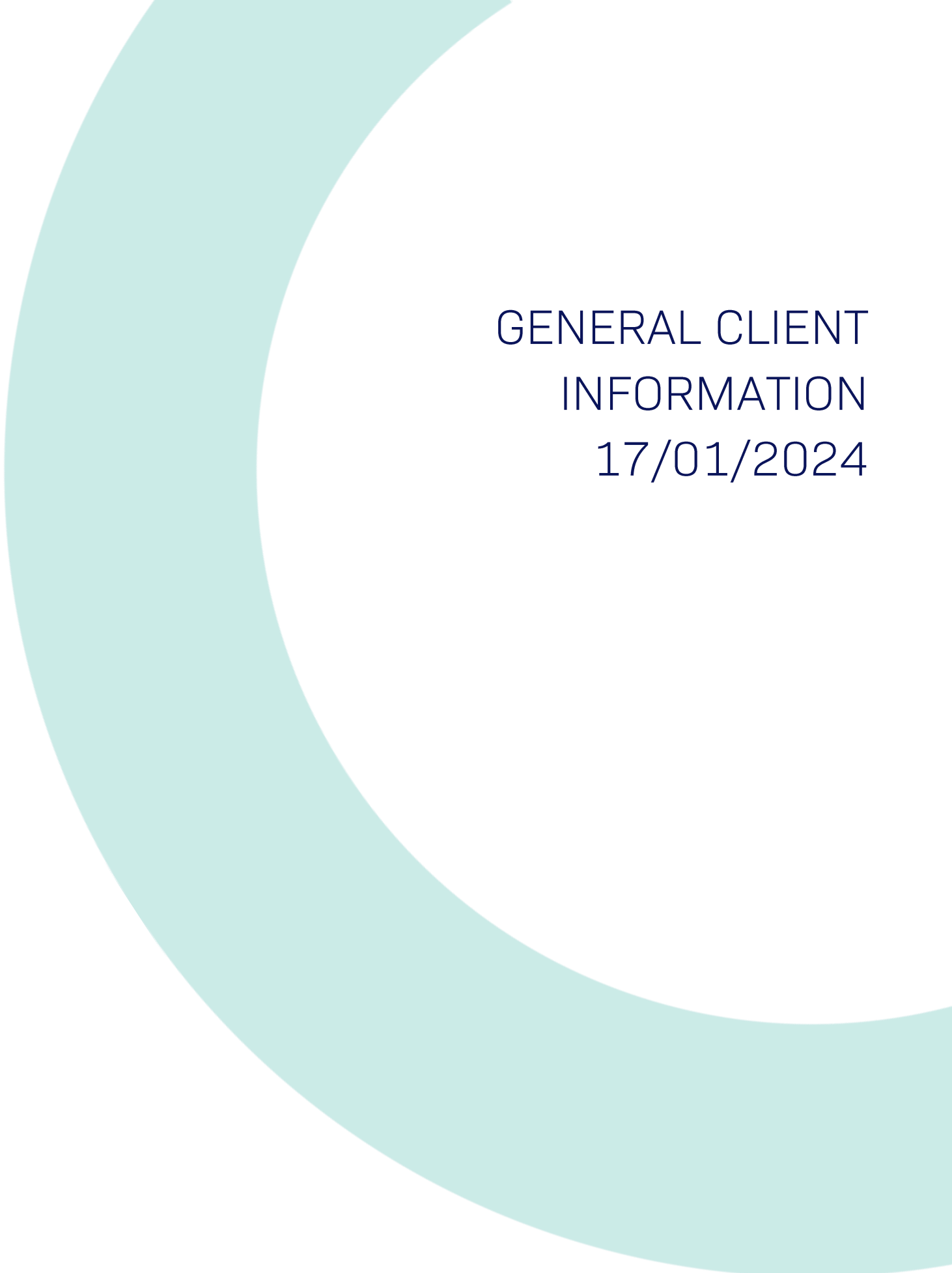


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# GENERAL CLIENT INFORMATION 17/01/2024

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## 1\_Information on CMTA AG and its services

### 1\_1\_General information on CMTA AG

CMTA AG is an Austrian investment company licensed by FMA.

CMTA AG

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Office Vienna: Kärntner Ring 11-13/5. Stock, 1010 Wien, Austria

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Commercial register:: FN477532d

VAT: ATU72959907

CMTA AG also has a branch office in Germany:

CMTA AG – Zweigniederlassung Deutschland

Munich office: Ottobrunner Straße 39, 82008 Unterhaching, Germany

Telephone: +49 89 5880 567

Fax: +43 50 2682-90

E-mail: [office@cmta-ag.de](mailto:office@cmta-ag.de)

Internet: [www.cmta-ag.de](http://www.cmta-ag.de)

Commercial register: HRB 272763

VAT: DE351365749

Opening hours: by telephone appointment

#### Regulating authority

FMA (Österreichische Finanzmarktaufsicht), Otto-Wagner-Platz 5, A1090 Vienna, [www.fma.gv.at](http://www.fma.gv.at).

#### Legal Regulations

Statutory provisions applicable are WAG 2018 (WertpapierAufsichtsGesetz) in the prevailing legal form (<http://www.ris.bka.gv.at>) as well as the Commission Delegated Regulation (EU) 2017/565.

#### Communication

The main language of communication is German; all documents and information are also available in English.

CMTA's preferred means of communication is Bloomberg Data Services. Customers may of course also reach us by telephone, letter, fax or e-mail. Communication can either take place in German or in English. CMTA AG provides all necessary information in written form in the language chosen in the contract.

Orders must be placed either in written form (via Bloomberg or e-mail) or on the phone.

## 1\_2\_Information on Services offered

In the securities business, CMTA AG is licensed by the Austrian Financial Market Authority (FMA) for the following investment services

- Investment advice in relation to financial instruments (§ 3 Abs 2 Z 1 WAG 2018)
- Portfolio management (§ 3 Abs 2 Z 2 WAG 2018)
- Reception and transmission of orders in relation to one or more financial instruments (§ 3 Abs 2 Z 3 WAG 2018)
- Execution of orders on behalf of clients (§ 3 Abs 2 Z 6 WAG 2018);
- Dealing on own account (§ 3 Abs 2 Z 7 WAG 2018); and
- Placing of financial instruments without a firm commitment basis (§ 3 Abs 2 Z 9 WAG 2018); and

The license also covers the following ancillary securities services

- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management and excluding providing and maintaining securities accounts at the top tier level ('central maintenance service') (§ 3 Abs 2 Z 10 WAG 2018)
- Foreign exchange services where these are connected to the provision of investment services (§ 3 Abs 2 Z 12 WAG 2018); and
- Services related to underwriting of issues for third parties (§ 3 Abs 2 Z 13 WAG 2018);

Investment services and ancillary investment services may be provided in relation to the following financial instruments

- Transferable securities (§ 1 Z 7 lit a) WAG 2018);
- Money market instruments (§ 1 Z 7 lit b) WAG 2018);
- units in collective investment undertakings (UCITS) and units in alternative investment funds (AIF) (§ 1 Z 7 lit c) WAG 2018);
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash; (§ 1 Z 7 lit d) WAG 2018); and

Derivative instruments for the transfer of credit risk (§ 1 Z 7 lit h) WAG 2018);

CMTA AG is also authorized to provide investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments. CMTA AG is also authorized to advise undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings (§ 3 Abs 3 WAG 2018). In addition, the company is expressly authorized to hold client funds (§ 3 Abs 2 WAG 2018). Please note that investment advice given by CMTA AG is not rendered on an independent basis in terms of §§50 and 53 WAG 2018. The advice is based on a limited analysis of various forms of financial instruments. Financial instruments offered by CMTA AG may be issued by institutions having close legal or economical relations to CMTA. These relations may be so close that an independent consultation in terms of §§50 and 53 WAG 2018 is not possible. CMTA AG does not regularly check if the financial instrument recommended still meets the client's needs.

In addition, CMTA AG holds the business licenses for commercial investment consulting without authorization to the brokerage of life and accident insurance (authorization to act as an unaffiliated loan broker; Austria) as well as the license to the brokerage of the conclusion of loan agreements on a commercial basis, with the exception of real estate loan agreements, or to provide evidence of the opportunity to conclude such agreements (loan broker; Germany). For more information on this topic, please refer to section 1.11. of this client information.

The concessions, authorizations and permits listed above result in the following services currently provided by CMTA AG:

- Intermediation
  - Brokerage of trades or clients to trading partners for transactions in financial instruments
- Fee-based intermediation
  - Direct brokerage of clients to each other for transactions in financial instruments
- Investment advisory
  - Investment advice in relation to financial instruments independent of performance
- Credit intermediation
  - Brokerage of loans, in particular promissory note loans
- DCM
  - Brokerage of debt capital market financing
- Money Market
  - Brokerage of fixed-term deposits and demand deposits
- Product valuations
  - Regular indicative valuations of products

The range of services offered by CMTA AG is constantly being expanded - if you have any questions about the services we offer, please do not hesitate to contact our relationship managers.

## 1\_3\_Information on Client Categorisation

A client according to the WAG 2018 is every natural or legal person for whom a legal entity renders investment services or additional services and every natural or legal person on which the legal entity has pre-contractual duties to attend to.

According to §59 par.3 WAG, CMTA AG is obliged to categorise its clients. There are three categories: eligible counterparty, professional client and private client. This classification is valid for all investment services and additional services regarding all offered financial instruments by CMTA AG.

CMTA AG only renders investment services for professional clients and eligible counter parties.

## **Professional clients**

Professional clients, according to §66 WAG 2018, possess the necessary experience, knowledge and expertise to make their own investment decisions and are able to assess the risks of their decisions properly. Professional clients are legal entities as listed below as well as those clients who are (according to §67 WAG 2018) treated as professional clients on request.

The following shall all be regarded as professionals in all investment services and activities and financial instruments for the purposes of the directive.

1. Entities requiring authorisation and regulation in order to operate in the financial markets: entities authorised by a Member State under a directive, entities authorised or regulated by a Member State without reference to a directive, and entities authorised or regulated by a third country:

- (a) Credit institutions
- (b) Investment firms
- (c) Other authorised or regulated financial institutions
- (d) Insurance companies
- (e) Collective investment schemes and management companies of such schemes
- (f) Pension funds and management companies of such funds
- (g) Commodity and commodity derivatives dealers
- (h) Local companies according to EU Regulation 575/2013
- (i) Other institutional investors

2. Large firms meeting two of the following size requirements on a company basis:

- (a) balance sheet total: EUR 20 000 000
- (b) net turnover: EUR 40 000 000
- (c) own funds: EUR 2 000 000

3. National and regional governments, including public bodies that manage public debt at national or regional level, Central Banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations.

4. Other institutional investors whose main activity is to invest in financial instruments, including entities dealing in the securitisation of assets or other financing transactions. EN 12.6.2014 Official Journal of the European Union L 173/483

## **Eligible Counter Parties**

CMTA AG is entitled to provide the investment service of the reception and transmission of orders. So it may bring about or enter into transactions with eligible counterparties without being obliged to comply with the obligations under §47 par. 1 bis 5, §48 par. 4, §49, §§50 to 52, §55, § 56 par. 1 and 2, §57 par. 1 to 3, §58, §59, §§61 bis 64 and § 65 par. 1 WAG 2018.

CMTA AG shall act honestly, fairly and professionally and communicate in a way which is clear and not misleading, taking into account the legal nature of the eligible counter party and of its business.

For the purpose of this article, the legal entities mentioned in §66 par. 2 Z 1 to 4 WAG 2018 are defined as eligible counter parties. The legal entities mentioned in §66 par. 2 Z 1 lit. I WAG 2018 have to hold net sales of minimum €40 million.

