DERIVATIVES RISK WARNING NOTICE

This notice cannot disclose all the risks and other significant aspects of derivative products such as futures, options, and contracts for differences. You should not deal in these products unless you understand their nature and the extent of your exposure to risk. You should also be satisfied that the product is suitable for you in the light of your circumstances and financial position. Certain strategies, such as a ‘spread’ position or a ‘straddle’, may be as risky as a simple ‘long’ or ‘short’ position.

Although derivative instruments can be utilised for the management of investment risk, some of these products 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 the 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 movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you. Futures transactions have a contingent liability and you should be aware of the implications of this, in particular the margining requirements, which are set out in paragraph 8.

2. Options

There are many different types of options with different characteristics subject to the following conditions.

<u>Buying options:</u>

Buying options involve 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 ‘contingent liability investment transactions’.

<u>Writing options:</u>

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 the 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 form 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.

Traditional options:

Certain London Stock Exchange member firms under special exchange rules write a particular type of option called a ‘traditional option’. These may involve greater risk than other options. Two-way prices are not usually quoted and there is no exchange market on which to close out an option position or to effect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk.

Certain options markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position.

3. Contracts for Differences

Futures and options contracts can also be referred to as a contract for differences. These can be options and futures on an equity, the FTSE 100 index or any other index, as well as currently 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 risks as investing in a future or an option and you should be aware of these as set out in paragraphs 3 and 4 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 8.

4. Off Exchange Transactions in Derivatives

It may not always be apparent whether or not a particular derivative is arranged on exchange or in an off-exchange derivative transaction. Your firm must make it clear to you if you are entering into an off-exchange derivative transaction.

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 be impossible 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 prices and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what a fair price is.

5. Foreign Markets

Foreign markets will involve different risks from the UK markets. In some cases the risks will be greater. On request, your firm must provide an explanation of the relevant risks and protections (if any) which will operate in any foreign markets, including the extent to which he will accept liability for any default of a foreign firm through whom he deals. 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.

WARRANTS RISK WARNING NOTICE

This notice cannot disclose all the risk and other significant aspects of warrants. **You should not deal in them unless you understand the nature of the transaction you are entering into and the extent of your exposure to potential risk.**

You should consider carefully whether warrants are suitable for you in the light of your circumstances and financial position. Certain strategies, such as a spread position or a straddle may be as risky as a simply long or short position. Although warrants and/or derivative instruments can be utilised for the management of investment risk, some of the products 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. Warrants

   A warrant is a time limited right to subscribe for shares, debentures, loans stock or government securities, and is exercisable against the original issuer of the securities. A relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be volatile.

   It is essential for anyone considering purchasing warrants to understand that the right to subscribe which a warrant confers is invariably limited in time with the consequences that if the investor fails to exercise this right within the pre-determined time-scale then the investment becomes worthless.

   You should not buy a warrant unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges.

   Some other instruments are also called warrants, but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a “covered warrant”).

2. Off-exchange warrant transactions

   Transactions in off-exchange warrants may involve greater risk than dealing in exchange traded warrants because there is no exchange market through which to liquidate your position, assess the value of the warrant or the exposure to risk. Bid and offer prices need not be quoted and, even when they are, they will be established by dealers in these instruments and consequently it may be difficult to know what is a fair price.

   Your broker must make it clear to you if you are entering into an off-exchange transaction and advise you of the risks involved.

3. Commission

   Before you begin to trade, you should have details of all commissions and other charges for which you will be liable.

4. Foreign Markets

   Foreign markets involve different risks and, in some cases, these risks will be greater. On request, your broker must provide an explanation of the risks and protections (if any) which will operate in any relevant foreign markets, including the extent to which he will accept liability for any default of a foreign broker through whom he deals. 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.

EMERGING MARKETS RISK WARNING NOTICE

Transactions in all forms of investment carry some degree of risk. Transactions on markets in "emerging market countries" or in "emerging market investments" may expose the investor to additional risks not typically associated with similar activities in more developed countries. In light of these risks, you should undertake such transactions only if you fully understand the nature of those risks and are able to bear the loss of all or substantially all of the value of your investments.

In particular, you should be aware that we will not be responsible for appraising or reviewing on your behalf the financial condition or creditworthiness of any emerging markets investments nor shall we be deemed to have made any representation or warranty as to the financial condition of the issuer or the performance by the issuer of any emerging market investment of its obligations under such investment.

