

# RISK WARNING NOTICE

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Before trading Contracts for Difference, Spread Bets or Foreign Exchange (ForEx or FX), please ensure you fully understand the risks involved. These products are not suitable for all types of investor.

Trading in Contracts for Difference / Spread Bets / FX carries a high degree of risk and is only suited to experienced investors. Leveraged products carry a high degree of risk to your capital, and in some circumstances you may be liable for a greater sum than your initial amount of capital invested.

You should be aware that due to the leverage involved losses can mount rapidly and substantially. **You should only speculate with money you can afford to lose.**

**Past performance is not a guide to future performance.** Please seek independent financial advice if you are unsure about any investment. The products referred to above are only suitable for people over the age of 18. Information and analysis produced by Zodiac Partners Limited does not constitute a recommendation or offer to make a transaction in any derivatives or securities, and is intended to be general in nature.

Zodiac Partners Limited is authorised and regulated by the Financial Conduct Authority.

It is imperative that the potential investor understands past performance of any investment is not necessarily a guide to future performance. The value of shares or income from them may go down as well as up. The value of shares may rise as well as fall due to the volatility of world markets, economic conditions/data and/or changes in the rate of exchange in the currency in which the investments are denominated.

You may not necessarily get back the amount of capital you invested and as mentioned above you could be liable for an additional sum to balance your losses. If you are in any doubt about investment or the mechanics of such products, you should seek independent financial advice.

## Risk Disclosure Notice

This notice is provided to you in compliance with the rules of the Financial Conduct Authority (FCA).

If you are a Retail Client you are afforded greater protections than other customers, and you should ensure that your Investment Advisor/Manager tells you what these are. This notice does not disclose all of the risks and other significant aspects of derivative products such as futures, options and contracts for differences. You should not deal in derivatives unless you understand the nature of the contract you are entering into and the level of your exposure to risk. You should also be satisfied that the contract is suitable for you in the light of your circumstances and financial position. Certain strategies, such as a "spread" position or a "straddle", can be of equivalent risk to a standard "long" or "short" position. Whilst derivative instruments can be utilised for the management of investment risk, some investments are unsuitable for many investors. Different instruments involve different levels of exposure to risk, and in deciding whether to trade in such instruments you should be aware of the following points.

## 1 | Futures

Transactions in futures involve the obligation to make, or to take delivery of the underlying asset of the contract at a future date, or in some cases to settle your position with cash. They carry a high degree of risk. The "gearing" or "leverage" often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small market movement can lead to a proportionately much larger movement in the value of your investment, and you should be aware that this can work against you as well as for you. Futures transactions may have to be margined, and you should be aware of the implications of this, which are set out in paragraph (6) below.

## 2 | Options

There are many different types of options with different characteristics subject to different conditions:

Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium plus any commission or other transaction charges. However, if you buy a call option on a futures contract and you later exercise the option, you will acquire the future. This will expose you to the risks described under "futures" and "margined transactions".

Writing options: If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well in excess of any premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price. If you already own the underlying asset which you have contracted to sell (known as "covered call options") the risk is reduced. If you do not own the underlying asset (known as "uncovered call options") the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

## 3 | Equity Securities

Buying or subscribing for equity securities results in you becoming a stakeholder of the issuing company and you participate fully in its economic risk arising there from. Holding ordinary shares will generally entitle you to receive any dividend distributed each year (if any) out of the issuer's profits made during the relevant period. Holdings in equities will generally expose you to more risk than debt securities since remuneration is tied more closely to the profitability of the issuer. In the event of insolvency of the issuer, your claims for recovery of your equity investment in the issuer will generally be subordinated to the claims of both preferred or secured creditors and ordinary unsecured creditors of the issuer. If you buy equity securities you will be exposed to both the specific risks associated with individual securities held as well as the systemic risks of the equity securities markets. In addition to market risk, the shares may be subject to liquidity risk whereby the shares could become very difficult to sell particularly where the company is private or is listed but only traded infrequently.

Investing in preference shares gives the shareholders the right to a fixed dividend, the calculation of which is not based upon the success of the issuer company. Such shares do not usually give shareholders the right to vote at general meetings of the issuer though shareholders will have a greater preference to any surplus funds of the issuer than ordinary shareholders if the issuer were to go into liquidation.

Depository receipts, including American or European Depository Receipts (ADRs or EDRs), Global Depository Receipts or Shares (GDRs or GDSs) or other similar global instruments are receipts representing ownership of shares of a foreign-based issuer. They are typically issued by a bank, will represent a specific number of shares in a company and are traded on a stock exchange which may be local or overseas to the issuer of the receipt. The risks involved relate to both the underlying share and the bank issuing the receipt.

