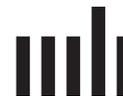




# Statement of risk warnings



## 1 General

Marcuard Heritage (Europe) Ltd is required to warn the Client about the risks of investing in the capital markets and of transacting in financial instruments. The Client should be aware that there are significant risks in investing in the capital markets and that past performance is not a guide to or guarantee of future performance.

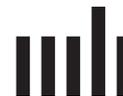
This notice cannot disclose all the risks and other significant aspects of transacting in financial instruments and the capital markets at large. The Client should not deal in financial instruments unless the Client understands their nature and the extent of the Client's exposure to risk. The Client should also be satisfied that the specific financial instrument(s) that the client selects is/are suitable for the Client in the light of the Client's circumstances and financial position. Some financial instruments are unsuitable for many investors. Different financial instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments the Client should be aware of the items listed here below. The Client should be aware that there are significant additional risks in investing in securities of any issuer located in Higher Risk Countries, including but not limited to the Russian Federation, Ukraine, any country in the current or former Commonwealth of Independent States (collectively, the "CIS") and countries of the African continent (collectively "Higher Risk Countries") which are not typically associated with well-developed markets. It is highly speculative, involves a high degree of risk and may result in the loss of the entire investment. Generally, such investment is only suitable for sophisticated investors who fully understand and appreciate the risks involved. Accordingly, the Client should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, investment is appropriate.

This notice is not intended to be exhaustive and there may be other risk factors which the Client should take into account in relation to a particular investment. The Client should also note that the information contained in this notice may become out-dated relatively quickly.

The Client hereby acknowledges and accepts that it has been properly notified by Marcuard Heritage (Europe) Ltd with respect to the risks listed herein and acknowledges and accepts that any one or more of these risks could lead to loss which could, in certain circumstances, far exceed the initial Clients' investments and capital deposited. Where one invests with prime focus in emerging Markets the risks identified here below refer extensively to such markets. Note though that most of these risks apply or could potentially apply to more advanced markets too.

## 2 Political risks

Factors such as external or internal conflicts, coups and racial and national tensions create political instability in Higher Risk Countries. Political instability can significantly influence an issuer's ability to generate earnings and stock market returns. Furthermore, changes in the political scene may have an impact on the ability to repatriate capital, dividends and profits earned and generally on investment ownership rights. In most Higher Risk Countries it is not possible to say whether political reforms aimed at creating a multi-party democracy and transition from a centrally planned economy to a market economy will be successful. There is the possibility that these goals could be disrupted or even reversed due to political, social, economic ethnic or religious instability. Higher Risk Countries are frequently criticized for the lack of transparency and fairness in their electoral processes and the results of such processes may not always be acceptable to the international community. Higher Risk Countries may also be faced with corruption within their governmental, administrative and financial systems and practices. Higher Risk Countries may face adverse international relations and/or international economic sanctions and/or international attention to their practices with respect to the prevention of money laundering and financial crime and their practices on the international effort to combat terrorism. Sanctions may apply to the Higher Risk country as a whole or to natural or legal persons from or affiliated with such Higher Risk Countries. There is a particular risk in the Higher Risk Countries that guarantees of investor protection may not always be honoured, and that policies encouraging foreign investment may be abandoned, interrupted or reversed. There can be no assurance that any Securities or the assets of the issuer of the Securities will not be subject to nationalization, requisition or confiscation, or compulsory reorganization by any authority or body and attention is drawn to the fact that certain constitutions within Higher Risk Countries may allow respective national governments to undertake such actions without respective obligations for fair compensation.



### **3 Environmental risks**

Many Higher Risk Countries have not historically observed international standards for the protection of the environment and for the avoidance of pollution, including industrial pollution. A number of Higher Risk Countries may face heavy financial penalties and clean-up costs imposed on polluting companies or other responsible entities within their respective jurisdictions.

### **4 Climate change risks**

The economies of Higher Risk Countries are vulnerable to the impact of environmental and climatic change and other types of national disaster. Problems may be particularly severe given the relative economic importance of climatically sensitive sectors (such as agriculture and fisheries), the lack of appropriate emergency management and the limited human, structural and financial capacity to respond to extreme weather conditions and natural disasters. Extreme weather conditions (whether or not linked to climate change) and other natural disasters could lead to social crises, including famine, epidemic and environmental migration, and may have a material adverse effect on an investor's returns as well as on economic conditions generally. Some Higher Risk Countries may impose heavy penalties on issuers which are responsible for pollution which may include fines or forfeiture of property.

