign currency with respect to the investor's reference currency (e.g. the euro). A change in the exchange rate can therefore either increase or decrease the return and value of the investment.

TRANSFER RISK

Transactions involving foreign countries (e.g. foreign borrowers) entail the additional risk - depending on the specific country - that political action or exchange control may make the realisation of the investment difficult or impossible. Also, problems may occur when processing an order. In foreign-currency transactions, the currency may end up no longer being freely convertible as a result of such action.

COUNTRY RISK

Country risk is the credit risk of a country. When the country in question has a political or economic risk, all the partners residing in that country may be adversely affected.

LIQUIDITY RISK

The option of selling or settling an investment at a fair market price at all times is called negotiability (= liquidity). A market is considered liquid when investors are able to sell their securities without an average-sized selling order (relative to the market's normal trading volume) leading to noticeable price fluctuations that make it impossible to execute the order or only allow execution at a substantially different price level.

CREDIT RISK

Credit risk refers to the possibility of the counterparty's default, i.e. the possibility that a partner may be temporarily or permanently unable to meet liabilities such as dividend payments, interest payments, repayment of principal, etc. Alternative terms for credit risk are borrower risk or issuer risk. This risk can be assessed using what are called "ratings". Ratings are used to assess an issuer's credit standing. Rating agencies assign the ratings, paying particular attention to credit and country risk. The rating scale ranges from "AAA" (best credit standing) to "D" (worst credit standing).

INTEREST RATE RISK

Interest rate risk results from the possibility of future interest rate movements in the market. During the term of fixed-interest bonds, a rise in interest rates will cause prices to drop, whereas a decline in market interest rates will cause prices to increase.

PRICE RISK

Price risk is the risk of potential changes in the value of individual investments. In the case of transactions involving future transfer of ownership (e.g. foreign exchange forwards, futures, writing of options), price risk may make it necessary to post collateral (a margin) or to raise the existing margin, i.e. to tie up liquid assets.

RISK OF TOTAL LOSS

The risk of total loss is the risk that an investment becomes worthless, for instance because it is devised as a right that is subject to a time limit. A total loss is especially likely to occur when the issuer is no longer in a position, for financial or legal reasons, to meet their payment obligations (insolvency). The risk of total loss also arises when issuers of securities find themselves in financial straits and the authorities in charge resort to resolution instruments, cancelling the shares of shareholders, for example, or using the bail-in option for unsecured bonds, which may lead to a complete write-off of the bonds' face value.