

# Investment Risk Warnings for the Nucleus Service



Before you accept the Terms and Conditions and engage in our Services, it is important that you read these Risk Warnings.

## Definitions used in these Risk Warnings are the same as those used in our Terms and Conditions, unless otherwise specified.

1. Buying Investments can involve risk. The value of your Investments and the income from them can go down as well as up and is not guaranteed at any time. You may not get back the full amount you invested. Information on past performance is not a reliable indicator for future performance. Information on risks involved for specific Investments can be found on the Website.
2. The potential gains and losses that may arise from your investments will depend on your appetite for risk and how you manage your approach to risk. Placing all your money into one type of investment can be a high risk strategy. The value of your investment could increase significantly, but it could drop significantly too; there is a risk that you may lose the entire principal amount invested. A managed approach to risk may be to diversify your investments across different companies' shares and different asset classes.
3. The Services are provided to you by Equiniti Financial Services Limited ("Equiniti"). If you have engaged in any other services of Equiniti, these will be aggregated with the Services for the purposes of determining a maximum claim under the Financial Services Compensation Scheme.
4. Our service is provided on an execution-only basis, which means we will not give you any form of investment advice or tax advice, or advise you about the merits of a particular transaction or otherwise. In providing our Services, we are not required to assess the suitability for you of the Investments or Services provided or offered and therefore you will not benefit from the protection of the FCA Rules on assessing suitability. An assessment of suitability takes into account an investor's knowledge and experience, financial situation and investment objectives and applies only when a firm makes a personal recommendation or manages investments.
5. The Services offered by us and the Investments those provide access to may not be suitable for you. If you have any doubts as to the merits of an Investment, you should seek advice from an independent financial adviser who is authorised under the Financial Services and Markets Act 2000 to advise on such Investments.
6. Certain Investments may not be or become readily realisable. They are Investments in which there is a restricted market and it may therefore be difficult to sell these Investments at a reasonable price and in some circumstances it may be difficult to sell them at any price or obtain reliable information about their value. You should not buy these Investments unless you have carefully thought about whether you can afford them and whether they are right for you.
7. Under certain 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 under the rules of the relevant exchange trading is suspended or restricted. 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. For further information on Stop Loss Orders please see our Order Execution Policy (please note that our Order Execution Policy does not form part of our Terms and Conditions).
8. Where we register your Investments in the name of one of our Nominees or hold them with a Sub-custodian, the Nominee or Sub-custodian will hold your Investments together with those of our other customers in a pooled account. The Investments held in a pooled account in this way cannot be distinguished by individual customers. This means that if the Nominee or Sub-custodian defaults or becomes insolvent and there is a shortfall in the pooled account which cannot be reconciled, you (and our other customers) that hold the specific Investment may share proportionately in that shortfall.
9. We will hold your Investments in one or more pooled accounts, therefore, you may receive dividends or other distributions net of tax which has been paid or withheld at rates that are less beneficial than those that might apply if the Investments were held in your own name or not pooled. In addition special benefits to shareholders or shareholder incentives attached to your Investments may be lost.
10. We may deal for you in Investments that are or have been the subject of "stabilisation". Stabilisation enables the market price of an investment to be maintained artificially during the period when a new issue of Investments is sold to the public. Stabilisation may affect not only the price of the new issue but also the price of other Investments relating to it. Stabilisation is permitted under the FCA Rules in order to help counter the risk that, when a new issue comes onto the market for the first time, the price can sometimes drop for a time before



buyers are found. It may take place for a limited period only. There are limits on the price at which shares may be stabilised. Stabilisation is carried out by a "stabilisation manager" (normally the firm chiefly responsible for bringing a new issue to market). As long as the stabilising manager follows a strict set of rules (the Stabilisation Rules), he is entitled to buy back securities that were previously sold to investors or allotted to institutions, which have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation.

