PARTNERS Investments

PARTNERS INVESTMENTS o.c.p., a.s ("PI") provides Clients with investment and ancillary services associated with the following financial instruments:

a) Shares and other securities with similar rights as those associated with shares ("Shares"),

b) Bonds and other debt securities ("Bonds"),

c) Money market instruments,

d) Securities or holdings in collective investment entities ("Funds").

1. DESCRIPTION OF THE MOST SIGNIFICANT RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Currency risk relates to changes in the value of a financial instrument expressed in a single currency between the exchange rate of that currency and the currency in which the instrument is denominated. This risk may occur, for instance, where the investor invests with the local currency in financial instruments denominated in foreign currencies and compares the value of the investment using the local currency.

Volatility risk is a market risk involving fluctuations in the values of financial instruments occurring mainly due to changes in conditions on the financial markets on which financial instruments are traded. This risk may have significant consequences especially when measuring financial instruments over shorter periods of time.

Liquidity risk is the risk of a reduced possibility to sell a financial instrument quickly enough at the market price. The significance of this risk depends on the market on which the financial instrument is traded, on the number of participants in this market, on the number of holders or potential holders of the instrument, on the value of the required sales volume and on the financial instrument itself. Where the financial instrument is not traded on any regulated market or where, for instance, it has not been issued through a public offering, its liquidity may be significantly limited.

Settlement risk is the risk associated with the possibility that the counterparty within a trade or the one who ensures its settlement will not fulfill its obligations on time and in full. The risk may be expressed as a failure to pay the purchase price or deliver the purchased financial instrument. Country risk is associated primarily with political, economical or legal (such as tax related) risks existing in the country or region concerned. This risk may be more significant on so-called developing markets (for instance, in non-OECD countries).

Legal risk is associated with the presence of legal uncertainty due to inconsistency between a national jurisdiction and functioning of financial markets. An inadequate system of regulation and

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monitoring of financial markets may result in problems within enforcement of an investor's rights arising from holding securities or financial instruments.

Inflation risk is associated with inflation (price level increase), i.e. from devaluation of invested funds;

2. GENERAL DESCRIPTION OF THE NATURE OF FINANCIAL INSTRUMENTS AND RELATED SPECIFIC RISKS

a) **Shares** are securities giving their holder the right to vote at the general meeting, participate in the management of the joint-stock company concerned and in its profits and liquidation balance upon its dissolution.

Income from investing in shares can be achieved in the form of a dividend or a change in the market price of the share. The payment and amount of dividends vary and depend on the results achieved by the joint-stock company and decisions adopted at the general meeting of shareholders. A change in the market value of shares usually has a significant impact on the total return from investing in shares.

Volatility risk is more significant with shares than with other financial instruments

Special equity risk is the risk of a change in the value of a share due to a change in the overall situation on equity markets or in perception of a specific stock (joint stock company) among market participants. In critical situations (bankruptcy of a company for instance), this risk may lead to the loss of the entire investment. Special equity risk is usually higher with shares of smaller companies and vice versa.

b) **Bonds** are the securities whose holder is the creditor of the person/entity who has issued them (issuer, debtor). The issuer of a bond obliges the issuer to pay the nominal value to its holder on the specified maturity date and to pay the coupon rate according to predefined conditions.

The return on investments into bonds consists of coupon income and capital income, if any. While coupon income is usually known in advance, capital income may accrue as a difference between the purchase and selling prices of the bond, i.e. the price upon its issue and at maturity. The total bond yield may be calculated accurately in advance, provided that the holder holds the bond until its maturity (yield to maturity).

There are several types of bonds. The issuer may be government, a bank, or involve municipal and corporate bonds. Mortgage bonds are a special type of bond backed by real estate.

Bonds are usually traded on financial market, usually in high volumes, and outside regulated markets. Therefore, the liquidity risk is significantly higher, in particular, among investors with lower investments volumes.

