ets | ASSET MANAGEMENT FACTORY

INFORMATION ON THE NATURE AND RISKS OF FINANCIAL INSTRUMENTS ON WHICH ADVICE MAY BE PROVIDED BY EXPERT TIMING SYSTEMS INTERNATIONAL, EAF, S.L.

EXPERT TIMING SYSTEMS INTERNATIONAL, EAF, S.L. (hereinafter "ETS") has the obligation, in fulfilment of the terms established in Directive 2014/65/UE, on Markets in Financial Instruments ("MiFID II") and its development regulations, to provide its clients or potential clients information in a comprehensible manner on the nature and risks of financial instruments that, if appropriate, advice may concern.

That information must be sufficient, impartial, clear and non-deceitful, so the clients or potential clients, as appropriate, may make each decision to invest or subscribe the services offered on the basis of adequate information. Thus, we ask you to let us know any doubts you may have after reading this document.

In fulfilment of the foregoing, we now provide that information below in order for you to have due knowledge of the conditions and characteristics of the financial instruments with which ETS may provide the advisory service to its clients. This information shall be updated periodically and, in all events, when ETS considers it necessary, as corresponds to the advisory service to be provided.

FINANCIAL INSTRUMENTS

1. GENERAL DESCRIPTION OF THE NATURE OF FINANCIAL INSTRUMENTS: COMPLEX AND NON-COMPLEX PRODUCTS

The MiFID regulations classify products as NON-COMPLEX and COMPLEX. However, there is no closed list of products of one type or the other.

However, in simplified terms, and considering the financial instruments regarding which, if appropriate, advice may be provided by ETS, we could provide the following classification:

NON-COMPLEX	COMPLEX
Variable yield listed on regulated markets	Private fixed yield with no frequent possibilities of sale or liquidation on markets
Public debt	Derivative products (listed, OTC, Warrants)
Private fixed yield products (except that included in another category)	Structured
Harmonised Collective Investment Institutions (CII)	Free Collective Investment Institutions (Hedge Funds)

2. TYPES OF FINANCIAL INSTRUMENTS

A. VARIABLE YIELD

Definition and main characteristics:

Variable yield is the name usually given to investment in assets that do not guarantee return of the capital invested or receipt of a specific yield, either in quantity or time. Shares are the absolute variable financial asset, and these may be defined as titles representing each one of the equal parts into which the stock capital of a company is divided.

Shares grant their owner (shareholder) financial rights (distribution of profit by dividends, preferential participation in capital increases, a share in the assets arising from liquidation) and political rights (information, participation and voting at the General Meeting of Shareholders).

With shares, it is not possible to have certain knowledge of the profitability that will be obtained from the investment. Both the price at which they shall be sold as well as the dividends to be received during the term they are held are uncertain. Shares are considered, for the purposes of the MiFID, to be non-complex financial instruments.

Likewise, preferential subscription rights are considered non-complex financial instruments in the process of automatic assignment to the shareholders (e.g.: capital increase), as they are considered to be a component of the share when the instrument that may be subscribed is the same as that which gave rise to the right. This is also understood regarding acquisition on the secondary market of the subscription rights that are strictly necessary to round up the number of rights required to acquire the relevant share.

However, when exercising subscription rights implies purchase of financial instruments that are different from the shares that gave rise to these, such rights must be considered to be complex or non-complex instruments according to the classification of the instruments offered for sale.

When the subscription rights are acquired on the secondary market, they must be classified as complex products, except in the aforementioned case with regard to the rounding up required to acquire the relevant share.

Main risks associated with such assets:

One must point out that risk, as a characteristic inherent to variable yield securities, means uncertainty, and that implies the possibility not only of obtaining lower profitability than foreseen, but also, with the same probability, of obtaining greater ones.

The listing of a share depends at all times on how the company issuing is valued by the market participants. That valuation depends on different factors, the main ones of which are the expectations of future profit from the company and its growth rate. Other factors also have an influence, such as the expectations regarding different macroeconomic indicators, investor confidence, etc.

In general, when one speaks of the risk of a listed company (depending on the source) one normally considers just the price risk, as it is understood that the rest of the risks are already included in this.

Moreover, there may be an exchange risk in the case of shares issued, or that are listed in currencies other than the euro.