A legal person located in a non-EU country is defined as eligible counter party if it is equal to those legal entities mentioned in §68 par. 3 WAG 2018.

When conducting business with a non-Austrian client, CMTA AG shall refer to the client's home country's legislation for the purpose of classification. CMTA AG will by agreement use the classification as eligible counter party entities, either as general mutual understanding or on a trade-by-trade basis.

## **Retail Clients**

Retail clients are clients who are neither professional clients nor eligible counter parties. CMTA AG does not hold any business relationships, nor does it conclude any transactions with retail clients. In the event of a professional client deciding to be classified as retail client, this case shall be considered by the management board. In case CMTA agrees to continue the business relationship after the reclassification of a client, CMTA will adapt its business procedures to insure best service to the client. CMTA will consult with the responsible state agencies on the adaptations necessary.

## **Client Reclassification**

All clients not being classified as professional clients according to §66 WAG 2018, including public corporations, local public authorities and private individual investors may apply for reclassification as professional client in accordance with §66 par. 1 WAG 2018. They thereby waive the benefit of the protection as retail clients.

The classification and treatment as professional client is only possible if:

- the client confirms in writing to CMTA AG that they wish to be treated as professional client, either generally or in respect to a particular investment service or transaction, or type of transaction or product.
- CMTA AG informs the client about the loss of legal protection and investor compensation rights.
- The client confirms in writing that he is aware of the consequences of losing said legal protection.
- CMTA AG assesses the expertise, experience and knowledge of the client in order to be sure that the client is capable of making investment decisions and understands the risks

involved. The client has to meet at least 2 of the following criteria:

- the client has already completed transactions of significant size on the relevant markets (average 10 transactions/quarter over the previous four quarters)
- the size of the client's financial instrument portfolio (including cash deposits and financial instruments) exceeds EUR 500 000
- the client works or has worked in the financial sector for at least one year in a position which requires knowledge of the transactions or services of CMTA.

Professional clients have to keep the investment firm informed about any change which could affect their current categorisation. Should CMTA become aware that the client no longer fulfils the conditions for being classified as professional client, the investment firm shall take action.

A legal entity classified as eligible counter party may either waive the application of the regulations of §68 par. 1 WAG 2018 in general or for every single business transaction.

CMTA AG is allowed to classify a client on request or on its own terms according to art.45 DelVO 2017/565 either as professional client (instead of eligible counterparty) or retail client (instead of professional client.) The classification of the clients is valid for all investment services. In case of reclassification on request, the fulfilment of the criteria must be reviewed once a year. This review has to be documented in the client record. If the criteria are no longer met, the client must be reclassified into the subsequent client category in accordance with the protection level. The same applies to the withdrawal of the request.

## 1\_4\_Information on Investor Compensation

Based on European regulations (implemented in Austrian law with the ESAEG - law on deposit guarantees and investor compensation), every investment firm is legally bound to be part of a protection scheme, if said firm conducts investment services bound to protection levels.

CMTA AG, as an Austrian investment firm, is legally bound to the Austrian regulations on investor compensation and is member of the investor protection scheme "AeW" (Anlegerentschädigung von Wertpapierfirmen GmbH, Lambrechtgasse 1/10, 1040 Wien, office@aew.at, www.aew.at).

## 1\_5\_Information on Reporting

The reporting will be transmitted in the form requested by the client - electronically, by post or in another agreed manner.

When forwarding clients within the scope of the intermediation business, CMTA AG itself is not directly involved in transactions in financial instruments, the client does not automatically receive a trade confirmation from CMTA AG the client receives these from the respective transaction partner.

When receiving and transmitting orders, the client will receive the trade confirmation via the preferred communication channel after the transaction has been concluded. A separate confirmation can be issued by CMTA AG on request.

## 1\_6\_Information on Complaints Management

CMTA AG is dedicated to acting accurately and honestly in the best interest of the client and to offer services of high quality. Should objections and complaints occur nonetheless, the client may contact CMTA AG as mentioned in chapter 1.1.

Complaints must be handled immediately, or within three bank working days at the latest. The client is entitled to a confirmation of receipt of his complaint within those three bank working days. CMTA AG is obliged to state a deadline for the handling of the complaint which must not exceed two weeks.

The client has to be informed about the choices available, including the possibility of redirecting the complaint to an authority for the settlement of disputes and the right to file a lawsuit under civil law.

If they are not satisfied with the handling of the complaint, clients may contact the arbitration board for consumer business ([office@verbraucherschlichtung.at](mailto:office@verbraucherschlichtung.at)). In addition, they may file a civil lawsuit.

CMTA AG will gladly inform the client about the status of the complaint filed.

Employees of CMTA AG undergo regular training in complaints management.

## 1\_7\_Information on Recording

CMTA AG keeps records on its business transactions according to the legal regulations of §33 WAG 2018 as well as art. 72 to 76 DelVO 2017/565. Phone calls or any other communication between CMTA AG and its clients (possibly) leading to business transactions will be recorded. CMTA AG keeps copies of the recorded conversations and communications with the client for at least 5 years (CMTA will keep them for 7 years if required by the responsible authority (FMA)). Upon request CMTA will provide its clients with the recordings free of charge.

## 1\_8\_Information on Costs and Associated Charges

CMTA AG does not charge its clients for securities services within the scope of the intermediation business (client brokerage/acceptance and forwarding) as these are carried out at a fixed price agreed upon by the trading parties. For further information on accepting advantages granted by third parties in this business section refer to chapter 2.2 Information on accepting inducements.

For investment advisory and fee-based intermediation, the clients pays a fee agreed upon by both parties. CMTA AG provides an invoice at the end of the business transaction. The counterparty of the transaction charges the costs for the financial instrument itself. There are no additional costs for the client. CMTA AG

shall inform the client about the costs directly before providing the respective investment (Art. 50 DelVO 2017/565).

## 1\_9\_Standardised information on sustainability in connection with the sustainability preferences query

The European Sustainable Financial System Action Plan requires the European financial industry to take into account environmental, social and governance (ESG) criteria when designing and distributing financial products. This gives investors the opportunity to make sustainable investments by providing them with transparent information on the impact of their investments on the environment and society.



Übersicht: ESG Kriterien

In order to create a uniform standard of what is considered a "sustainable investment", the European legislator has issued the "Disclosure Regulation" and the "Taxonomy Regulation". The Disclosure Regulation defines sustainable investments in general, while the Taxonomy Regulation concretizes the Disclosure Regulation regarding "environmentally sustainable investments".

This section provides information on the different legal meanings of sustainability, how you can take sustainability criteria into account in your investment and how you can tell to what extent your investment is sustainable.

### 1\_9\_1\_What is considered a "sustainable" investment?

The Disclosure Regulation is guided by the ESG criteria mentioned earlier and states that an investment is considered sustainable if:

|   |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| E | the investment contributes to the achievement of an environmental objective<br>→ (see point 1.9.2. on "environmentally sustainable" investments)<br>or                                                                                                                                                                                                                                                                                   |
| S | the investment contributes to the achievement of a social objective, in particular an investment that contributes to the fight against inequalities or promotes social cohesion, social inclusion and labour relations or an investment in human capital or in favour of economically or socially disadvantaged population groups<br>and<br>the investment does not significantly compromise an environmental or social objective<br>and |



|   |                                                                                                                                                                                                                                                |
|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| G | the companies in which investments are made apply good or responsible corporate governance practices, in particular with regard to sound management structures, employee relations, employee remuneration and compliance with tax regulations. |
|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### 1\_9\_2\_What is considered an "environmentally sustainable" investment?

- the economic activity serves at least one environmental objective and makes a significant contribution to achieving that objective,
- the economic activity does not at the same time lead to a significant impairment of one or more environmental objectives,
- the economic activity is carried out in compliance with the defined minimum protection (concerns human and labour rights, guiding principles in corporate governance, etc.), and
- the corresponding technical requirements, which are measured by indicators, are met (e.g. threshold values for emissions or CO2 footprint).

|                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| If these points are met, the investment is "environmentally sustainable". The Taxonomy Regulation lists six environmental objectives: |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| (1) Climate protection:                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                                                                                                       | This refers to contributions to the stabilisation of greenhouse gas emissions, i.e. an approach that seeks to keep the increase in the average temperature of the Earth to well below 2 °C. As there are some economic activities that have a negative impact on the environment, a significant contribution to an environmental goal can also be to reduce such negative impacts. Examples of this are the expansion of climate-neutral mobility or the production of clean fuels from renewable sources. |
| (2) Adaptation to climate change:                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                                                                                                       | This refers to activities that are intended to reduce or avoid adverse effects of the current or future climate or the risk of adverse effects on the activity itself, people, nature or assets.                                                                                                                                                                                                                                                                                                           |
| (3) The sustainable use and protection of water and marine resources:                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                                                                                                       | This includes, for example, protection from the adverse effects of urban and industrial wastewater discharge.                                                                                                                                                                                                                                                                                                                                                                                              |
| (4) The transition to a circular economy:                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                                                                                                       | 'recycling', but also improving the durability and reparability of products                                                                                                                                                                                                                                                                                                                                                                                                                                |
| (5) Pollution prevention and control:                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                                                                                                       | E.g. improving the quality of air, water or soil in the areas in which where the economic activity takes place, but also the elimination of waste.                                                                                                                                                                                                                                                                                                                                                         |
| (6) The protection and restoration of biodiversity and ecosystems:                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                                                                                                       | This refers, inter alia, to sustainable land use and management or sustainable forest management.                                                                                                                                                                                                                                                                                                                                                                                                          |

### 1\_9\_3\_Consideration of environmental, social and ethical sustainability criteria in your investment

In the course of investment advice and/or portfolio management, we as investment advisors/portfolio managers are obliged to ascertain whether and to what extent we should take the sustainability of financial instruments into account when investing your capital.

In this survey, you can first provide the following information on your sustainability preference:

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                    |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| a) | You prefer environmentally sustainable financial instruments within the meaning of the Taxonomy Regulation                                                                                                                                                                                                                                                                                                                                                          | (see point 1.9.2.) |
| b) | You prefer (especially socially and entrepreneurially) sustainable financial instruments within the meaning of the Disclosure Regulation                                                                                                                                                                                                                                                                                                                            | (see point 1.9.1.) |
| c) | You prefer financial instruments that are neither classified as "environmentally sustainable" within the meaning of the Taxonomy Ordinance nor as "sustainable" within the meaning of the Disclosure Ordinance, but for which the most important adverse effects for you are taken into account on sustainability factors. Sustainability factors are environmental, social and labour concerns, respect for human rights and the anti-corruption and anti-bribery. |                    |
| d) | You prefer a combination of the above financial instruments.                                                                                                                                                                                                                                                                                                                                                                                                        |                    |
| e) | You have no preference for sustainable financial instruments.                                                                                                                                                                                                                                                                                                                                                                                                       |                    |

We would like to point out that at the current time CMTA AG does not consider any impact of investment decisions on sustainability factors, as well as main adverse impacts on sustainability factors when providing investment advice.

## 1\_10\_Information in relation to Regulation (EU) 2019/2088 („Disclosure Regulation“)

Regulation (EU) 2019/2088 provides the basis for the disclosure of the following information. This regulation establishes rules for "financial market participants" and "financial advisors". These rules regulate how CMTA AG deals with negative impacts on sustainability when creating business processes and providing information on the sustainability of financial products.

Moreover, EU regulation specifies rules on transparency in the inclusion of sustainability risks.

Due to our licensing as an investment advisor, we are acting as a financial advisor in the aforementioned sense in accordance with the aforementioned regulation.

We try to provide you with the information required to be disclosed under the said Regulation in a clear and comprehensible manner by means of this document. Should you nevertheless have any questions please do not hesitate to contact us.