Penny shares and those admitted to trading on AIM and the ISDX market carry a higher degree of risk of losing money than other UK shares. Penny shares are shares which have speculative appeal due to their low value. There is likely to be a big difference between the buying price and the selling price of these shares, as well as the market depth. If they have to be sold immediately, you may get back much less than was paid for them. This is known as illiquidity. The price may change quickly and it may go down as well as up. It can be difficult to source reliable information about their value and the extent to which they are exposed to risk.

**As always, past performance is not indicative of future success.**

## 4 | Other Instruments

Futures and options contracts can also be referred to as contracts for differences. These can be options and futures on the FTSE-100 index or any other index or share, as well as currency and interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash. Investing in a contract for differences carries the same risk as investing in a future or an option and you should be aware of these as set out in paragraphs (1) and (2) respectively.

Transactions in contracts for differences may also have a contingent liability and you should be aware of the implications of this as set out in paragraph (6) below.

You should be aware that when trading CFDs, at no stage will you own the underlying asset.

## 5 | Foreign Exchange (FX)

Transactions in Foreign Exchange contracts carry a high degree of risk. The "gearing" or "leverage" used in Foreign Exchange trading means that a relatively small market movement can lead to a proportionately much larger movement in the value of your liability. You should be aware of the implications of this, in particular the margining requirements which, by accepting below, will be confirmation by you that this has been explained to you by the investment advisor.

You should note that when trading FX, at no stage will you take any physical delivery of currency.

## 6 | Off-exchange transactions

It may not always be apparent whether or not a particular derivative is effected on exchange or is an off-exchange derivative transaction (over the counter or OTC).

While some off-exchange markets are highly liquid, transactions in off-exchange or "non transferable" derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may not be possible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid and offer prices need not be quoted, and, even where they are, they will be established by investment advisors in these instruments and consequently it may be difficult to establish what is a fair price.

The potential for profit or loss from transactions in foreign currency denominated contracts will be affected by fluctuations in foreign exchange rates.

## 7 | Foreign markets

Foreign markets will involve different risks from UK markets. In some cases the risks will be greater. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

## 8 | Contingent liability transactions

Contingent liability transactions which are margined require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately.

If you trade in futures, contracts for differences, spread bets or sell options you may sustain a total loss of the margin you deposit. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain your position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be liable for any resulting deficit.

Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered into the contract. Contingent liability transactions which are not traded on or under the rules of a recognised or designated investment exchange may expose you to substantially greater risks.

## 9 | Collateral

If you deposit collateral you should ascertain how your collateral will be dealt with. Deposited collateral may lose its identity as your property once dealings on your behalf are undertaken. Even if your dealings should ultimately prove profitable, you may not get back the same assets which you deposited and may have to accept payment in cash.

## 10 | Costs

We will set out your dealing costs with you in writing prior to the account being opened. If you have any queries on costs please discuss this with your Investment Advisor/Manager.

We make costs as transparent as possible. CFDs, Shares, spread bets and Foreign Exchange are traded at market prices and market liquidity. The cost of these transactions will show up separately on your contract notes and statements. Costs are charged as a percentage, or basis points, of the total position size traded and are not relative to the deposit or margin used. Costs are charged where indicated on a per transaction basis. Minimum charges can be relevant for smaller trade sizes and there are also charges associated with overnight financing of positions - these will all be set out in writing prior to the account being opened.

In some cases costs may be included in the transaction price. If this is the case, we will stipulate the size of the bid/offer spread quoted depending on the products you wish to trade.

Zodiac Partners Limited do not take the opposite view or 'run a book' on client trades. As a company we do not take any proprietary positions in the market and therefore our advice and research is completely impartial.

There may be different costs associated with the live price feeds utilised in your trading platform. Please ask a member of the Zodiac Partners Limited team to explain the respective policies on price-feed fees relative to your account.

## 11 | Suspensions of trading

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that trading is suspended or restricted. Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

## 12 | Insolvency

Insolvency or default may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payment in cash.

Zodiac Partners Limited accepts no responsibility for insolvency of, or default by, other third parties involved with your transactions.

## 13 | Stop loss orders

Stop loss orders may be subject to slippage. This means that if the stop loss order cannot be executed at your chosen price in the market, or cannot be executed in the desired volume at the chosen price, the order will be filled at the best available price at that time. Unless you hold a limited risk account, stop losses are not guaranteed.

## 14 | Execution only service

As an execution only client, any decisions on investments are purely your own choice and Zodiac Partners Limited will not provide any advice on these investments. We will only execute transactions on your behalf; you are also able to execute transactions through the trading platform.