### **5 Economic risks**

The underlying economic infrastructure of many Higher Risk Countries is significantly less developed than in more mature economies and many Higher Risk Countries suffer from major macroeconomic problems including hyperinflation, public deficits, unemployment, overdependence on the performance of one or more particular sector(s) including the oil and gas sector in a number of Higher Risk Countries, volatile interest rates, shortages of basic raw materials and increased levels of poverty. Economic policies and reforms may be taken for reasons other than long term macroeconomic environment for issuers of any Securities and prolonged periods of severe economic disruption potentially also leading to total economic collapse. Poor infrastructure including, without limitation, telecommunications and transport systems, and an inefficient banking sector, can hinder business development. The limited supply of domestic savings, coupled with the absence of mechanisms and institutions through which new capital can easily be raised, may give rise to problems in obtaining funding. There are also high levels of external debt which, if maintained, could weaken the economic situation of Higher Risk Countries. Government policies within Higher Risk Countries may be of an interventionist nature which may impact the operation of the respective capital market including the banking sector and the stock market. Government interest rate policies (aimed for example at controlling inflation or boosting economic growth) will also impact the performance of the respective stock market as higher interest rates may make Investments in equities less attractive and vice versa.

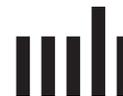
### **6 Legal, regulatory and operational environment**

#### **6.1 Legal environment**

There does not yet exist in many Higher Risk Countries the legal and regulatory system necessary for the proper and efficient functioning of a modern, efficient and transparent capital market. This may include the non-existence or limited functioning of market regulators, incomplete legislation and regulations pertaining to the capital markets and no or limited investor compensation schemes. There is therefore a high degree of legal uncertainty as to the nature and extent of investor's rights and the ability to enforce those rights. Many advanced legal concepts which now form significant elements of mature legal systems are not yet in place or, if they are in place, have yet to be tested in courts. It is difficult to predict with a degree of certainty the outcome of judicial proceedings or even the quantum of damages which may be awarded following a successful claim. In Higher Risk Countries, courts, arbitration courts and agencies may not consider themselves bound by precedents so the Client may find it difficult to pursue legal remedies or enforce judgements of foreign courts. Furthermore, many relevant regulations are unclear in scope, which increases the risk that transactions entered into in good faith and with professional advice, could later be seen to be in breach of such regulations and subject to challenge. There is likely to be rapid change in many Higher Risk Countries as new legislation is implemented.

No liability on the part of Marcuard Heritage (Europe) Ltd shall exist as a result of losses sustained or damage caused by a change of law, regulation or interpretation or the inconsistent or capricious application of any law or regulation by any relevant authority. No liability on the part of Marcuard Heritage (Europe) Ltd or its Associated Firms shall exist where Marcuard Heritage (Europe) Ltd acts in accordance with reasonable commercial practice for Western investment advisers operating in the Securities market of Higher Risk Countries.

Marcuard Heritage (Europe) Ltd and its Associated Firms will not be liable for any and all claims, losses, costs, damages of any nature whatsoever or claims expenses from any cause or causes, including attorneys' fees and costs and expert witness fees and costs on the Clients behalf.



## 6.2 Corporate governance

The level of disclosure of information relating to an issuer's business and ownership to Securities holders may be much less extensive than in more sophisticated markets. Thus, Securities holders have little knowledge of, and less control over, the business decisions of management. There may be less legal protection for minority Securities holders and remedies for mismanagement are undeveloped. Management may have limited fiduciary duties to the company or the Securities holders as a whole, and laws preventing companies selling assets or otherwise dealing at undervalue are not extensively developed. Also, there may be legal and practical obstacles in the way of controlling and dismissing a company's management. It cannot be assumed that regulatory authorities have the ability or the will to enforce legislation to protect investor's interests. Furthermore, Accounting and Financial Reporting Standards and practices in Higher Risk Countries may vary significantly from internationally accepted standards. It may therefore be difficult to obtain reliable financial information and perform a comprehensive financial evaluation. Great care must therefore be taken to assess asset, business and Securities' valuations.

## 6.3 Taxation

Tax law and practice is not clearly established and there is significant uncertainty as to the position of investors (local or international) in many higher Risk Countries. Tax inspectorates often have very wide powers but little experience in applying Taxes in a way which investors would expect in more mature economies. It is possible therefore that a current interpretation of Tax law or practice may change or, indeed, that a specific Tax law may be changed with retrospective effect. Marcuard Heritage (Europe) Ltd as well as the Client could become subject to taxation in Higher Risk Countries that is not anticipated when Investments are made and this could impact the overall investment performance. There is no guarantee that applicable double tax treaties, entered into or confirmed by countries of the Higher Risk Countries and currently adhered to will remain in place or will not be changed. Client's attention is drawn to the fact that the proceeds from any sale of Securities or the receipt of any dividends and other income may be subject to Tax levies, duties or changes imposed by Higher Risk Countries.