Special credit risk means the risk of change in the value of a bond due to a change in the credit standing of the issuer and their perception among market participants. In critical situations (such as if the issuer declares bankruptcy), this risk may result in failure by the issuer to comply with their obligations and thus lose the entire investment. The significance level of this risk may be expressed through a rating for instance.

Ratings are assigned by renowned rating agencies. The credit risk related to issuers with high ratings (for instance AAA) is significantly lower than the risk associated with an issuer with a lower rating (BB for instance) or no rating at all.

Special interest rate risk means the risk of change in the value of a bond due to a change in interest rates on the financial market. As long as market interest rates rise, bond values drop and vice versa.

c) **Money market instruments** are the financial instruments usually traded on money markets. Maturities of money market instruments are shorter and they usually do not exceed one year. Money market instruments include treasury notes and certificates of deposits. The degree of a majority of risks is usually lower as they are money market instruments compared to bonds.

d) **Funds** are financial instruments of so called collective investing. Collective investing is collection and management of funds from a number of individual investors and subsequent collective investing of those funds into securities and other financial instruments.

The return on investments into Funds is variable and cannot be determined in advance because it depends on returns from individual Financial Instruments held by the Fund concerned. A part of the achieved income may be paid out as dividends depending of the Fund's rules (Fund Rules and Prospectus).

There are several basic types of Funds, depending on the focus of the investment strategy and the method of investment. For example, they can be:

a. Money market funds - usually invested only in money market instruments and short-term bonds with an average maturity (or duration) of up to one year;

b. Bond funds - usually invested in bonds and other fixed income instruments with average duration exceeding one year and the share of these investments significantly limited (max. 10%);

c. Equity funds - usually invested in a majority of assets (at least 67%), shares and other equity investments;

d. Mixed funds - represent various combinations of the above specified Funds;

e. Funds of funds - usually invest a majority of assets (at least 67%) in other Funds;

f. Real estate funds - invest in real estate and other financial instruments whose income is derived from real estate.

g. Exchange Traded fond (ETF): a financial instrument consisting of stock representing a holding in a specialized fund. The Fund manages the portfolio of consisting cash and financial instruments through which it aims to copy as precisely as possible the performance and dividend yield on specific indices and commodities exchanges. Since ETFs take the form of shares, they are valued and traded, unlike mutual funds, during the entire period of stock exchange trading and the investor is able to purchase or sell the entire ETF portfolio in one ETF in a regular manner;

Investments in Funds are associated with general and specific risks related to individual financial instruments. Due to the nature of those instruments, intended to limit and diversify risk exposures, levels of individual risks related to Funds are usually lower or more diversified compared to individual financial instruments.

Specific risks are associated with different legal forms of the Funds and varying levels of their regulation. The highest protection level, and thus the lowest risk level, is associated with open funds regulated at the level of Member States of the European Union (so called UCITS). The level of regulation, investor right protection and risk exposure diversification level may be significantly lower in respect of the Funds registered in other countries (in particular outside OECD).

Specific risks are associated in particular with closed funds (investors are not entitled to unit redemption) or special funds (investing in venture capital or real estate).

A special regime also governs investing in Funds intended for qualified or professional investors, which require certain knowledge and experience on the part of the Client. Legal requirements and restrictions are not that strict as those applicable to standard European Funds. Qualified investor funds can invest in a wide range of financial and non-financial assets (e.g. real estate, receivables, loans) and can take the form of mutual funds and investment funds with their own legal personalities.

Investment strategies associated with Model Portfolios of PI - Conservative Investor and Dynamic Investor are associated with the following risks:

- Fluctuations of invested amounts and related returns,
- Macroeconomic development in the Eurozone,
- Regulatory changes, if any, in the European Economic Area,

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- Interest rate risk.

The return of an invested amount is not guaranteed and past income is no guarantee of future income. The investment strategy's goal may not be reached because of objective reasons despite the due diligence on the part of PI.

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