The classification of a country as an "emerging market country", while frequently based on relative economic, political and social development, is necessarily somewhat subjective. In general, "emerging market countries" are characterised by:

- An underdeveloped or developing infrastructure, with significant potential for economic growth and increased capital market participation by foreign investors;

- Recent or relatively recent economic liberation (including, but not limited to, a reduction in the state's role in the economy, privatisation of previously state-owned companies, an/or removal of foreign exchange controls and obstacles to foreign investment);

- Debt ratings below investment grade by major international ratings agencies and a recent history of defaulting on, or rescheduling, sovereign debt;

- Recent liberalisation of the political system and a move towards greater public participation in the political process; and

- Non-membership in the Organisation of Economic Co-operation and Development (OECD).

The instruments of issuers and obligors resident, domiciled, based in or principally engaged in business in any such countries, together with any derivative products related to the performance of such instruments are referred to in this statement as "emerging market instruments".

This statement cannot disclose all the risks and other significant aspects of trading on markets in emerging market countries or of investing in emerging market investments. Rather, it is intended to highlight some of the risks of which you should be aware.

Country Risk

Investment or related derivative products entered into via an agent or issuer who is domiciled in a separate country may be subject to value fluctuations as a result of country risk.

Country risk is the risk that some major event will occur in a particular country (egg a natural disaster) which is beyond the control of the investor or is counterparty, but which affects the financial markets relevant to the transaction which they have entered into. Although this risk is present with respect to any country, it may be greater in an emerging market country if the economic, political and social systems are often less well developed.

Economic Risk

The economies of emerging market countries tend to be less stable than those of more developed countries. They often experience greater fluctuations in economic factors which may contribute to financial instability, eg unpredictable changes in currency, interest rates and inflation rates. In addition, many emerging market countries are indebted to external organisations and to other countries and lack a well developed infrastructure. Such factors can exacerbate such financial instability.

Political Risk

An unstable political environment can have a significant effect on a country's financial stability. Many emerging market countries experience rapid and significant changes in their political environment on a regular basis. Such changes may be due to social, ethnic or religious strife, often coupled with periods of social unrest. They often result in dramatic changes in governmental policy (including changes in exchange controls and market regulation). The result of such instability may make it difficult for investors or their counterparties to predict the effect of such changes on transactions which they enter into.

Market Risk

The financial markets in emerging market countries are commonly smaller, more volatile, less well regulated and less liquid than those in more developed countries. Often, there are no organised public markets for the securities of issuers in those countries. These factors may all result in greater price volatility of securities and other instruments issued or traded in emerging market countries.

Currency Risk

The value of emerging market investment may be affected by fluctuations in currency rates and by exchange control regulations. Whilst it may be possible to hedge against these risks, they cannot be completed eradicated.

Information Risk

It is often more difficult to obtain reliable information with respect to counterparties, issuers and obligors in emerging market countries than in more developed countries. In addition, the official data and statistics available to investors may be substantially less reliable than that available to investors in certain other countries. This can affect the investor's ability to assess the value of an instrument, the status of an issuer and the overall risk associated with the emerging market investment.

Settlement Risk

Settlement, custodial and clearing services in emerging market countries are typically not as highly developed as those in certain other countries. It is possible for investors in such countries to lose their registration as owners of an emerging market investment through fraud, negligence or oversight. The investor may also suffer loss as a result of delays and inefficiencies in the provision of such services.

Issuer and Credit Risk

Because emerging market countries are generally not as economically stable as more developed countries, there is a greater risk that issuers and obligors will experience difficulties in meeting their obligations to repay principal or to pay income or dividends. Some countries are currently in default of their sovereign debt obligations. These risks may be enhanced where the market is dominated by a small number of issuers and, therefore, investors may be exposed to greater concentrations of credit risk.

Taxation Risk

The tax systems of emerging market countries tend to be subject to rapid and significant change. In addition, tax collection methods may not be as efficient as in more developed countries. This can result in foreign investors being expected to make up revenue short-falls. Investors in these jurisdictions should also note that the benefits of double tax treaties may not be available.

Legal and Regulatory Risk

Although some emerging market countries have mature and reliable legal systems of an elementary nature. There is, therefore, considerable uncertainty in many areas of the law in those jurisdictions. The rights and protections available to investors in more developed countries may not be available, may not be capable of enforcement or may be enforced in an unpredictable manner.