Contact details:

CMTA AG  
Schmiedgasse 38  
8010 Graz  
office@cmta.at

Sustainability risk is defined as an environmental, social or corporate management event/condition, which may actually or potentially have a negative effect on the value of the investment.

Sustainability factors include environmental, social and employee concerns, respect for human rights and the fight against corruption and bribery.

As a professional provider of investment services, we are of course aware of the relevance of these risks and the importance of having a clear strategy with regard to them.

CMTA AG currently does not see a potentially significant negative impact of sustainability risks on its investment advisory activities, its financial standing or reputation. Nor do these risks affect CMTA's net assets or its financial performance.

CMTA AG continuously monitors actual or potentially material negative effects of sustainability risks on the investment advisory activities as well as on the assets, financial and earnings situation and the reputation of the company. This is done within the scope of its usual risk management strategy so CMTA AG can react promptly to any occurring risks if necessary.

CMTA AG is committed to general ecological, social and climate-friendly values in its business activities. However, CMTA AG will not provide the service of investment advice in a sustainable manner in the sense of the Disclosure Regulation, since products and financial instruments (and detailed relevant information about them) complying to this regulation are only available on the market to a limited extent. This means that CMTA AG will not concern itself with any possible negative impact its investment decisions may have on sustainability factors mentioned in the Disclosure Regulation.

The inclusion of sustainability risks has no effect on the company's remuneration policy. The remuneration policy neither promotes taking excessive sustainability risks in investment decisions nor does it favor or disadvantage financial products that promote (in accordance with Article 8 of the Disclosure Regulation) or seek to promote (in accordance with Article 9 of the Disclosure Regulation) sustainable investments.

## 1\_11\_Standardised information on the commercial license regarding financial consulting

|                                      |                                                                                                                                                                                                       |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Identity and adress</b>           | CMTA AG<br>Schmiedgasse 38<br>8010 Graz<br>Austria<br><br>Telephone: +43 50 2682<br>Fax: +43 50 2682-90<br>E-mail: office@gmta.at<br>Web: www.cmta.at<br>comm. reg. No: FN477532d<br>VAT: ATU72959907 |
| <b>Register Information</b>          | Registered in the GewerbeInformationsSystem Austria (GISA)<br>Registration number: 34082867<br>Internet address: <a href="https://www.gisa.gv.at/vkr">https://www.gisa.gv.at/vkr</a>                  |
| <b>Form of credit intermediation</b> | Non-independent credit intermediation                                                                                                                                                                 |

|                                                         |                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Consulting Services</b>                              | There are no consulting services offered in the context described here.                                                                                                                                                                                               |
| <b>Complaints</b>                                       | In case of complaints the Schlichtungsstelle für Verbrauchergeschäfte (Mariahilferstraße 103/1/18, 1060 Wien) may be contacted (Tel.: 01 89 63 11, Fax: 01/ 890 63 11 99 or E-Mail: office@verbraucherschlichtung.at.)                                                |
| <b>Payments</b>                                         | CMTA AG can receive a fee for the service of credit intermediation. Clients are entitled to information on these fees.                                                                                                                                                |
| <b>Information needed from customers seeking a loan</b> | Customers seeking a loan are asked to provide detailed information. CMTA conducts a thorough check of the client's financial standing based on the information received.<br>WARNING: The loan can not be granted if the client refuses to provide enough information. |

## 2\_Information on the Handling of Conflicts of Interest

In compliance with the legal and regulatory requirements, CMTA AG established guidelines for the handling of conflicts of interest. These guidelines define the proceedings being initiated and the provisions being taken to manage conflicts of interest.

### 2\_1\_Examples of Conflicts of Interest

Conflicts of interest may occur in connection with the execution of investment services, , in particular due to the revenue interests of CMTA AG and its own employees..

Conflicts of interest may for example arise by obtaining insider information on financial instruments or their issuer or by accepting or granting inducements from a third party or to a third party. Moreover, performance-based salaries may lead to a conflict of interest. Conflicts may also arise if different investment services which are connected by an existing conflict of interest are performed by the same person.

Possible conflicts of interest also arise from the close relationship between CMTA AG and CMTA Invest GmbH, to which we hereby expressly refer. CMTA Invest GmbH serves as CMTA AG's trading partner and is its wholly owned subsidiary. Conflicts of interest at this level are addressed and eliminated by both the conflict of interest management of CMTA AG and the conflict of interest management of CMTA Invest GmbH.

### 2\_2\_Information on Acceptance of Inducements

Inducements accepted or given in connection with investment services create a classic conflict of interest for CMTA AG. Inducements in terms of §51 WAG2018 are fees, commissions or other payments or benefits not offered in monetary form. Inducements go beyond the usual fees rendered for services. They pose a conflict of interest since CMTA AG may be inclined to act against the best interest of the client.

CMTA AG only offers investment services to professional clients and eligible counter parties. The regulations regarding acceptance and granting of inducements (according to §§50 to 52 WAG 2018) are not applicable

(according to §68 WAG 2018) for business with eligible counter parties, for example in its fee-based intermediation business or the fee-based intermediation business.

In the intermediation business, CMTA AG acts as an intermediary between one or more clients and a third party, showing them opportunities to trade a financial instrument. The trading contract is concluded between the client and the third party. CMTA AG receives a commission fee from the third party.

CMTA's intermediation business is done in cooperation with various trading partners (e.g. CMTA Invest GmbH). The intermediation business is open exclusively to clients classified by CMTA AG as eligible counterparty.

In the intermediation business, CMTA AG refers one or more clients (or their orders) to a third party and thus shows them an opportunity to place a financial instrument. The contract is concluded between the client(s) and the third party. CMTA AG receives a commission from the third party. CMTA AG does not charge the client any costs for brokering the transaction. The intermediation business is only open to clients who are classified by CMTA AG as eligible counterparties. CMTA AG excludes capital market participants classified as professional clients (as well as retail clients who are generally not serviced by CMTA AG) from the intermediation business.

In its fee-based intermediation business, CMTA AG connects clients directly to one another and invoices at least one of the clients for the successful conclusion of a contract. The contract is drawn between the clients, CMTA AG itself is not a contracting party.

The investment service of investment advisory is provided by CMTA AG within the business area of advisory business. The investment advisory business includes direct advice to clients. For this purpose, CMTA AG charges the client a fee, which is due regardless of whether any trades follow. CMTA AG supports the client with knowledge and experience and charges a non-performance fee. CMTA AG exclusively provides non-independent investment advice within the legal range of § 53 WAG 2018.

The business areas of fee-based intermediation and investment advisory are open to professional clients, since the clients are charged directly and no inducements for third parties in the sense of WAG 2018 may occur.

CMTA AG always strives to act in the best interest of its clients. CMTA AG makes sure its investment services are not compromised by granting or accepting inducements.

## 2\_3\_Information on Handling of Conflicts of Interest with CMTA AG

An independent compliance officer directly answering to the CMTA board of directors is responsible for the identification, prevention and management of conflicts of interests. CMTA AG takes numerous measures to ensure business is done in the best interest of our clients without being compromised by any conflicting interests. If any such conflicts of interest arise nonetheless, CMTA AG will inform its clients about their nature and source. Disclosure should be seen as a last resort and not as an alternative to conflict of interest management measures. This information is provided using a permanent data carrier. It will of course be sufficient to help you decide on your course of action. In case you already placed your order, you may cancel or change it. On top of informing you about an existing conflict of interest, CMTA AG must always search for a solution to this problem.

### 3\_Information on Data Processing according to the Prevention-of-Money-Laundering-Act on the Financial Market

CMTA AG is legally obliged by the Prevention-of-Money-Laundering-Act on the financial market (in accordance with its due diligence to prevent money laundering and financing of terrorism) to obtain and keep information and documents of persons starting a business relationship with CMTA AG. This information includes the identification of clients, the economic owners or trustors of clients as well as the purpose of the business relationship. Moreover, CMTA AG has to know the origin of the capital employed and is obliged to monitor the business relationship and the conducted transactions continuously. This includes storing copies of the documents and information and keeping the receipts and records of financial transactions.

Clients cannot object to the processing of their data within the scope of CMTA's due diligence measures on the prevention of money laundering and financing of terrorism. The Prevention-of-Money-Laundering-Act on the financial market obliges CMTA AG to do so in terms of the data privacy act (DSGVO).

CMTA AG is obliged to delete all data collected and saved in accordance with the Prevention-of-Money-Laundering-Act on financial markets after 10 years, unless federal law requires or allows a longer storage. Personal data collected by CMTA AG in accordance with the Prevention-of-Money-Laundering-Act on financial markets may only be used for clearly defined purposes. Personal data may not be used commercially.

### 4\_Best Execution Policy

In conjunction with the requirements of WAG 2018, CMTA AG has defined rules for the execution and forwarding of client orders.

CMTA informs clients about places of execution in order to help find the best possible way of execution. The transactions take place directly between buyer and seller.

When receiving and transmitting orders, CMTA strives to achieve the best possible result for all clients. Client orders are executed accordingly, unless explicit instructions are given by the client.

The best execution policy applies to investment services for professional clients only. According to § 66 WAG 2018 it does not apply to eligible counterparties.

#### 4\_1\_Priority of customer instructions

Clients may of course issue special instructions for their orders, either as a general rule or for individual transactions. These instructions always override the standardised implementation policy of the CMTA. If an order is fulfilled according to explicit instructions of the customer, the obligation to achieve the best possible result is deemed fulfilled.

## 4\_2\_Merge customer orders

Orders of clients can be combined to keep costs down or to facilitate the transaction. However, CMTA will not combine orders to the disadvantage of clients.

## 4\_3\_Allocation rules

Before a merged client order is placed on the market, all parties have to be clear about the allocation in case of a partial execution. Usually, a percentage allocation based on the clients' wishes is agreed upon.

## 4\_4\_Places of execution

CMTA AG cooperates with various trading partners in its intermediation business.

Its subsidiary CMTA Invest GmbH is CMTA's preferred partner.

In 2023 CMTA AG transmitted clients and orders under the FMA license to the following trading partners:

| Handelspartner                      | Kunden | Ausführungsqualität |
|-------------------------------------|--------|---------------------|
| CMTA Invest GmbH                    | 94,78% | 100%                |
| Deutsche Apotheker und Ärztebank    | 4,17%  | 100%                |
| Hauck Aufhäuser Lampe Privatbank AG | 1,04%  | 100%                |

With this information, CMTA complies with its publishing obligation in accordance with Art. 65 (6) DelVO 2017/565.

## 5\_Information and Risk Assessment of Financial Instruments

The following information is intended to serve as a basis for your investment in money and capital market instruments in order to recognize and limit your own investment risk.

A risk is defined as the failure to achieve an expected return on invested capital and/or the total or partial loss of invested capital. This risk may be due to the product, the markets or the issuer. Risks cannot be foreseen in advance.

General risk assessment is always based on common product features. A detailed examination must always be conducted on the investment in question.

In accordance with Product Governance, CMTA AG defines a target market for each financial instrument or group of financial instruments. In providing investment advisory services, financial instruments are only sold to clients who are part of the defined target market. The products listed below are intended for professional customers and eligible counter parties within the scope of distribution by CMTA AG.



## 5\_1\_General risks of investments

### **Currency Risk**

Investments in equities quoted in foreign currencies carry the additional risk of exchange rate fluctuation. The return may vary considerably due to differences in the exchange rates on the investor's trade dates.

### **Risk of transfer**

This risk of transfer depends on the country in which the transaction is concluded. Political or exchange rate measures may affect the realisation of the investment. There may also be problems with order settlement or currency conversion.

### **Solvency risk**

Solvency risk is the risk of the business partner becoming insolvent. The risk describes the inability of the business partner to meet all his contractual obligations (e.g. dividend payments, interest payments, repayments). Credit ratings published by independent rating agencies are used to measure the solvency risk. They range from „AAA“ (best solvency) to „D“ for default.

