**RISK DISCLOSURE STATEMENT (ODP)**

## 1. INTRODUCTION

Unum Prime (Pty) Ltd (**"Unum Prime"**) registration number **2020/679752/07** is a private company registered in accordance with the laws of South Africa and an authorised Over the Counter Derivative Provider (**"ODP"**) number **081** with the Financial Sector Conduct Authority (FSCA).

**1.1.** In terms of the conduct standard 2 of 2018 of the Financial Markets Act 19 of 2012 an Authorised ODP must disclose risks to a Client so as to enable the Client to make an informed decision.

**1.2.** The information in this Risk Disclosure Statement is general information only and does not take into account your personal objectives, financial situation, knowledge and experience in the Financial Markets. Clients or potential Clients must ensure that any trading they undertake in relation to the products described in this Risk Disclosure Statement is appropriate, considering the aforementioned.

**1.3.** Clients or potential Clients should consider these factors and seek independent professional advice before making decisions about Financial Products as defined in the relevant legislation and as offered by Unum Prime.

**1.4.** If the Client wishes to conclude any transactions with Unum Prime, they are required to agree to the Unum Prime Terms and Conditions and our Policies and Procedures.

## 2. GENERAL RISK DISCLOSURES

### 2.1. Appropriateness

The prospective or existing Clients should consider whether the financial product is appropriate, considering their personal objectives, financial position, knowledge and experience.

All Clients are required to complete, during the onboarding process, a financial product appropriateness test. In the event that the results of the test find the product not appropriate, the Client will have the opportunity to continue with the investment at their own risk.

### 2.2. Economic risks

Due to changes and adverse movements in the economic conditions, this may lead to an impact in the performance and value of your investments.

### 2.3. Political Risk

Investment returns may suffer due to political changes or instability in a country. Changes in government, legislative bodies, or foreign policy decisions may affect the value of your investments.

### 2.4. Tax Risk

A withholding tax may be applied depending on your tax status or the countries and institutions involved in your transactions. Tax laws and policies may change, impacting the value of your investments or returns. Clients are responsible for obtaining their own taxation advice.

**2.5. Regulatory Risks**

Legal, tax, and regulatory changes during the investment term could negatively affect your investments. The impact of future court decisions or regulatory changes on certain portfolios could be substantial.

**2.6. Software / Platform Risk**

Any prospective or existing client website, platform, software, and content are provided on an “as is” and “as available” basis. There is no warranty that the process for creating a transaction is error-free. There is an inherent risk that the software could contain weaknesses, vulnerabilities, bugs, etc., that could cause complete loss of website or the platform.

**2.7. Cybersecurity Risk**

Hackers or malicious groups may attempt to compromise systems, including but not limited to malware attacks, denial of service attacks, consensus-based attacks, or data breaches, potentially affecting your investments.

**2.8. Liquidity Risk**

Certain investments may become illiquid, making it difficult to exit a position quickly. Market conditions may also limit liquidity, leading to higher transaction costs or losses.

**2.9. Confidentiality**

The Client warrants that all investment objectives and any other information provided to us remain accurate and correct throughout the duration of our relationship. Unum Prime will ensure that this information is continuously protected from unauthorised access and will only process it for its intended purpose, in accordance with applicable data protection laws.

**2.10. Technology risk**

The risk of failures in system interfaces provided for Client use due to unforeseen circumstances. This includes Unum Prime Intellectual Property or third-party provider systems.

**2.11. Investment Performance**

There is no guarantee that the investments past performance of the OTC Derivative products or the underlying assets past performance will guarantee future performance.

**2.12. Segregated Accounts**

It is a requirement to hold Client funds in a segregated trust account in accordance with regulations of the FMA, however while this may afford protection since our banks are selected based on solidity, this does not eliminate the element of risk.

**2.13. Conflicts of Interest**

Securities invested in maybe managed with conflicted managers. The Client should enquire if adequate controls are in place to ensure that any conflicts/ potential conflict of interest are addressed.