A. FIXED YIELD

Definition and main characteristics:

Fixed yield securities cover a wide range of negotiable instruments that are issued both by private companies as well as public institutions. In generic terms, we may define fixed yield as the set of financial assets with a set maturity, that offer a fixed yield linked to a constant interest rate.

Financially, they represent loans that the entities issuing such financial instruments receive from investors.

On the contrary to what happens with variable yield, the holder of fixed yield securities has financial but not political rights, as they do not hold any title of ownership whatsoever to the shares of the Company issuing the financial instrument concerned. What is most important is the right to receive the interest agreed and to reimbursement of all or part of the capital invested on a specific date, depending on whether it is simple fixed yield or not.

As a general rule, these products are considered non-complex financial instruments, although in cases in which, due to their special characteristics, or because their structure contains a complex instrument, they may be considered a complex instrument. Within the latter section, we could include, for example, preferential shares/stakes, the mixed nature of which (Fixed Yield – Variable Yield) means they are considered as such.

Main risks associated with such assets:

As a general rule, the investment risk of such products is that of the profit obtained from the investment being lower than initially expected.

One must also bear in mind another principle of a general nature, which is that the prices of financial assets are sensitive to the general expectations regarding the evolution of the economy, on the specific behaviour of certain sectors or companies, etc.

There are other risks associated with investment in fixed yield securities, such as those of exchange rate (risk of variation in currency exchange rates; that shall thus only affect instruments denominated in currencies other than the euro) and operating or procedural risk. This would arise from the possibility of errors being made when transmitting instructions to buy or sell to the financial institutions. That is the only risk that the investor may completely rule out by carefully checking the orders before transmitting them to the intermediary. It is then necessary to check that the executions match the instructions transmitted and the market status, and to perform adequate periodic monitoring of the securities accounts.

There are also other important sources of risk that may affect the profitability of a fixed yield security, that we describe below:

a) Rate and price risk

Price risk involves the possibility that, when the investor wants to sell the asset, its sale price is lower than that of purchase. In the case of fixed yield, that risk is fundamentally linked to evolution of the interest rates and it is manifest when the timing horizon of the investment is lower than the term to maturity of the security.

When an investor acquires an asset with a longer maturity than the actual investment term, when that date falls due, it must be sold on the secondary market. If interest rates have risen during that time, a lower profitability than expected will be obtained, and losses may even be reported. And, on the contrary, drops in interest rates will provide higher profit to that initially foreseen (that effect is much lower with fixed yield securities that are remunerated at variable rates, as it is usual for the periodic payments to already include the interest rate fluctuations).

b) Credit or insolvency risk

This is the risk of the issuer of a security not being able honour its payments, both of coupons as well as reimbursement of the principal, or if there is a delay in these. The issuer may be a company, bank, a State or a public body.

In general, in our economic setting, State issues are considered to be risk-free assets, as long as they are held till maturity (if the securities are sold on the secondary market before amortization, the price the market is willing to pay at that moment will be obtained).

Any private issuer, regardless of its solvency, includes a higher risk than that of public securities. Due to this, greater profitability is usually demanded. That profitability differential demanded on private securities compared with public debt is called the risk premium.

c) Lack of liquidity risk

Lack of liquidity risk is the difficulty that an investor may find when wishing to cash in the financial instrument acquired, either because there is no trading or reference market on which they may easily or swiftly dispose of their position, or because there is no short-term demand for that instrument on the reference market, or within the term when the investor wishes to sell it. Lack of liquidity risk refers to a possible penalty on the price obtained to dispose of the investment, if it were necessary to sell quickly. In extreme cases, it might mean it is impossible to recover the money at the time when one wants to.

As a general rule, financial instruments traded on organised markets are more liquid than those not traded on such markets.

One must bear in mind that the calculation of the total risk is not the sum of all, but rather a lower figure that takes possible correlations into account.

C. COLLECTIVE INVESTMENT INSTITUTIONS (CII)

Concept and Classes:

CII are those intended to attract public funds, assets or rights to manage and invest them in assets, rights, securities or other instruments, financial or otherwise, as long as the yield for the investor is established according to the collective results. They may be structured as non-incorporated wealth management (Investment Funds) or incorporated (SICAV). According to their investment vocation, the following types of CII may be distinguished in major terms:

• Fixed yield. These invest the majority of their wealth in fixed yield assets (debentures and bonds, treasury bills, promissory notes, etc.). Those within this category that only invest in short-term assets (reimbursement term under 18 months) and cannot invest in variable yield assets are called money market.