### **Sovereign risk**

Sovereign risk is the credit risk of a country. If the political or economic situation of a country is unstable, this may have a negative impact on all business partners resident in this state. There are country ratings published by independent rating agencies to help investors assess country risks.

### **Foreign exchange risk**

Investments held or denominated in a foreign currency may experience fluctuations in value. It may even be necessary to hedge the investment (e.g. in futures, currency swaps or options dealing), which leads to extra costs.

### **Interest-rate risk**

Changes in market interest rates influence the market prices of investments. Rising market interest rates lead to price losses during the term of fixed-interest bonds, falling market interest rates lead to price gains.

### **Risk of total loss**

The risk of total loss is the risk that an investment can become completely worthless. A total loss may occur in particular if the issuer of a security is not able to meet his financial obligations due to bankruptcy or other economic reasons.

### **Liquidity risk**

Liquidity describes the possibility of buying, selling or closing out an investment at market prices any time. On a liquid market, orders average in size do not markedly influence the price level. Orders are settled without problems and at a plausible market price.

### **Financing a purchase of shares through a loan**



The purchase of shares through a loan significantly increases the risk of an investment. The loan must be repaid independently of the success of the investment. The cost of the loan also reduces the return on the investment.

### **Order placement**

Order placements (buy or sell orders given to an investment firm, investment service provider, bank, insurance company or mutual fund company as well as their subcontractors) do have minimum requirements. The placement of an order must at least state the investment to be bought/sold, the number of shares/face value, price and validity period of the order.

- Price limit: with the order suffix “best” the order is carried out at the next best price. There is no chance of knowing ahead the costs and returns of the investment. By stating a purchase limit the maximum price for buying the investment defines the maximum capital expense. A sales limit states the lowest acceptable sale price, thereby securing a certain level of profit or loss. A stop market order is not activated until the market price of the investment reaches the selected stop limit. Then the order is automatically converted into a best price order without limit. The sales proceeds may therefore be considerably lower than with a limit order.
- Time limit: you can limit the validity of your order by using a time limit. The duration of validity in case the order is placed without time limit depends on market practices.

### **Guarantees**

On the one hand, a guarantee is the consent of a third party (not the issuer) to satisfy the liability of the issuer. On the other hand, the issuer may guarantee to perform a basic payment regardless of the performance of the parameters defining the extent of his liability. Guarantees may be given on various terms of the investment contract.

Capital-back guarantees are only valid upon maturity. Prices can therefore vary during the term of the investment. The quality of a capital-back guarantee mainly depends on the solvency of the issuer of the guarantee.

### **Taxation law**

This information serves as a general overview on investment risks. Please refer to your tax consultant for detailed information on how an investment may influence your personal tax situation.

## **5\_2\_Bonds**

### **Definition**

The issuer of a bond (=obligation, annuity certificate) is committed by contract to pay interest to the holder (creditor, buyer) and repay the creditor's capital at maturity. Bonds may differ considerably as to terms and conditions of interest rates and redemption. In the special case of so called „structured products“ the generally acknowledged risks for bonds do not apply but are determined by the actual contractual terms of the security.

### **Return**

The return on a bond consists of interest payments plus the difference between purchase price and price at maturity.

The return on a bond may only be determined in advance if the bond is held until maturity and in case of a fixed interest rate. The so-called yield to maturity is the international reference figure to compare the earnings of a bond. Differences in yields of comparable bonds may arise from various reasons, e.g. different solvency risks. In case the bond is not held until maturity, the yield may differ from the originally assumed yield, since a different price may be procured.

### **Solvency risk**

Since there is a risk that the debtor will not be able to meet his obligations or will only be able to meet them in part (for example due to bankruptcy), investors are advised to give solid consideration to credit ratings by renowned rating agencies. The rating “AAA” or “Aaa” is the best rating (e.g. German federal bonds). BBB upwards is called „investment grade“. The lower the rating (such as “B”- or “C-” ratings) the higher the solvency risk, which is usually compensated by a higher interest rate.

### **Price risk**

If a bond is held until maturity, investors receive the redemption proceeds stated in the terms of issue. Be aware these terms may also give the issuer the right of early repayment. If you sell before maturity, you receive the market price. This price depends on supply and demand, which in turn depend on the current interest rate level. For example, the price of fixed-interest bonds will fall when interest rates for comparable maturities rise, and vice versa. A change in the issuer’s credit rating may also influence the price of the bond. The price risk for variable bonds whose interest rate is tied to capital market interest rates is significantly higher than for bonds whose interest rate is tied to money market interest rates. The extent to which a bond price changes in response to a change in interest rates is described using the “duration” indicator. The duration depends on the remaining term of the bond. The higher the duration, the more changes have an effect on the general interest rate level.

### **Liquidity risk**

The fungibility of bonds depends on various factors, such as issuing volume, market practices and market situations. A bond can also be difficult to sell. It may even be impossible to sell it at all, in which case the bond would have to be held until maturity.

### **Bond trade**

Bonds are traded either on the bond market or off-market. Your trading agent can provide you with a buying and selling price. Just because prices are stated, the bond may still not be marketable.

Bond market prices may differ from prices off-market. Stating a limit in your order will help to control risks in a thin trading bond.

Special cases of bonds:

- Tier 2 capital bonds: are subordinated bonds issued by Austrian banks. Interest is only paid in case of a positive net corporate income (minus reserve allocations). In case of liquidation, net losses accumulated during the term of the bond will be deducted from any repayments made.
- In the event of the liquidation or bankruptcy of the issuer of subordinated capital bonds,

investors are only repaid after all non-subordinated liabilities of the issuer have been paid. Repayment claims from subordinated capital bonds may not be settled against claims of the issuer against the investor.

- Other special cases: zero coupon bonds, option bonds, convertible bonds. CMTA AG will gladly provide further information on these bonds.

## 5\_3\_Shares

### Definition

Shares are securities certifying the investment in a company (stock corporation). Stockholders are entitled to a share in the profits of the company and to the right to vote in the annual stockholder's meeting (exception: preferred stocks).

### Return

The return on equity investments consists of dividend payments and price gains / losses of the share and can not be predicted. The dividend is the annual profit of the company; it is distributed by resolution of the Annual General Meeting. Dividends are stated either as absolute amount per share or as percentage of the nominal value. An important benchmark is the so-called dividend yield (dividend per share divided by current price of the share). As a rule, this will be significantly lower than the dividend in percent. The major part of income from equity investments is derived from the performance of the share price (see foreign exchange risk).

### Price risk

Shares are usually traded on stock markets. Prices are based on supply and demand. Equity investments can lead to major losses.

Stock prices depend on the economic development of a company and on general economical and political conditions. Even factors like opinions and sentiments may influence the stock price and thus the return of the investment.

### Company risk

A shareholder holds a share of a company. The investment in the share may result in a total loss, in particular when the company becomes insolvent.

### Liquidity risk

Liquidity may prove difficult in tight markets (unregulated markets, OTC trading). In case of a stock being listed on several stock markets, liquidity may differ.

### Equity trade

Shares are traded on the stock market, sometimes also off-market. Every stock market has its own stock market practice (e.g. round lots, order types, exchange rate regulations, etc.). In case of a share being listed in local currency (for example, a US-share is listed on the stock exchange in Frankfurt in Euros), the price risk also includes a currency risk.

### Expenses on foreign stock markets

For trades on foreign stock exchanges additional fees will be charged.

## 5\_4\_INVESTMENT FUNDS

### **Austrian investment funds**

Shares of investment funds (Share certificates) are securities that securitize quasi co-ownership of an investment fund. Investment funds invest the shareholders' money based on the investment strategy of the investment fund, always in accordance with the principle of risk diversification. Typically, traditional investment funds are divided into three main types: bond funds, equity funds and mixed funds, which invest in both bonds and equities. Investment funds can invest in domestic and/or foreign securities.

In addition to securities, the investment spectrum of domestic investment funds also includes money market instruments, liquid financial assets, derivative products and other investment fund shares.

A distinction is also made for tax purposes between income investment funds and accumulating investment funds. In contrast to a income investment fund, an accumulating investment fund does not distribute income.

Accumulating investment funds do not distribute income, instead it is reinvested in the investment fund. Funds of funds, on the other hand, invest in other domestic and/or foreign investment funds. Guarantee funds are linked to a binding commitment by a guarantor appointed by the management company regarding distributions during a certain term, the repayment of capital or performance.

### **Return**

The return on investment funds is made up of the annual distributions and the performance of the calculated value of the investment fund and cannot be determined in advance. The performance depends on the investment policy set out in the fund regulations and the market performance of the individual assets of the investment fund. Depending on the composition of an investment fund, the risk information for bonds, shares and warrants must therefore also be observed.

### **Price/valuation risk**

Investment fund shares can typically be redeemed at any time at the redemption price. In exceptional circumstances, redemption may be temporarily suspended until the assets of the investment fund are sold and the proceeds of the sale are received. In the event that many shareholders redeem their share certificates at once, this may result in the investment fund suspending the redemption of investment fund shares due to a liquidity shortage, unless corresponding provisions have been made in the fund regulations. This must be carried out in accordance with precise statutory provisions and also requires notification to the FMA and a public announcement. The purpose of such a suspension is to attempt to raise additional liquidity for the investment fund. If this is not successful, it may subsequently lead to the closure of the investment fund.

investment fund. You will be informed of any charges or the date of execution of your buy or sell order. The term of the investment fund depends on the fund regulations and is generally unlimited. Please note that, in contrast to bond, in this case there is generally no redemption and therefore no fixed redemption price. The risk of a fund investment therefore depends on the investment policy and the respective market performance of the investment fund's assets. A loss cannot be ruled out. Despite the fact that they can normally be redeemed at any time, investment funds are investment products that typically only make economic sense over a longer investment period.

Like shares, investment funds can also be traded on stock exchanges, so-called exchange-traded funds (ETFs). In this regard, it should be noted that only those investment funds for which the management company has a corresponding agreement with a market maker are considered ETFs. Prices formed on the relevant stock exchange may differ from the redemption price. In this regard, please refer to the risk information for shares.

### **Tax implications**

The tax treatment of income varies depending on the type of investment fund.

### **Foreign investment funds**

Foreign investment funds are subject to the legal provisions of other (EU) countries, which may differ from the provisions applicable in Austria. In particular, supervisory law in other (non-EU) countries may be less strict than in Austria. It should also be noted that there are other types of investment funds in other (EU) countries that do not exist in Austria, such as fund structures under company law. The value of such investment funds is based on supply and demand and not on the intrinsic value of the investment fund, which is why they are comparable to shares. Please note that distributions and income equivalent to distributions from foreign investment funds (e.g. accumulation funds) - regardless of their legal form - may also be subject to different tax rules.

### **Exchange Traded Funds**

Exchange Traded Funds (ETFs) are investment fund shares that are traded on a stock exchange in a similar manner to shares. As a rule, an ETF tracks a basket of securities (e.g. a basket of shares) that reflects the composition of an index, i.e. replicates the index in a security by means of the securities contained in the index and their current weighting in the index, which is why ETFs are often referred to as index shares.

### **Return**

The return depends on the performance of the underlying securities in the basket.

### **Risk**

The risk depends on the underlying securities in the basket of securities.

## **5\_5\_REAL ESTATE FUNDS**

### **General information**

Real estate funds are special assets that are owned by a real estate investment company, which holds and manages the special assets in trust for the shareholders. The share certificates securitize a participation in this special fund under the law of obligations. Real estate funds invest the monies received from shareholders in accordance with the principle of risk diversification, in particular in land, buildings, shares in real estate companies, comparable assets and own construction projects.