## The Stabilisation Rules:

- (a) limit the period when a stabilising manager may stabilise a new issue;
  - (b) fix the price at which he may stabilise (in the case of shares and warrants but not bonds); and
  - (c) require him to disclose that he may be stabilising but not that he is actually doing so.
11. The fact that a new issue or a related security is being stabilised should not be taken as any indication of the level of interest from investors, nor of the price at which they are prepared to buy the securities.
  12. There is an extra risk of losing money when purchasing Investments in some smaller companies, including penny shares. There may be a significant difference between the bid and offer price of these shares and they may not be readily realisable. If you have to sell these Investments immediately, you may get back less than you paid for them. The price may change quickly and may go down as well as up.
  13. Unit trusts, like shares, are subject to a spread between the bid and offer prices, whereas OEICs are single-priced. In most cases, unit trusts and OEICs can be dealt once each Business Day, though some may be dealt less frequently, as dealing times may vary from one provider to another and from one unit trust or OEIC to another. Further details are available on the Website or can be provided on request. Unit trusts and OEICs are dealt on a forward pricing basis and, as a result, neither you nor we will know in advance the price at which an order will be executed. They are also subject to initial and annual management charges and in certain circumstances may be subject to a dilution levy. You should read a fund's prospectus and consult an independent financial adviser who is authorised under the Financial Services and Markets Act 2000 to advise on such Investments.
  14. It is possible that any orders you give us to sell or purchase Investments will be effected at or around the same time as similar orders by other customers of Equiniti. Your orders could be aggregated with orders made by another Equiniti customer. Generally, we will only aggregate an order from you with other orders if we believe it is unlikely that such aggregation will work to your disadvantage. However, because of the small size of individual orders under the Regular Investment Service and the Dividend Reinvestment Service, we will usually aggregate orders under these Services and this may result in a less favourable price but all customers under these Services will receive the same averaged price.
  15. As a consequence of using our Services, you may alter your personal tax position. The levels of and bases of taxation can change. Your Investments will be registered in the name of one of our Nominees or held by us with a Sub-custodian. The Nominee or Sub-custodian will hold your Investments together with those of our other customers in a pooled account. Therefore, the Investments will not be distinguishable by customer/beneficial owner, the type of account within which they were purchased or to which they were transferred, the country of residence of the beneficial owner, or any other factors that might have a bearing on the rate at which dividends or other distributions in relation to those Investments might be taxed. As a consequence, and because dividends and other distributions may be taxed at source, you may receive dividends or other distributions net of tax which has been paid or withheld at rates that are less beneficial than those that might otherwise be applicable were the Investments held in your own name or in allocated accounts. You should consult your own tax adviser to understand any applicable tax consequence that might arise.
  16. Exchange-rate fluctuations may adversely affect the value, price or income of non-UK Investments priced in foreign currencies. Foreign markets will involve different risks from UK markets and in some cases the risks will be greater. There may be different settlement, legal and regulatory requirements from those applying in the UK. The potential for profit or loss from transactions on foreign-denominated contracts will be affected by fluctuations in foreign-exchange rates.
  17. Settlement of transactions is undertaken via CREST, or, in the case of unit trusts and OEICs, directly with the relevant fund managers or through a third-party provider. Therefore, excepting unit trusts and OEICs, our Services may be used only for Investments that can be settled via CREST. Details of the Investments are on the Website. We can confirm the availability of individual Investments on request. It is possible that changes to the Investments available may occur from time to time and the Website will be updated accordingly.



18. Interest rates can move and change due to a number of factors, including the decisions of central banks and governments, and inflation. Some of these factors will affect short-term rates while others will affect the yields on a longer term basis across the yield curve. Inflation is the sustained increase in prices over time. The rate of inflation is important to consider, as it may influence the return on an investment, especially fixed-interest investments - the higher the rate of inflation, the lower the real value of future returns on a fixed investment.
19. Systemic risk is the risk of disruption to the financial system triggered by an event such as global or regional economic downturn or institutional failure that causes chain reactions resulting in price volatility, loss of investor confidence, significant losses and/or market failure. These can be unpredictable and difficult to mitigate against.
20. Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), you should establish what such charges are likely to mean in specific money terms.