### 2.14. Operational Risk
The lack of a central system for trade settlement, processing and clearing procedures may hinder and/or delay the execution and settlement of your trades.

## 3. INSTRUMENT SPECIFIC RISKS: (Applicable to Over-the-Counter Derivatives: Swaps)

### 3.1. Market Volatility
Adverse market conditions may increase due to macro-economic factors and could impact the value of the Swap leading to low returns.

### 3.2. Credit Risk
The possibility that one party in the Swap agreement may default on its obligations, leading to losses for the other party.

### 3.3. Concentration Risk
Risk may arise from a Client holding a significant exposure in a single Swap. Investing in multiple Swaps spreads the risks and may decrease the probability of total loss.

### 3.4. Exit Costs
Should a Client request to early exit a position with a fixed maturity date, there may be an additional costs involved in this process.

### 3.5. Maturity Risk
The longer the duration of a Swap, the greater the uncertainty regarding future market conditions, increasing exposure to various risks over time.

### 3.6. Reinvestment Risk
The risk that the return received from a Swap may need to be reinvested at lower price, leading to reduced overall returns.

### 3.7. Fees might be high.
There may be fees associated with investing in a Swap and these fees might be significantly higher than the fees charged on traditional investments. Investments should be made only where the potential returns justify the higher fees. The deduction of charges and expenses means that the Investor may not get back the amount initially invested.

### 3.8. Price dislocation / Fat tail risk
Investing in a Swap/Derivative potentially poses a higher risk, and Swaps may be subject to sudden and large fluctuations in value.

### 3.9. Model performance
Some of the historical information may be based on a back-tested models/ baskets of instruments, may be theoretical in nature, may not include all costs (including cost of trading), and ignores market inefficiency and slippage.

### 3.10. Past Performance might be theoretical
Securities in general, are on occasion marketed using theoretical or paper track records, and theoretical past performance is often an even less reliable indicator, and Clients should place a lower significance on these.

**3.11. Fees might be performance-based.**

Swaps may reference assets which have fees that are typically performance-based. This means that higher fees are charged when the Swap's reference assets performance exceeds specified performance targets, which may encourage riskier positions.

**3.12. Transaction costs might be high**

Given the often-short-term nature of investment positions, Swaps are often traded more aggressively. This implies more trading commission and charges being paid from the Swap, which is ultimately from the Client's account.

**3.13. Unlisted instruments might be valued incorrectly**

Investing in a Swap which references an unlisted asset implies that market values are not determined by willing buyers and sellers or the underlying reference asset. The valuation of such reference assets may require estimation, and these estimates could be inaccurate, potentially resulting in a misleading assessment of the Swaps' value.

**3.14. Reference assets may be low-grade.**

Swaps may be susceptible to defaults on interest or principal. Additionally, they may exhibit more volatile valuations as market perceptions of credit risk fluctuate. Clients should review their investment strategy to understand the lowest acceptable ratings and maximum percentage exposures associated with these underlying reference assets.

**3.15. Complex investments might be misunderstood.**

A Swap is a derivative, and it is complex in nature, and volatile. If its traded over-the-counter (OTC), this can elevate counterparty risk. Exotic instruments may also pose challenges in terms of administration and accurate valuation. Clients should seek clarity on how these instruments are objectively and independently valued.

**3.16. The Client may be caught in a liquidity squeeze**

Market liquidity in Swaps is not always stable, and if liquidity was to suddenly decrease, it may be difficult to close a position rapidly or at a good price, which may lead to losses.

**3.17. Accountability may be vague**

The reference asset for the Swaps may rely on the trading and/or investing expertise of a specific individual, the identity of which may not be disclosed to the Client, and the Client should ensure that adequate controls are in place for situations when the manager is covered by colleagues.

**3.18. Transparency might be low**

Performance of an investment is often driven by unique proprietary strategies or contrarian investment positions taken in the reference assets, and there may be a requirement to keep these strategies confidential.

**Date: 22 October 2024**