They also hold liquid financial assets (liquidity investments) such as securities and bank balances. The liquidity investments serve to guarantee the upcoming payment obligations of the real estate fund (e.g. due to the acquisition of properties) and redemptions of share certificates.

### **Return**

The total return of real estate funds from the shareholder's perspective is made up of the annual distributions (if the fund is an income and non-accumulating fund) and the performance of the calculated share value of the fund and cannot be determined in advance. The performance of real estate funds depends on the investment policy set out in the fund regulations, market developments, the individual properties held in the fund and the fund's other assets (securities, bank balances). The historical performance of a real estate fund is no indication of its future performance.

Among other things, real estate funds are exposed to income risk due to possible vacancies in the properties. Particularly in the case of own construction projects, problems may arise with initial letting. As a result, vacancies can have a correspondingly negative impact on the value of the real estate fund and also lead to reductions in distributions. Investing in real estate funds can also lead to a reduction in the capital invested.

In addition to bank deposits, real estate funds also invest liquid assets in other forms of investment, in particular interest-bearing securities. These parts of the fund assets are then subject to the special risks that apply to the selected form of investment. If real estate funds invest in foreign projects outside the euro currency area, the shareholder is also exposed to currency risks, as the market value and capitalized earnings value of such a foreign property is converted into euros each time the issue or redemption price for the share certificates is calculated.

### **Price/valuation risk**

Share certificates can normally be redeemed at any time at the redemption price. It should be noted that the redemption of share certificates may be subject to restrictions in the case of real estate funds. In exceptional circumstances, redemption may be temporarily suspended until the assets of the real estate fund have been sold and the proceeds of the sale have been received. In particular, the fund regulations may stipulate that redemption may be suspended for a longer period of up to two years following major redemptions of share certificates. In such a case, payment of the redemption price is not possible during this period.

Real estate funds are typically classified as long-term investment projects.

## **5\_6\_WARRANTS**

### **Definition**

Warrants are interest- and dividend-free securities that grant the holder the right to buy (call warrants) or sell (put warrants) a specific underlying asset (e.g. shares) at a predetermined price at a specific time or within a specific period.

### **Return**

The holder of the call warrants has fixed the purchase price of the underlying asset by acquiring the warrant. The return may result from the fact that the market price of the underlying asset is higher than the exercise price to be paid by the holder, whereby the purchase price of the warrant is deducted. The holder then has the option of buying the underlying at the strike price and selling it again immediately at the market price. Usually, the increase in the price of the underlying is reflected in a relatively larger increase in the price of the warrant (leverage effect), so that most investors achieve their return by selling the warrant. The same applies analogously to put warrants; these usually rise in price if the underlying asset falls in price. The return on warrant investments cannot be determined in advance. The maximum loss is limited to the amount of capital invested.

### **Price risk**

The risk of investing in warrants is that the underlying asset may not develop in the way on which you based your purchase decision until the warrant expires. In extreme cases, this can lead to the total loss of the capital invested. The price of your warrant also depends on other factors. The most important of these are:

- Volatility of the underlying asset (a measure of the expected fluctuation range of the underlying asset at the time of purchase and at the same time the most important parameter for the priceworthiness of the warrant). High volatility generally means a higher price for the warrant.
- Term of the warrant (the longer the term of a warrant, the higher the price).

A decrease in volatility or a decreasing remaining term can have the effect that - although your expectations with regard to the price development of the underlying asset have been met - the price of the warrant remains the same or falls. We generally advise against buying a warrant shortly before the end of its term. Buying when volatility is high makes your investment more expensive and is therefore highly speculative.



**Liquidity risk**

Warrants are generally only issued in small quantities. This causes an increased liquidity risk. This can result in particularly high price fluctuations for individual warrants.

**Warrant trading**

Warrants are largely traded over the counter. There is usually a difference between the buying and selling price. This difference is at your expense. When trading on the stock exchange, particular attention must be paid to the often very low liquidity.

**Warrant conditions**

Warrants are not standardized. It is therefore particularly important to find out about the exact terms and conditions, in particular:

- Exercise type: Can the option right be exercised continuously (American option) or only on the exercise date (European option)?
- Subscription ratio: How many warrants are required to receive the underlying?
- Exercise: Delivery of the underlying or cash settlement?
- Expiry: When does the right expire? Please note that the securities company or the bank will not exercise your option rights without your instructions.
- Last trading day: This is often some time before the expiry date, so it cannot be assumed without further ado that the warrant can be sold by the expiry date.

## 5\_7\_Exchange Transactions in Securities Futures (Options and Futures Contracts)

In the case of options and futures transactions, the high chances of profit are offset by particularly high risks of loss. As your securities company, we also see it as our duty to inform you of the associated risks before you enter into options or futures contracts.

**Purchase of options**

This refers to the purchase (opening = purchase to open, long position) of calls (call options) or puts (put options) with which you acquire the right to delivery or decrease of the underlying value or, if this is excluded as in the case of index options, the right to payment of a cash amount calculated from a positive difference between the price on which the option right was based at the time of purchase and the market price at the time of exercise. This right may be exercised during the entire agreed term in the case of American-style options and at the end of the agreed term in the case of European-style options. You pay the option price (writer's premium) for the granting of the option right, whereby the value of your option right may fall until it is completely worthless at the end of the agreed term if the price changes against your expectations associated with the purchase of the option. Your risk of loss therefore lies in the price paid for the option right.

**Sale of option contracts and purchase or sale of unconditional futures contracts****Sale of calls**

This refers to the sale (opening = sale to open, short position) of a call (call option) with which you assume the obligation to deliver the underlying security at a fixed price at any time during (in the case of American-style call options) or at the end of the agreed term (in the case of European-style call options). You receive the option price for assuming this obligation. If prices rise, you must expect that you will have to deliver the underlying securities at the agreed price as agreed, although the market price may be considerably higher

than this price. This difference also represents your risk of loss, which cannot be determined in advance and is basically unlimited. If the underlying assets are not in your possession (uncovered short position), you must purchase them on the spot market at the time of delivery (covering transaction) and in this case your risk of loss cannot be determined in advance. If you own the underlying assets, you are protected against covering losses and are also able to deliver promptly. However, as these securities must be kept blocked during the term of your option transaction, you cannot dispose of them during this period and therefore cannot protect yourself against falling prices by selling them.

#### Sale of puts

This is the sale (opening = sale to open, short position) of a put (short position), with which you assume the obligation to purchase the underlying security at a fixed price at any time during (in the case of American-style put options) or at the end of the agreed term (in the case of European-style put options). You receive the option price for assuming this obligation. If prices fall, you must expect that you will have to take delivery of the underlying securities at the agreed price, although the market price may be considerably lower than this price. This difference also represents your fundamental risk of loss, which cannot be determined in advance and is calculated from the strike price less the option writer premium. An immediate sale of the securities will only be possible at a loss. However, if you do not intend to sell the securities immediately and wish to keep them in your possession, you must take into account the financial resources required to do so.

#### Purchase or sale of unconditional forward contracts

This refers to the purchase or sale of a forward contract in which you assume the obligation to purchase or deliver the underlying asset at a fixed price at the end of the agreed term. If prices rise, you must expect that you will have to deliver the underlying assets at the agreed price, although the market price may be considerably higher than this price. If prices fall, you must expect that you will have to take delivery of the underlying assets at the agreed price as agreed, although the market price may be considerably lower than this price. Your risk of loss also lies in this difference. In the event of an obligation to take delivery, the required cash must be available in full at the time of maturity. If you do not own the underlying assets (uncovered short position), you must purchase them on the spot market at the time of delivery (covering transaction) and your risk of loss cannot be determined in advance in this case. If you own the underlying assets, you are protected against covering losses and are also able to deliver promptly.

#### Transactions with settlement of differences

If delivery or acceptance of the underlying value is not possible in the case of futures transactions (e.g. index options or index futures), you are obliged to pay a cash amount (cash settlement) resulting from the difference between the underlying price when the option or futures contract was concluded and the market price on exercise or maturity, provided that your market expectations have not been met. This involves your risk of loss, which cannot be determined in advance and is in principle unlimited, although in this case you must always take into account the liquidity required to cover this transaction.

#### Contribution of collateral (margins)

The uncovered sale of options (opening = sale for opening, uncovered short position) or purchase or sale by forward (futures transactions) requires the provision of collateral in the form of so-called margins. You are obliged to provide this collateral both at the opening and, if necessary (price movements against your expectations), during the entire term of the option or futures contract. If you are not in a position to provide additional collateral as required, we will unfortunately be forced to close open positions immediately and to realize collateral already provided to cover the transaction.

#### Closing out positions



When trading American-style options and futures contracts, you have the option of closing your position before the expiry date. However, you should not necessarily rely on this option being available at all times. It always depends very much on market conditions and under difficult market conditions it may only be possible to conclude transactions at an unfavorable market price, so that losses may also be incurred here.

### Other risks

Options contain both rights and obligations - futures contracts exclusively obligations - with short terms and defined expiry or delivery dates. This and the speed of these types of transactions give rise to the following additional risks in particular:

- Option rights that have not been disposed of in good time expire and thus become worthless.
- If additional collateral that becomes necessary is not provided on time, we will close out your position and realize the collateral provided up to that point, without prejudice to your obligation to cover outstanding balances.
- In the case of writer transactions (short position), we will carry out the necessary steps for you without prior notification in the event of allocation. We will sell assets allocated as a result of the exercise of puts if there is insufficient cover.
- If you enter into forward transactions in foreign currency, an unfavorable development on the foreign exchange market may increase your risk of loss.

## 5\_8\_Money Market Instruments

### Definition

Money market instruments include certified money market investments such as certificates of deposit (CD), medium term bonds, global note facilities, commercial papers and all notes with a maturity of approx. five years and interest rates fixed for one year or less. In addition, money market transactions include repurchase agreements and repos.

### Return and risk components

Return and risk components of money market instruments correspond mainly to those of bonds. Liquidity risks should be taken into account separately.

### Liquidity risk

Secondary markets for money markets instruments are not regulated, which is why it lacks liquidity. In case of a credit rating which guarantees re-payment of the capital by the issuing party liquidity of the paper may not be as crucial.

Types of money market instruments:

- \_ certificates of deposit: money market instruments issued by a bank with a maturity of 30 to 360 days
- \_ medium term bonds: money market instruments issued by a bank with a maturity of up to 5 years
- \_ commercial papers: money market instruments or short-time debt certificates with a

- maturity of 5 to 270 days, issued by major companies
- global note facility: commercial papers which may be issued both in Europe and the US.
- Notes: short-term paper with a maturity from 1 to 5 years.

## 5\_9\_Structured products

Structured investment instruments" are investment instruments whose income and/or capital repayments are usually not fixed, but are dependent on certain future events or developments. Furthermore, these investment instruments may, for example, be structured in such a way that the product can be terminated prematurely by the issuer if predetermined targets are reached or automatic termination takes place at all. Individual product types are described below. Common collective terms are used to describe these product types, but these are not used uniformly on the market. Due to the wide range of connection, combination and payout options for these investment instruments, a wide variety of investment instrument designs have developed, the names chosen for which do not always consistently reflect the respective designs. For this reason, too, it is always necessary to check the specific product conditions. Your customer advisor will be happy to provide you with information on the various structures of these investment instruments.

### Risks

- 1) Insofar as interest and/or income distributions have been agreed, these may be dependent on future events or developments (indices, baskets, individual shares, certain prices, commodities, precious metals, etc.) and may therefore cease to apply in part or in full in the future.
- 2) Capital repayments may be dependent on future events or developments (indices, baskets, individual shares, certain prices, commodities, precious metals, etc.) and may therefore be partially or completely canceled.
- 3) With regard to interest and/or income distributions and capital repayments, particular attention must be paid to interest rate, currency, company, sector, country and credit risks (possible lack of claims for separation and segregation) and tax risks.
- 4) The risks under points 1) to 3) may lead to high price fluctuations (price losses) during the term or make sales during the term difficult or impossible, irrespective of any interest, income or capital guarantees that may exist.