## Covered Warrants and Other Complex Instruments.

21. Customers who wish to trade in "Covered Warrants" and "Other Complex Instruments" must provide information on their knowledge and experience in these products to enable an assessment to be made to determine whether trading in such instruments is appropriate for them. If you are interested in trading Covered Warrants or Other Complex Instruments, please complete the Appropriateness Assessment Form, which also includes a description of Covered Warrants and Securitised Derivatives. This Application Form is part of our Terms and Conditions.
22. You should not deal in Covered Warrants or Other Complex Instruments unless you understand their nature and the extent of your exposure to risk. This section cannot disclose all those risks or other significant aspects. You should also be satisfied that the product is suitable for you in the light of your circumstances and financial position. Although Covered Warrants and Other Complex Instruments can be used 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.
23. A Covered Warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities

and is exercisable against the original issuer of the underlying securities.

24. Securitised Derivatives, may give you:
    - (a) a time-limited or absolute right to acquire or sell one or more types of investment which is normally exercisable against someone other than the issuer of that investment;or
    - (b) rights under a contract for differences, which allow the speculation on fluctuations in the value of the property of any description or an index, such as the FTSE 100 index. In both cases, the investment or property may be referred to as the "underlying instrument".
  25. Covered Warrants and Securitised Derivatives often involve a high degree of gearing so that a relatively small movement in the price of the underlying instrument results in a disproportionately larger movement, unfavourable or favourable, in the price of the Covered Warrant or the Securitised Derivative. The prices of Covered Warrants and Securitised Derivatives can therefore be volatile.
  26. It is essential for anyone who is considering purchasing Covered Warrants to understand that the right to subscribe which a Covered Warrant confers is invariably limited in time with the consequence that if the investor fails to exercise this right within the predetermined time scale then the investment becomes worthless.
  27. Securitised Derivatives have a limited life, and may (unless there is some form of guaranteed return to the amount you are investing in the product) expire worthless if the underlying instrument does not perform as expected.
  28. You should not buy a Covered Warrant or a Securitised Derivative unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges.
  29. You should consider carefully whether or not a Covered Warrant or a Securitised Derivative is suitable for you in light of your circumstances and financial position, and if in any doubt please consult an independent financial adviser who is authorised under the Financial Services and Markets Act 2000 to advise on such Investments.
- ## Limit Orders and Stop Orders
30. For a description of the types of Limit Order and Stop Order, please see the Website.
  31. Limit Orders are designed to trigger trades when your price conditions are met. You should be aware that

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certain factors may cause the bid-offer spread of a security to increase, even momentarily, to an abnormally wide level, thereby causing your Stop Order to execute. However, these abnormal prices are the prevailing best prices for that security at that time.

32. Special risks apply to Limit Orders, such as Stop Loss and Stop Buy Orders, and these orders are placed entirely at your own risk. To the extent that disputes arise which are caused by matters beyond our control, you accept sole responsibility and that we bear no responsibility for such matters.
33. You should review these orders on a regular basis in order that you are aware of your outstanding commitments and that they remain in line with your current investment objectives. We do not promise that Limit Orders or Stop Orders will be executed even if the limit price is met. This could be as a consequence of:
- (a) market conditions at the time (such as a "fast market", i.e. where the market is so volatile that prices quoted by market makers are only indicative rather than guaranteed);
  - (b) other customers having placed similar orders, with an earlier time priority and being executed in priority to your order; or
  - (c) other factors which are outside our control.
34. Limit Orders and Stop Orders will be executed only if:
- (a) for purchases, there are sufficient funds in your Account to meet the potential cost of execution (including dealing costs) or you are due to receive proceeds from a sale, in which case those funds will be applied to this purchase; and
  - (b) for sales, the relevant securities are held in your Account.
35. We will execute orders only in sizes which are at or below the maximum quote size offered by our retail service provider at the point of execution. If your Limit Order or Stop Order is above this size, it will not be executed automatically (even partially), even if the price is matched by the market price. Where possible, we will do our best to manually execute such orders.

36. In the event of a corporate action on a security, which affects the stock price, we will endeavour to delete any open Limit Orders in that security. However, the responsibility for reviewing and, if necessary, amending or withdrawing your Limit Orders and Stop Orders in response to prevailing market conditions is yours.

## Contact us:

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