• Mixed. These invest part of their wealth in fixed yield assets and part in variable yield.

• Variable yield. These invest the majority of their wealth in variable yield assets. There are sub- categories within that category, according to the markets where they invest (Europe, USA, etc.), the sectors (telecommunications, finance, etc.) or other characteristics of the securities in which the fund invests.

• Guaranteed. These are funds that ensure that, at the least, on a specific date, all or part of the initial investment made is conserved.

Within that generic typology, there may in turn be investment specialisms, so there may be funds CII (that invest in stakes in other CII), principal funds (the participants of which are not persons or entities, but rather other investment funds, that are called “subordinate”), subordinate funds (that invest their assets in the principal fund), index funds (that replicate a specific variable yield or fixed yield index), alternative investment CII (their objective is to obtain a specific yield regardless of the evolution of the markets, for which they may deploy diverse strategies and resort to a wide range of instruments), etc.

On the other hand, one may distinguish between harmonised CII ("UCITS") and non-harmonised ones. Harmonised CII are those that have been authorised in Spain or another country in the European Union pursuant to Directive 85/611/EC, being fit for commercialisation in our country when duly entered on the register of collective investment institutions at the National Stock Exchange Commission (CNMV).

Harmonised CII have the status, for the purposes of the MiFID, of non-complex instruments. However, a specific type of such products, such as free investment funds (commonly known as "hedge funds") shall, however, be considered complex instruments.

Lastly, one may mention that there may be exchange-traded funds (ETF), the stakes of which are traded on organised secondary markets.

Monitoring the investment policy of each CII is controlled by a supervisory body (the National Stock Exchange Commission in Spain), as well as by the informative brochure that previously allows the investor to value the risks of the investments proposed. In general, the supervisory authority also exercises control over the management entity and the depositary institution.

A separate mention must be given to Free Collective Investment Institutions (or hedge funds) that are characterised by greater flexibility in the investments they may make, their indebtment capacity and lower liquidity, being subject to risks of a different nature and degree to those of ordinary collective investment institutions. Their evolution may not bear relation to the variable or fixed yield market trends.

Main risks associated with such assets:

The nature and scope of the risks shall depend on the type of CII, its individual characteristics (defined in the brochure) and the assets in which it invests its assets. Thus, the choice between the different types of CII must be made taking into account the capacity and wish to undertake risks by the investor, as well as their temporary investment horizon.

Knowing the composition of the portfolio and investment vocation of the fund is fundamental, because it allows the investor to ascertain the risk undertaken, according to the percentages of investment in each type of financial assets, in euros or other currencies, in one geographic zone or another, etc.

In general terms, the following observations may be made:

a) Due to its inherent nature, investment in variable yield generally bears greater risk than investment in fixed yield, but losses may also arise in the latter, and the investor must be aware of that fact (see the section on fixed yield risk factors). Variable yield is usually greater risk, because the share listings are more volatile.

b) Due to their investment policy, some CII may hold securities bearing a greater credit or counterpart risk in their portfolio.

c) Investment in developing countries securities involves another additional risk, known as country risk, which covers the possibility of political, economic and social events in that country affecting the investments held there.

d) Investment in assets denominated in currencies other than the euro involves a risk, called currency risk, arising from possible fluctuations in exchange rates.

e) On the other hand, CII that invest in derivative financial instruments (futures, options), may include a higher risk, due to the intrinsic characteristics of such products (leverage for example). Thus, it is possible for the portfolio losses to be multiplied, although earnings may possibly be multiplied. However, one must bear in mind that some CII use derivatives exclusively or essentially in order to decrease portfolio spot risks (hedging). The description of the investment policy recorded in the brochure must state whether the derivatives shall be used for investment or hedging purposes.

f) Another circumstance to be taken into account is that when the CII invests in securities that are not traded on regulated markets, an additional risk is being undertaken, as there is less control over its issuers. Moreover, valuation of such assets is more complicated, as no objective market price is available.