### 5\_9\_1\_Interest spread securities products (constant maturity swap)

These products, which are structured as bonds, initially have a fixed coupon. After this fixed interest phase, the products are converted to a variable interest rate. The coupon, which is usually shown annually, depends on the current interest rate situation (e.g. yield curve). These products can also have a target interest rate variant, i.e. if a predetermined target interest rate is reached, the product is terminated prematurely.

### Return

In the fixed-interest phase, the investor generally achieves a higher coupon than is paid on the market for traditional bonds. In the variable interest phase, the investor has the opportunity to achieve higher coupons than with fixed-interest bonds.

### Risk

During the term, there may be market-related price fluctuations, which can be correspondingly significant depending on interest rate developments.

### **5\_9\_2\_Guarantee certificates**

In the case of guarantee certificates, the nominal initial value or a certain percentage thereof is repaid at maturity regardless of the performance of the underlying ("minimum repayment").

#### **Return**

The income to be generated from the performance of the underlying may be restricted by a maximum redemption amount specified in the terms and conditions of the certificate or other limitations on participation in the performance of the underlying. The investor is not entitled to dividends and comparable distributions from the underlying.

#### **Risk**

The value of the certificate may fall below the agreed minimum redemption during the term. At the end of the term, however, the value will generally be equal to the minimum repayment. However, the minimum repayment depends on the creditworthiness of the issuer.

### **5\_9\_3\_Twin Win Certificates**

Twin Win certificates receive a redemption amount from the issuer at maturity that is dependent on the performance of the underlying instrument. The certificates have a barrier. If (as a rule) the barrier is not reached or is undercut during the term of the Twin Win certificates, the investor participates in the absolute performance of the underlying instrument based on the strike price set by the issuer, i.e. losses on the underlying instrument can also be converted into gains on the certificate. If the barrier is reached or undershot during the term of the Twin Win Certificates, redemption takes place at least in line with the performance of the underlying instrument. Above the strike price, a disproportionate participation in the price performance of the underlying instrument may be provided for (if so determined by the issuer). However, the maximum redemption amount may be limited.

#### **Return**

If the barrier is not reached, the investor can also benefit from negative performance of the underlying instrument, as he participates in the absolute performance; losses of the underlying instrument can therefore be converted into gains. The certificate may react more or less strongly to fluctuations in the value of the underlying instrument due to various influencing factors (e.g. fluctuation margin of the underlying instrument, remaining term, distance of the underlying instrument from the barrier).

#### **Risk**

Twin win certificates are high-risk investment instruments. If the price of the underlying asset on which the respective twin certificate is based develops unfavorably, a significant portion or all of the invested capital may be lost.

### **5\_9\_4\_Express certificates**

An express certificate participates in the performance of the underlying instrument with the option of early redemption. If the underlying instrument meets the threshold condition specified by the issuer on one of the determination dates, the certificate ends early and is automatically redeemed by the issuer at the redemption amount applicable on the respective determination date. If the underlying instrument does not meet the specified threshold condition on the last determination date either, the certificate is redeemed at the closing price of the underlying instrument on which the certificate is based as determined on the maturity date/last determination date. If, in this case, the issuer has also set a barrier at the start of the issue of the certificate and the price of the underlying instrument has neither reached nor breached the barrier during the observation period, redemption takes place at least at a minimum redemption price defined by the issuer.

**Return**

Express certificates offer the possibility of early realization of the positive performance of the underlying instrument. Even if the specified threshold condition is not met, there may be a minimum redemption if the barrier has not been reached or breached. The certificate may react more or less strongly to fluctuations in the value of the underlying instrument due to various influencing factors (e.g. fluctuation margin of the underlying instrument, remaining term, distance of the underlying instrument from the barrier).

**Risk**

Express certificates are high-risk investment instruments. If the price of the underlying asset on which the respective express certificate is based develops unfavorably, a significant portion or all of the invested capital may be lost.

**5\_9\_5\_Discount certificates**

With discount certificates, the investor receives the underlying asset (e.g. underlying share or index) at a discount to the current price (safety buffer), but only participates in a positive performance of the underlying asset up to a certain upper price limit of the underlying asset (cap or reference price). At maturity, the issuer has the option of either redeeming the certificate at the maximum value (cap) or delivering shares or – if an index is used as the underlying – paying a cash settlement corresponding to the index value.

**Return**

The difference between the purchase price of the underlying asset, reduced by the discount, and the upper price limit determined by the cap represents the potential return.

**Risk**

If the price of the underlying falls sharply, shares will be delivered at the end of the term (the equivalent value of the shares delivered will be less than the purchase price at this time). As the allocation of shares is possible, the risk information for shares must be observed.

**5\_9\_6\_Bonus certificates**

Bonus certificates are bonds which, under certain conditions, pay a bonus or, if applicable, the better performance of an underlying asset (individual shares or indices) in addition to the nominal value at the end of the term. Bonus certificates have a fixed term. The terms and conditions of the certificate regularly securitize the payment of a cash amount or the delivery of the underlying at the end of the term. The type and amount of the repayment at maturity depend on the performance of the underlying asset. A starting level, a barrier below the starting level and a bonus level above the starting level are defined for a bonus certificate. If the underlying falls to the barrier or below, the bonus is forfeited and repayment is made in the amount of the underlying. Otherwise, the minimum repayment is based on the bonus level. The bonus is paid out at the end of the term of the certificate in addition to the capital initially paid in for the nominal value of the certificate.

**Return**

With a bonus certificate, the investor acquires a claim against the issuer for payment of a cash amount dependent on the performance of the underlying. The return depends on the performance of the underlying asset.

**Risk**

The risk depends on the underlying asset. In the event of the bankruptcy of the issuer, there is no claim to segregation or separation of the underlying.

**5\_9\_7\_Cash or share bonds**

These consist of three components, the risk of which is borne by the bond buyer: a bond is purchased (bond component), the interest rate of which includes a writer premium. This structure therefore results in a higher interest rate than a comparable bond with the same term. Repayment is made either in cash or in shares, depending on the price performance of the underlying shares (share component). The bond buyer is therefore the writer of a put (option component), who sells the right to transfer shares to a third party and thereby undertakes to accept any negative share price movements against him. The bond buyer therefore bears the risk of the share price performance and receives a premium in return, which essentially depends on the volatility of the underlying share. If the bond is not held to maturity, the interest rate risk is added to this risk. A change in the interest rate level therefore has an impact on the price of the bond and consequently on the net yield of the bond in relation to the bond term.

Please also refer to the corresponding risk disclosures in the sections on credit risk, interest rate risk and share price risk.

### **5\_9\_8\_Index certificates**

Index certificates are debt securities (usually listed) and offer investors the opportunity to participate in a specific index without owning the securities contained in the index. The underlying index is usually replicated 1:1, and changes in the respective index are taken into account.

#### **Return**

With an index certificate, the investor acquires a claim against the issuer for payment of a cash amount depending on the level of the underlying index. The return depends on the performance of the underlying index.

#### **Risk**

The risk is dependent on the underlying values of the index. In the event of the bankruptcy of the issuer, there is no claim to segregation of the underlying assets.

### **5\_9\_9\_Basket certificates**

Basket certificates are debt securities and offer investors the opportunity to participate in the performance of a specific basket of securities without actually owning the securities contained in the basket. The issuer is responsible for compiling the underlying basket. The securities contained in the basket may be weighted equally or differently. The composition may be adjusted at fixed times (e.g. annually).

### **5\_9\_10\_Knock-out certificates (turbo certificates)**

Knock-out certificates are certificates that securitize the right to buy or sell a certain underlying asset at a certain price if the underlying asset does not reach the specified price threshold (knock-out threshold) during the term. Even if the threshold is reached once, the investment ends prematurely and is usually largely lost. Depending on the trend in price expectations for the respective underlying asset, a distinction is made between knock-out long certificates, which are based on rising markets, and knock-out short certificates, which are specially designed for falling markets. In addition to normal knock-out certificates, "leveraged" knock-out certificates are also usually issued under the name "turbo certificates" (or leverage certificates). The leverage (turbo) means that the value of the turbo certificate reacts more strongly in percentage terms to the price movement of the respective underlying instrument and can rise or fall more sharply. Higher profits can therefore be achieved with smaller stakes, but the risk of loss also increases.

#### **Return**

A return can result from the positive difference between the cost price or market price and the exercise price (option to buy the underlying security at the lower exercise price or sell it at the higher exercise price).

#### **Risk**

If the knock-out threshold is reached once during the term, the certificate either expires worthless or a calculated residual value is paid out (the product is "stopped out"). For some issuers, reaching the knock-out threshold during the trading day (intraday) is sufficient for the certificate to be stopped out. The closer the current market price is to the base price, the greater the leverage effect. At the same time, however, the risk increases that the price falls below the knock-out threshold and either the certificate becomes worthless or the calculated residual value is paid out.

### **5\_9\_11\_Bandwidth certificates**

Bandwidth certificates offer the opportunity to participate disproportionately in the performance of the respective underlying asset in anticipation of a share price or index level moving within a certain range, within a price range defined by a start and stop mark (bandwidth).

#### **Return**

The return can result from the disproportionate participation in the performance of the underlying asset.

#### **Risk**

However, if the closing price determined on the valuation date is below the starting price, the certificate merely replicates the price performance of the underlying. If the price falls below the stop price, the investor receives a fixed maximum redemption amount at maturity without being able to participate in any price increase.

## **5\_10\_Hedge funds, CTA**

### **5\_10\_1\_Hedge funds**

(hedge funds, hedge funds of funds, hedge fund index certificates and other products with hedge strategies as underlying investments)

#### **General information**

Hedge funds are funds that are subject to no or only minor legal or other restrictions with regard to investment principles. Using all forms of investment, they aim to increase their capital through alternative, sometimes non-transparent investment strategies.

Examples of investment strategies:

- Long/short: undervalued securities are bought and at the same time overvalued securities are sold short.
- Event-driven: Attempts are made to exploit specific corporate events such as mergers, takeovers, reorganizations or insolvencies.
- Global Macro: This style attempts to identify and exploit inefficiencies in the markets through macroeconomic analysis of key economic and political developments.
- Hedge funds of funds are funds that invest in individual hedge funds. Hedge fund index certificates are debt securities whose value or earnings performance depends on the average performance of several hedge funds that are combined in an index as the basis for calculation. Hedge funds of funds and hedge fund index certificates offer investors the advantage of greater risk diversification.

#### **Income and risk components**

Hedge funds offer the opportunity of very high returns, but also entail a correspondingly high risk of capital loss. The performance of hedge fund products is influenced in particular by the following factors, which give rise to opportunities and risks:



- Hedge funds tend to develop independently of the performance of the international equity and bond markets; depending on the hedge fund strategy, the general market trend may be reinforced or the opposite may occur.
- The development of hedge funds is primarily influenced by the submarket it defines.
- Due to their composition, the assets of hedge funds can exhibit an increased fluctuation range, i.e. the share prices can be subject to considerable upward and downward fluctuations even within short periods of time. In extreme cases, unguaranteed hedge fund products may result in total losses.
- Concentrating on one or just a few strategies also increases the risk - this risk can be reduced by diversifying with hedge funds of funds or hedge fund index certificates.
- The individual fund selection and composition is determined by the
- fund of funds managers depending on a targeted
- risk/return profile of the fund or by an index committee according to a defined country and sector breakdown.
- Underlying hedge funds may not be transparent to the fund of funds management/index committee at all times.