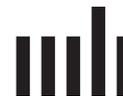
## 7 Investment risks

### 7.1 Settlement procedures and ownership risks

The capital markets in many Higher Risk Countries, and the institutions on which they depend, are undeveloped. Therefore, the procedure for settlement, clearing and registration of security transactions can give rise to technical and practical problems. In the worst cases this could lead to disputes over title to Securities. In other cases, inefficient systems may result in delayed payments. Risks may also arise in relation to local custody arrangements; the provision of custody services is a relatively novel practice, and the controls put in place in more mature markets may not be available. In addition, the country-specific law of many Higher Risk Countries (particularly those in the CIS and African countries whose legal systems are based on European civil law systems) generally do not recognize the distinction between legal and beneficial ownership with the consequence that nominee arrangements cannot be guaranteed to be effective. This can have significant adverse tax implications for the Client because of uncertainty as to the tax treatment and liability to tax as between the custodian and beneficial owner. Securities, especially equity securities, are usually registered in book-entry form only and are not evidenced by actual certificates. Title is therefore dependent on the register of stockholders being properly maintained. At worst, the Client could lose the value of their investment because their interest in securities has not been correctly registered or has been removed, or the register itself has been lost or destroyed. In addition, the Client may have to make payment on a purchase or delivery on a sale before receipt of Securities or, as the case may be, sale proceeds. Where Marcuard Heritage (Europe) Ltd is offering Custodian services to the Client in Higher Risk Countries, the above risks may impact the ability of Marcuard Heritage (Europe) Ltd to execute these custody services.

There is no centralized source of disclosure of corporate actions in many High Risk Countries. The obligation of the issuers may be limited to press announcements. There is therefore the risk of an announcement not being noticed, especially where the issuer has selected the press route as the sole route for public notification of such corporate actions. We will bear no responsibility or liability for failure on our behalf or by our sub-custodians to locate or identify such relevant events.

We also advise the Client that where an issuer has not distributed dividends within one year of the announcement of the relevant corporate action, the legal owners of the relevant Securities may never receive their dividend entitlements. Furthermore, during the one year period, the issuer may pay the registered owners of the relevant Securities at different times. As a result, we may only pay distributions to the Client in respect of Securities of which we or our sub-custodians are the legal owners upon (a) full payment being received from the Issuer or (b) one year having passed from the date of the issuer's corporate meeting where the distribution was declared. We advise the Client that because of the above factors, we may not be able to participate on the Client's behalf, partially or entirely, in all events to which the Client may be entitled to participate and as a result we will not accept any liability for any losses or liabilities, direct



or indirect, that the Client may incur whilst dealing in such conditions or in cases where we are only in a position to partially act on the Client's behalf.

#### 7.2 Market liquidity and volatility

Many of the Securities which the Client may invest in may not be traded on a Stock Exchange or on an organized market. There is therefore the risk that Investments could not be easily liquidated and the valuation of Investments will be more difficult. The Client is notified and acknowledges that the Investments that may be contemplated herein may be highly volatile and relatively illiquid and that there is no guarantee of a return on the investment and no guarantee that a return of or repatriation of any of the invested amounts in a convertible currency will be possible.

#### 7.3 Repatriation of funds

The laws of certain Higher Risk Countries can in some cases prohibit the repatriation of funds invested therein. Therefore, there can be no guarantee that all such funds will be capable of being remitted to the Client. Although certain Higher Risk Countries, including CIS countries have specific legislation which currently provides assurances of the rights of foreign investors to remit profits and dividends from their Investments, such rights may be subject to restrictions. The legislation of Higher Risk Countries may change or be reinterpreted to prevent repatriation.

#### 7.4 Investment restrictions

Foreign investment in Securities of issuers in Higher Risk Countries is or may become, in certain cases, legally restricted or may become restricted for reasons beyond Company's or the Client's control or understanding. Such actions can affect liquidity, prices of Securities and the overall value of the investment. Sometimes these restrictions are contained in constitutional documents of a company which may not be easily obtainable. The Client acknowledges that ownership of certain Securities in certain Higher Risk Countries is restricted by citizenship, nationality, residency or other requirements which ultimately may purport to implement the policies of certain governments. Marcuard Heritage (Europe) Ltd believes that the inability of the Client under the contract to dictate the purchase of the instruments by the local Associate of Marcuard Heritage (Europe) Ltd results in no imputable beneficial ownership.

There is a risk that local officials could interpret arrangements to be agency type arrangements and attribute the beneficial ownership of the instruments to the Client. The Client acknowledges that such a treatment of the arrangements could have significant negative implications. The Client acknowledges that he/she is familiar with the risk inherent in purchasing Securities in Higher Risk Countries or related to Emerging Markets, including, without limitation, the risks inherent in purchasing synthetic investments in Higher Risk Countries and that he/she accepts such risks.