APPENDIX 2 - GENERAL RISK WARNINGS

The general risk warnings are provided to you as clients of PNAA.

Different instruments involve different levels of exposure to risk and therefore are inappropriate to your circumstances or risk appetite. You should not deal in any instruments unless you are satisfied that you understand their nature and the extent of potential risk.

These risk warnings cannot disclose all the risks and other significant aspects of the financial instruments in which we deal on your behalf. Neither do these risk warnings constitute any advice which we could provide to you.

In relation to derivatives, these risk warnings cannot disclose all the risks and other significant aspects of warrants and/or derivative products such as futures, options, and contracts for differences. Although can be used for the management of investment risk, some of these products are unsuitable for many investors.

Financial Instruments

1. Warrants
Nature
A 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.

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').

Risks
It is important to note that a relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavorable or favorable, in the price of the warrant. As a result, the prices of warrants can be volatile.

The right to subscribe conferred by a warrant is generally limited by time, which means that if the investor fails to exercise this right within the predetermined timescale, then the investment becomes worthless.

It is therefore important to understand that if you are considering purchasing a warrant you should be prepared to lose all of the money you have invested plus any commission or other transaction charges.

2. Securitized Derivatives
Nature
Certain types of securitized derivatives, including covered warrants, contain a time-limited right to buy or sell one or more types of investment which is normally exercisable against someone other than the issuer of that investment.

Other types of securitized derivatives give you rights under a contract for differences which allow for speculation on the changes in the value of a particular kind of property (of any description) or changes in the value of an index, such as the SP500 index or any other index.

In both cases, the investment or property are referred to as the "underlying instrument"

Risks
Securitized derivatives often involve a high degree of gearing or leverage, so that a relatively small movement in the price of the underlying investment results in a much larger movement, unfavorable or favorable, in the price of the securitized derivative which means that the price of these instruments can be volatile.

Securitized derivatives have a limited life and can (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.

As a result of this risk, you should only buy these products if you are prepared to lose all the money you have invested plus any commission or other transaction charges.

You should consider carefully whether this product is suitable for you in light of your circumstances and financial position and if you are in any doubt, you should seek professional advice.

3. Contracts for Difference
Nature
Futures and options contracts can also be referred to as contracts for difference. These can be options and futures on the SP500 index or any other index, as well as currency and interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash.

Risks
Investing in a contract for difference carries a high degree of risk because the 'gearing' or 'leverage' often obtainable means that a small deposit or down payment can lead to large losses as well as gains.

This 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.

4. Options
Nature
An option is an instrument sold by one party to another that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security at an agreed-upon price during a certain period or on a specific date.

There are many different types of options with different characteristics and risks. Two examples are set out below.

Risks of Buying Options
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.

Risks of Writing Options
If you write an option, the risk involved is considerably greater than buying options. You are liable for margin to maintain its position and a loss could be sustained well in excess of the premium received.

When 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 (when the options will be known as 'covered call options') the risk is reduced.

If you do not own the underlying asset ('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.

5. Collective Investment Products
Nature

Collective Investment products include but are not limited to Mutual Funds, Exchange Traded Funds (ETFs), private funds, Real Estate Investment Trusts (REITs) and hedge funds. These are all investment vehicles that invest their assets in the securities of other issuers, or in cash, in accordance with their own internal rules.

REITs are listed companies. Investment Trusts and REITs trade at a discount or premium to the cumulative value of their underlying investments, depending on the demand for their shares. Unit Trusts and ICVCs are usually priced daily using a set formula based on their net assets minus charges.

Some collective investment products specialize in certain countries or sectors, and you should read the terms of any key features document or prospectus carefully before deciding on an investment.

Risks
The value of an investment in a collective investment product is determined by the value of the underlying investment made by the product's managers.

As with individual equities, the value of your investment can go down as well as up and you might not get back the original amount you invested.

Any income you receive from your investment in a collective investment scheme varies with the dividends or interest paid by the underlying investments and so could fall as well as rise.

Collective investment products that focus on a country, sector or market index possibly display greater volatility than the wider market and so should be considered as higher risk than more widely invested collective investment products.

It is impossible to trade units or shares in collective investment products if there is no liquid market.

In the case of open-ended funds, in particular hedge funds, there will probably be limits to your ability to redeem units while some funds also engage in shorting or leveraging techniques.

6. Shares
Nature
Shares, known as equities, represent a portion of a company's share capital. The extent of your ownership in a company depends on the number of shares you own in relation to the total number of shares in issue.

Some shares are bought and sold on stock exchanges and their values can go down as well as up in line with market conditions. These shares are termed "quoted".

Risks

In respect of unlisted shares or shares in small companies, there is an extra risk of losing money when such shares are bought or sold as there usually is a big difference between the buying and selling price. Shares in companies incorporated in emerging markets are generally harder to buy and sell than those in more developed markets and such companies aren't necessarily regulated as strictly.

7. Specialist sector investments

Investing in shares that are concentrated in a specialist sector is considered to be a higher risk strategy, due to the concentrated exposure to the market sector in question.

Whilst such investments theoretically offer greater returns over the long term, this can be coupled with the risk of higher volatility.