### **Liquidity risk**

Due to complex hedge fund strategies and elaborate hedge fund management, it takes more time to determine the price of a hedge fund product than for traditional funds. Hedge fund products are therefore also less liquid than traditional funds. Prices are usually determined monthly rather than daily and shares are therefore often only redeemed once a month. In order to be able to redeem the shares at this time, the investor must have irrevocably declared the redemption some time before the redemption date. The share value may change significantly between the time of the redemption declaration and the execution of the redemption without the investor having the opportunity to react to this, as his redemption declaration cannot be revoked. Details on redemption depend on the individual product. The limited liquidity of the individual funds and the instruments used by them may therefore lead to limited tradability of the hedge fund product.

### **5\_10\_2\_CTA**

Most CTAs use fully automated trading systems to trade futures, i.e. computer programs that make all decisions independently. The aim is to predict certain trends and future market developments from studies of the immediate past to a certain extent.

### **Return**

The return is made up of the profitable, fully automated investment resulting from the exploitation of recognized trends.

### **Risk**

The risk is that the forecast trends do not materialize or that the automatic trading system does not recognize any trends.

## **5\_11\_Forward transactions in foreign currencies**

### **Definition**

A forward transaction in foreign currencies involves a firm commitment to buy or sell a certain amount of foreign currency at a later date or during a period of time at a rate determined at the time of conclusion. The delivery or receipt of the counter currency takes place with the same value date.



**Return**

The return (profit/loss) for the speculative user of forward transaction in foreign currencies results from the difference between the currency parities during or at the end of the term of the forward transaction and the conditions of this forward transaction. Use for hedging purposes means that an exchange rate is fixed so that the expense or income of the hedged transaction is neither increased nor reduced by exchange rate changes in the meantime.

**Currency risk**

The currency risk of forward transaction in foreign currencies in the case of hedging transactions is that the buyer/seller could buy/sell the foreign currency more favorably during or at the end of the term of the forward transaction in foreign currencies than when the transaction was concluded or, in the case of open transactions, that he has to buy/sell less favorably. The risk of loss can significantly exceed the original contract value.

**Credit risk**

The credit risk of forward transaction in foreign currencies consists of the risk of the counterparty's insolvency, i.e. a possible temporary or permanent inability to fulfill the forward transaction in foreign currencies and thus the need for possibly more expensive additional cover in the market.

**Transfer risk**

The transfer options for individual currencies may be specifically limited by the relevant home country of the currency. This would jeopardize the proper settlement of the forward transaction in foreign currencies.

## 5\_12\_Currency swaps

**Definition**

A currency swap is the exchange of two currencies for a specific period of time. The interest rate difference between the two currencies involved is taken into account by means of a premium or discount in the exchange rate. The counter currency is delivered or received with the same value date.

**Return**

The return (profit/loss) for the user of currency swaps results from the positive/negative development of the interest rate difference and can be generated during the term of the currency swap in the event of an offsetting transaction.

**Credit risk**

The credit risk of foreign exchange swaps is the risk of the counterparty's insolvency, i.e. a possible temporary or permanent inability to fulfill the foreign exchange swap and thus a possibly more expensive additional cover in the market.

**Transfer risk**

The transfer options for individual currencies may be specifically limited by the relevant home country of the currency. This would jeopardize the proper settlement of the currency swap.

## 5\_13\_Interest rate swaps (IRS)

**Definition**

An interest rate swap regulates the exchange of differently defined interest liabilities on a fixed nominal amount between two contracting parties. As a rule, this involves the exchange of fixed interest payments for variable interest payments. There is therefore only an exchange of interest payments, but no cash flow.

### **Return**

The buyer of the IRS (fixed-rate payer) earns a return if the market interest rate rises. The seller of the IRS (fixed-rate borrower) earns a return if the market interest rate falls. The return from an IRS cannot be determined in advance.

### **Interest rate risk**

The interest rate risk arises from the uncertainty about future changes in the market interest rate level. The buyer/seller of an IRS is exposed to a risk of loss if the market interest rate level falls/rises.

### **Credit risk**

The credit risk for IRS is the risk of losing positive cash values due to the default of the business partner or, if necessary, having to provide additional cover on the market at a lower price.

### **Special conditions for IRS**

IRS are not standardized. The details of processing must be contractually agreed in advance. These are customized products. It is therefore particularly important to find out about the exact terms and conditions, in particular:

- Nominal amount
- Runtime
- Interest rate definitions

## **5\_13\_1\_Constant Maturity Swap (CMS)**

### **Definition of**

A constant maturity swap regulates the exchange of differently defined interest liabilities on a fixed nominal amount between two contracting parties. As a rule, this involves the exchange of a variable money market interest rate (e.g. 3-month EURIBOR) for a capital market interest rate (e.g. 10-year EUR-IRS). However, this capital market interest rate does not remain fixed for the entire term, but is adjusted at regular intervals.

### **Return**

The buyer of the CMS (payer of the capital market interest rate) earns its return in the event of a flattening of the yield curve, e.g. if capital market interest rates fall and money market interest rates rise. The return from a CMS cannot be determined in advance.

### **Interest rate risk**

The interest rate risk arises from the uncertainty about future changes in the interest rate level on the capital market and the money market. The buyer/seller of a CMS is exposed to a risk of loss if the yield curve steepens/ flattens

## **5\_13\_2\_CMS Spread Linked Swap**

### **Definition**

In a CMS spread-linked swap, differently defined interest liabilities are swapped again. These are usually a money market interest rate on the one side (e.g. 3-month EURIBOR; alternatively, it could also be an interest rate fixed for the entire term), and on the other side the difference between two CMS - e.g. 10-year EUR CMS minus 2-year CMS, often with a factor x (e.g. 2 times). The CMS spread is often provided with a fixed coupon for a certain initial term.

### **Return**

The buyer of the CMS spread linked swap (payer of the difference of the CMS) earns its return in the event of a flattening of the two capital market interest rate curves involved (e.g. 10-year EUR-IRS and 2-year EUR-IRS). The return from a CMS spread linked swap cannot be determined in advance.

#### **Interest rate risk**

The interest rate risk arises from the uncertainty about future changes in the interest rate level of the shorter-term capital market to the longer-term capital market in relation to the interest rate level of the money market (or the level of the fixed interest rate).

## **5\_14\_Foward Rate Agreements (FRA)**

#### **Definition**

The forward rate agreement is used to agree interest rates for future interest periods in advance. As trading takes place on the interbank market and not on the stock exchange, there is no standardization. Unlike the closely related interest rate futures, FRAs are therefore customized products in terms of amount, currency and interest period.

#### **Return**

The buyer/seller of the FRA has fixed the interest rate through the purchase/sale. If the reference interest rate is higher than the agreed interest rate (FRA price) on the maturity date, the buyer receives a compensation payment. If the reference interest rate is below the agreed interest rate (FRA price) on the maturity date, the seller receives a compensation payment.

#### **Interest rate risk**

Interest rate risk arises from uncertainty about future changes in market interest rates. The more the market interest rate rises/falls, the greater the impact of this risk.

#### **Credit risk**

The credit risk with FRAs is the risk of the business partner defaulting, losing positive cash values or, if necessary, having to provide more expensive additional cover in the market at a worse price.

#### **Special conditions for FRAs**

FRAs are not standardized. They are tailor-made products. It is therefore particularly important to find out about the exact terms and conditions, in particular:

- Nominal amount
- Runtime
- Interest rate definitions

## **5\_15\_Interest rate futures**

#### **Definition**

Interest rate futures are forward contracts on short-term investment, money market or capital market securities with a standardized maturity and standardized contract size that are traded on an exchange. Interest rate futures can therefore be used to fix the return on an investment (interest rate or price) in advance. Unconditional obligations are also entered into with an interest rate future, which must then be fulfilled regardless of further developments and the occurrence of the risks mentioned below.

#### **Return**

The return (profit/loss) for the speculative user of interest rate futures transactions results from the difference between the interest rates or prices at the end of the term of the futures transaction and the conditions of this futures transaction. When used for hedging purposes, the financial risk of existing or future positions is reduced.

### **Interest rate risk**

The value of an interest rate future depends primarily on the performance of the yield of the underlying instrument. The risk position of a buyer is therefore comparable to that of a holder of the underlying instrument. The risk arises from the uncertainty about future changes in the market interest rate level.

The buyer/seller of a futures contract is exposed to interest rate risk in the form of the obligation to make additional payments or to fulfill his obligation on the maturity date if the market interest rate rises/falls. The more the market interest rate rises/falls, the greater the impact of this risk. The resulting potential loss can amount to a multiple of the original capital investment (margin).

### **Liquidity risk**

The liquidity risk with futures is that the closing out (sale/repurchase) of the futures in certain markets can lead to noticeable and unfavorable price fluctuations if the order situation is above average.

## **5\_16\_Over-the-counter (OTC) options transactions**

### **5\_16\_1\_Standard Option- Plain Vanilla Option**

The buyer of the option acquires the temporary right to buy (call) or sell (put) the underlying asset (e.g. securities, foreign exchange, etc.) at a fixed price or (e.g. in the case of interest rate options) the right to a settlement payment, which is calculated from the positive difference between the fixed price and the market price at the time of execution. By writing (opening) options, you undertake to fulfill the rights of the option buyer. Options may provide for different exercise conditions:

American type: during the entire term.

European type: at the end of the term.

### **5\_16\_2\_Exotic options**

Exotic options are financial derivatives that are derived from standard options (plain vanilla options).

### **5\_16\_3\_Special Barrier Option**

In addition to the strike price, there is a threshold value (barrier) at which the option is activated (knock-in option) or deactivated (knock-out option).

### **5\_16\_4\_Special form of digital (payout) option**

Option with a fixed payout amount, which the buyer of the option receives in return for payment of a premium if the price (interest rate) of the underlying is below or above (depending on the option) the threshold value (barrier).

### **Return**

The holder of options receives the return if the price of the underlying security rises above the strike price of the call or falls below the strike price of the put and he can exercise his option or sell it (plain vanilla option, activated knock-in option, non-deactivated knock-out option). In the case of a non-activated knock-in option or a deactivated knock-out option, the option right expires and the option becomes worthless. The holder of digital (payout) options receives the income if the threshold value is reached during the term or at the end of the term, meaning that the payout is paid out.

**General risks**

The value (price) of options depends on the strike price, the performance and volatility of the underlying security, the term, the interest rate structure and the market situation. The capital investment (option premium) can therefore decrease until it is completely worthless. If the price of the underlying security does not develop in line with the expectations of the seller of an option, the resulting potential loss can theoretically be unlimited (plain vanilla option, barrier option) or equal the agreed payout (digital option). It should be noted in particular that rights from options that are not exercised on time expire at the end of the exercise period and are therefore derecognized without value. Please note that the securities company or the bank will not exercise your option rights without your express instructions.

**Special risks associated with over-the-counter options transactions**

Over-the-counter options are generally not standardized. They are predominantly customized instruments. It is therefore particularly important to find out about the exact details (exercise type, exercise and expiry). The credit risk when buying OTC options is the risk of losing the premium already paid due to the default of the counterparty and thus indirectly having to provide more expensive additional cover on the market. As tailor-made products, there is typically no regulated (secondary) market for OTC options. It is therefore not possible to guarantee availability at all times.

## 5\_17\_Currency option transactions

**Definition**

The buyer of a currency option acquires the right, but not the obligation, to buy or sell a certain amount of foreign currency at a predetermined rate and time or period. The seller (writer) of the option grants the right in question. The buyer pays the seller a premium for this option. The following types of option exist:

- With the purchase of an option on a call basis, the buyer acquires a right to buy a defined amount of a specific currency at a fixed delivery price (strike price or exercise price) on or before a specific date (delivery date).
- By selling an option on a call basis, the seller undertakes to deliver/sell a defined amount of a certain currency at the strike price at or before a certain date at the request of the option buyer.
- By purchasing an option on a put basis, the buyer acquires the right to sell a defined amount of a certain currency at the strike price at or before a certain date.
- With the sale of an option on a put basis, the seller undertakes to buy a defined amount of a specific currency at the strike price at or before a specific date at the request of the option buyer.