You will therefore be responsible for any such loss as a result of your investment choice. Please ensure that you read the relevant risk warnings involved in any investment decision you make.

Should you be in any doubt as to the risks involved, or to the suitability of a particular investment, you should seek professional financial advice.

## 15 | Advisory service

If your relationship with Zodiac Partners Limited is on an advisory basis this means that, although you may seek advice from Zodiac Partners Limited and/or Zodiac Partners Limited may offer advice to you in connection with an investment transaction, you have the final decision in relation to the execution of every investment transaction. Consequently, you should make every effort to ensure that you are fully satisfied that you understand the advice given to you in relation to every investment transaction as, unless you indicate otherwise, Zodiac Partners Limited will be entitled to assume that you do.

I/we accept that when Zodiac Partners Limited provides advisory services it will be under the following conditions:

- a) Occasionally Zodiac Partners Limited may, at our discretion, provide advisory services, recommendations and information on our own initiative and at our discretion. However, Zodiac Partners Limited shall not be obligated to continue to provide advice related to managing your investments.
- (b) Published recommendations and research reports may occasionally be provided to you by Zodiac Partners Limited, as well as advertisements and other publications. When any document provided to you carries restrictions with regard to the individuals or category of individuals for whom such a document is intended or to whom it may be disseminated, you hereby concur that you shall not distribute such a document to any such individual or category of individuals. Zodiac Partners Limited may have acted upon the document or information contained within it before distribution of the material. No representations are made by Zodiac Partners Limited as to the time you receive information, recommendations or research reports and Zodiac Partners Limited makes no guarantees that such information, recommendations or research reports will be received by you at the same time as our other clients.
- (c) When Zodiac Partners Limited provides information regarding the financial markets, recommendations or advisory/managed services; we give no warranty, guarantee or representation as to the completeness or accuracy of the information, recommendations or advisory/managed services or to the tax consequences of transactions or investments. Unless Zodiac Partners Limited specifically consents otherwise through written communication from you, you agree and acknowledge that;



- (i) the advice offered by Zodiac Partners Limited is purely incidental to your trading association with Zodiac Partners Limited and offered exclusively to allow you to construct your own decisions regarding your trading and investments;
  - (ii) the investments of Zodiac Partners Limited directors, associates, management and employees or agents may vary from the advice, information and recommendations provided to you by Zodiac Partners Limited and
  - (iii) due to individual differences in the analysis of technical and/or fundamental factors by different personnel, the advice/management, information or recommendations provided to other clients may vary from advice/management, information or recommendations provided to you by Zodiac Partners Limited.
- (d) Zodiac Partners Limited will not, at any time, be required or be seen to be required to offer tax advice to clients. Zodiac Partners Limited will not provide advice with regard to tax issues.
- (e) Even when Zodiac Partners Limited are providing you with an advisory or managed service you should be aware that the maintaining of sufficient margin on your account is still your responsibility and that failure to maintain sufficient margin could result in trades being forcibly closed.

**Please note that past performance is not necessarily a guide to future performance.**

## 16 | Investment Management

This means that the nature of this agreement and your relationship with Zodiac Partners Limited is on a managed basis. This means that you acknowledge that subject to transactions meeting your investment objectives, risk profile and any pre-agreed trading limitations or restrictions, Zodiac Partners Limited have sole discretion in deciding what investments to buy, hold or sell at any time, in accordance with this agreement and subject to Zodiac Partners Limited standard Terms of Business and any other documentation executed by you with Zodiac Partners Limited. Zodiac Partners Limited are authorised to conduct, and will conduct, such trading on your behalf without reference to your approval.

Even though Zodiac Partners Limited retains full discretion over the trades placed on your account when your account is investment managed, you should be aware that the maintaining of sufficient margin is still your responsibility and that failure to maintain sufficient margin could result in trades being forcibly closed. This means that you must be aware of the status of your trading account at all times.

There are significant risks associated with entering a discretionary trading agreement; you will not control the day-to-day investment decisions in relation to the account, and will be bound by Zodiac Partners Limited's investment decisions. You acknowledge that your account is subject to the risk of loss including but not limited to; leverage, trading costs, market risk, currency fluctuation and economic, political, business or other events. We do not promise or represent that our decisions, strategy or management of your account will result in any particular rate of return. Past performance is no indicator of future success and there can be no assurance that future performance will achieve comparable results or that target returns will be met. The value of your account may fluctuate and you may not get back your original investment.



**PLEASE COMPLETE THE BELOW TO CONFIRM YOUR UNDERSTANDING OF THE RISKS STATED ABOVE:**

NAME \_\_\_\_\_

SIGNED \_\_\_\_\_

DATE \_\_\_\_\_