**Return**

The return on a call option can result from the fact that the market price of the currency is higher than the exercise price to be paid by the buyer, whereby the purchase price (= premium) is deducted. The buyer then has the opportunity to buy the foreign currency at the strike price and sell it again immediately at the market price. The seller of the call option receives a premium for selling the option. The same applies analogously to put options in the event of opposing currency developments.

**Risks when buying an option****Risk of total loss of the premium**

The risk when buying currency options is the total loss of the premium, which must be paid regardless of whether the option is exercised in the future.

**Credit risk**

The credit risk when buying currency options is the risk of losing the premium already paid due to the default of the business partner and thus indirectly having to provide more expensive additional cover on the market.

### **Currency risk**

The risk of currency options is that the currency parity may not develop in the way that you based your purchase decision on by the time the option expires. In extreme cases, this can lead to the total loss of the premium.

### **Risks when selling an option**

#### **Currency risk**

The risk when selling options is that the market value of the foreign currency may not develop in the way that the seller based his decision on by the time the option expires. The resulting potential loss is not limited for written options. The premium of the currency option depends on the following factors:

- Volatility of the underlying exchange rate (measure of the fluctuation range of the market value)
- selected exercise price
- Term of the option
- current exchange rate
- Interest rates of the two currencies
- Liquidity

#### **Transfer risk**

The transfer options for individual currencies may be specifically limited by the relevant home country of the currency. This would jeopardize the proper settlement of the transaction.

#### **Liquidity risk**

As tailor-made products, there is typically no regulated secondary market for currency options. It is therefore not possible to ensure that they can be sold at any time.

### **Special conditions for currency options**

Currency options are not standardized. It is therefore particularly important to find out about the exact details, especially about:

Exercise type: Can the option right be exercised continuously (American option) or only on the exercise date (European option)?

Expiry: When does the right expire? Please note that the securities company or bank will not exercise your option rights without your express instructions.

## **5\_18\_Interest rate options**

### **Definition**

Interest rate options represent an agreement for an upper or lower interest rate limit or an option on interest rate swaps. They serve either

- a) for hedging purposes or
- b) to generate income on a speculative basis.

A distinction is made between calls and puts. Common special forms are: Caps, floors or swaptions etc. The buyer of a cap secures an upper interest rate limit fixed by the strike price for future borrowing. In the event of speculation, the value of the cap increases as interest rates rise. The sale of a cap can only be

used as a speculative instrument, whereby the seller receives the premium and undertakes to make compensation payments. With floors, the buyer secures a minimum interest rate on a future investment. In the case of speculation, the value of the floor increases if interest rates fall.

ad a) for hedging purposes

Depending on the selected reference term, the current three-month or six-month market interest rate is compared with the hedged strike every three or six months. If the market price is higher than the strike price, a compensation payment is made to the cap holder.

ad b) to generate income on a speculative basis

The value of the cap increases with rising interest rates, although the forward interest rates (future interest rates traded today) and not the current interest rates are decisive here.

The same applies analogously to the purchase/sale of a floor. Here, the buyer hedges an interest rate floor, while the seller holds a speculative position. A swaption is an option on an interest rate swap (IRS = agreement on the exchange of interest payments). A basic distinction is made between payers (= fixed payers) and receivers swaptions (recipients of the fixed side of the IRS). Both types of option can be bought and sold. A distinction is also made between two types of settlement with different risk profiles:

### **Swaption with swap settlement**

The buyer enters into the swap when the swaption is utilized. With the purchase of a payer swaption, the buyer acquires the right to pay the fixed interest rate agreed in the exercise price on the delivery date on the basis of a certain nominal amount and to receive variable interest payments in return. With the sale of a payers swaption, the seller undertakes to receive the fixed interest rate agreed in the exercise price on the delivery date on the basis of a certain nominal amount and to pay variable interest amounts in return. With the purchase of a receiver swaption, the buyer acquires the right to receive the fixed interest rate agreed in the exercise price on the delivery date on the basis of a certain nominal amount and to pay variable interest amounts in return.

With the sale of a receiver swaption, the seller undertakes to pay the fixed interest rate agreed in the exercise price on the basis of a certain nominal amount on the delivery date and to receive variable interest payments in return.

### **Swaption with cash settlement**

If the swaption is utilized, the buyer receives the difference between the present values of the swaps at the swaption interest rate or the current market interest rate.

### **Return**

The holder of interest rate options receives the return if the market interest rate level on the exercise date is above the strike price of the cap or below that of the floor. In the case of swaptions, the income is received if the market interest rate level on the exercise date is above the agreed strike price for payer swaptions or below the agreed strike price for receiver swaptions. The option premium received remains with the seller, regardless of whether the option is exercised or not.

### **Interest rate risk**

The interest rate risk arises from the possibility of future changes in the market interest rate level. The buyer/seller of an interest rate option is exposed to an interest rate risk in the form of a price loss if the market interest rate level rises/falls. The more the market interest rate rises/falls, the greater the impact of this risk. The resulting potential loss is not limited for the seller.

The premium for the interest rate option depends on the following factors:

- Interest rate volatility (fluctuation range of interest rates)
- selected exercise price



- Term of the option
- Market interest rate level
- Current financing costs
- Liquidity

These factors can have the effect that – although your expectations with regard to the interest rate development of the option have been met – the price of the option remains the same or falls.

#### **Credit risk**

The credit risk when purchasing interest rate options is the risk of losing positive cash values due to the default of the business partner or, if necessary, having to provide additional cover on the market at a lower price.

#### **Risk of total loss on purchase**

The risk when buying interest rate options is the total loss of the premium, which must be paid regardless of whether the option is exercised in the future.

#### **Special conditions for interest rate options**

Interest rate options are not standardized. They are exclusively customized products. It is therefore particularly important to find out about the exact details, especially about

Exercise type: Can the option right be exercised continuously (American option) or only on the exercise date (European option)?

Exercise: Delivery of the underlying asset or cash settlement? Expiry: When does the right expire? Please note that the securities company or bank will not exercise your option rights without your express instructions.

## **5\_19\_Cross Currency Swaps (CCS)**

#### **Definition**

A cross currency swap regulates both the exchange of differently defined interest liabilities and of different currencies for a fixed nominal amount between two contracting parties. As a rule, this involves the exchange of fixed interest payments in two different currencies. Both interest payments can of course also be made in variable interest liabilities. The cash flows are made in different currencies on the basis of the same principal amount, which is fixed at the respective spot rate on the trade date. In addition to the exchange of interest obligations or interest receivables, capital is exchanged both at the beginning (initial exchange) and at the end of the term (final exchange). Depending on the needs of the individual business partners, the initial exchange can be omitted.

#### **Return**

The income from a CCS cannot be determined in advance. If the exchange rate and the interest rate differential develop positively, a return can be generated if the CCS is terminated prematurely. If the CCS is concluded to improve the interest rate differential, income can be generated from the lower interest rates in another currency. However, this can be offset by possible currency losses. If the exchange rate develops positively, the return can even be improved.

#### **Interest rate risk**

The interest rate risk arises from the uncertainty about future changes in the market interest rate level. The buyer/seller of a CCS is exposed to a risk of loss if the market interest rate level falls/rises.

**Currency risk**

The currency risk arises from the uncertainty about future changes in the exchange rates of the currencies involved. It is particularly important to note that in the case of a CCS with a final exchange, the currency risk exists not only in the event of the default of a contracting party, but throughout the entire term.

**Credit risk**

The credit risk when buying/selling CCS is the risk of having to provide additional cover in the market if the business partner defaults.

**Special conditions for CCS**

CCS are not standardized. They are customized products. It is therefore particularly important to find out about the exact conditions, in particular:

- Nominal amount
- Runtime
- Definition of interest
- Currency definition
- Course definition
- Initial Exchange yes or no

## 5\_20\_Information on creditor participation in the event of the restructuring or liquidation of a bank („Bail-In“)

The EU Bank Recovery and Resolution Directive (BRRD) provides uniform rules and instruments for the restructuring and settlement of banks throughout Europe. This was implemented in Austria per Federal Law on the Restructuring and Settlement of Banks (Bundesgesetz über die Sanierung und Abwicklung von Banken, BaSAG).

The BaSAG governs the “Bail-In” of bank creditors in case of liquidation under regulatory law, so that bank insolvencies do not need to be government funded.

Authorities may apply the following instruments in case the default of a bank is imminent:

**Business sale:**

The assets and/or liabilities of a bank are transferred in whole or in part to the buying party. This means a change of the contracting party or the debtor for customers and creditors of the bank.

**Interim owner:**

A public institution assumes the liabilities and/or assets of the bank affected by the resolution. Again, there is a change of contractor/debtor for customers/creditors.

**Liquidation:**

This is also called “bad bank” concept. The assets and/or liabilities of the bank are transferred to special purpose entities for reduction. Again, there is a change of contractor/debtor for customers/creditors.

### **Creditor participation (“Bail-In”):**

In case of a liquidation on official order, the equity and debt capital of a bank are fully or partially written off or converted into equity capital in order to stabilise the bank. Shareholders and creditors may incur substantial losses as their claims can be reduced to zero.

This is the current order of loss transfer:

- 1\_ Shares and other equity instruments
- 2\_ Subordinated liabilities (e.g., supplementary and subordinated bonds, “Tier 2”)
- 3\_ Unsecured subordinated financial instruments / receivables that do not count Tier 1 or Tier 2 capital
- 4\_ Unsecured, non-subordinated financial instruments and receivables (unsecured bank bonds and certificates)
- 5\_ Finally, deposits of companies and natural persons, which are not covered by government deposit protection

The “Bail-In” does not include deposits fully covered by deposit protection as well as covered bonds and separate estate (e.g. investment funds). Since the rules of the BRRD apply in all EU member states, creditor participation can also be implemented for bank bonds from other EU countries, although the national rules may differ in detail.

### **Risk warning:**

The statutory bail-in measures described can create a total loss of capital for creditors of a bank. It may also prove difficult to sell a bank bond in case of restructuring or liquidation and may be possible only with a significant loss of value. A product may be legally covered by a bail-in measure even if there are no details on loss participation stated in the prospectus or the flyer.

For further information please refer to the website of the Austrian National Bank:  
<https://www.oenb.at/Finanzmarktstabilitaet/bankunion/einheitlicherabwicklungsmechanismus/sanierung-und-abwicklungsrichtlinie.html>

## **6\_Market-based Payments**

In accordance with §73 par. 9 WAG 2018, we would like to draw your attention to the publication of the FMA on the range in fees customary for investment firms.

The professional association of financial service providers of the Austrian Federal Economic Chamber (WKO) collects data on the fees customary in the market on a regular basis. These are published on the homepage of the Austrian Financial Market Supervisory Authority (FMA). The publication is intended to provide guidance for clients and also help to identify possible conflicts of interest.

The following comments by WKO on the allocation of market charges are published in accordance with §73 par. 3 WAG 2018:

Market rates are net figures without sales tax due.

Cumulative fees are not taken into account.

Charges may differ in each category due to frame conditions and the scope of services offered.

This publication is not a recommendation on the part of the FMA. The results of the survey of the WKO are statistical data from the past and do not make any statements about future developments. Market participants are free to decide to what extent customary fees will be charged above or below the published range.

The current publication on market fees of the FMA is available at: [www.fma.gv.at](http://www.fma.gv.at) => Aufsicht => Finanzdienstleister => Wertpapierdienstleister => Marktübliche Entgelte