On the other hand, one must point out the following among hedge fund-specific risk factors:

a) The absence of transparency regarding investment policy.

b) They may possibly be established in countries where the controls exercised by the authorities are limited or even non-existent (increased risk, for example, of fraud, non-fulfilment of the investment strategy, imbalanced financial structure, etc.).

c) The wide range of products used (derivatives among others) and the ability to resort to indebtment increases the risk when the manager makes bad decisions.

d) Generally, they are scarcely liquid. The term between the sale of stakes in the fund and the relevant payment may range from several weeks to several months according to the product chosen. In that sense, one must distinguish between variable capital funds (that buy back stake rights at the net book value) and fixed capital funds (in which the issuer does not intervene in the buy-back, and the onus is on the investor to negotiate sale of their participation rights on a secondary market).

D. DERIVATIVE PRODUCTS

Concept:

These are sophisticated products that, in some cases, involve total loss of the investment, so certain specific knowledge is required in order to invest in these, both of the products as well as how the trading systems work. One must also be extremely willing to undertake high risks and have the capacity to deal with these.

Investment in derivative products requires knowledge, good judgement and constant surveillance of the position. These involve a high risk if they are not managed adequately. Under certain circumstances, part or all of the investment may eventually be lost.

Categories of derivative products:

a) Futures. This is a contract traded on an organised market, by which the parties agree the sale-purchase of a specific amount of a security (underlying asset) at a specific future date, at a price agreed in advance.

b) Options. This is a contract that involves the right to buy or sell a specific amount of the underlying asset at a set price (strike price), within the term stipulated.

In options, it is fundamental to distinguish between the status of the buyer and seller. The buyer has the right, but not the obligation, to buy or sell at maturity (according to the type of option); while on the contrary the seller (or issuer) of the option is bound to buy or sell if the buyer decides to exercise their right. The option price is what the buyer pays to obtain that right, and it is called premium. On the maturity date, it will be of interest, or not, to the buyer to exercise it according to the difference between the price set for the operation (strike price) and the price the underlying asset has on the spot market at that moment.

c) Warrants. This is a negotiable security that includes the right to buy or sell an (underlying) asset at a specific strike price. The premium value may undergo major variations in a short time. As in the case of options, the warrant buyer has the right but not the obligation to buy or sell the underlying asset on the maturity date. Whether or not they exercise that right shall depend on what price the underlying asset has at that moment (liquidation price), compared with the strike price.

d) Turbo warrants. These are a specific type of warrant, that maintain the features of the traditional warrant as they also grant the buyer a right (not an obligation) to buy or sell the underlying asset to which each warrant under contract entitles them.

The Turbo warrant has the main feature of being a barrier option. Barriers are underlying levels that, only if reached, activate a specific event.

In the case of the Turbo warrant, if the barrier price is reached, the warrant is deactivated, dies, losing all its value.

e) Certificates. These contain a bet on the evolution of the price of an underlying asset. Their essential characteristics vary according to the terms and conditions established by each issuer, so in order to know a specific product, it is necessary to consult the brochure and issue triptych registered at the CNMV. The yield for the investor consists of the gains or losses arising from the difference between the issue or acquisition price of the certificate, and its price at the moment of strike, sale or early amortization.

f) Contract for Differences (CFD). These are complex derivative products in which the investor and the institution agree to exchange the difference between put and call on an Underlying Asset, which may be a tradable stock, an index, a currency, an interest rate or any other kind of underlying asset of a financial nature. These are leveraged investments, in which the institution will demand the deposit of a percentage of the total investment as a guarantee. Due to the degree of leverage of these products, there is a real risk of financial losses, that may exceed the amount of the funds required as a guarantee, and thus, in the even of liquidation of a CFD, of various or all of them, the investor may be bound to pay the institution a higher figure than that deposited as a guarantee.

g) OTC products. These are products whose trading conditions are freely set by the parties for each operation, it thus not being an organised market. Due to the lack of standardisation of these products, they have a high liquidity risk due to the difficulty to find a counterpart that matches the product.

Main risks of trading derivative products:

a) Market risk

The market risk is related to the possibility of suffering losses as a consequence of variations in the value of the operation or in the positions maintained. The value of the operations fundamentally depends on the listing of the underlying assets in each operation and, in turn, these on the evolution of the financial markets, the worldwide economic situation and the political circumstances in each country.

b) Credit risks

In an ample sense, credit risk is the possibility of loss due to the counterpart in the operation breaching its contractual obligations, in time and manner, as agreed for the transaction, or if infringement is country risk related.

c) Liquidity risks

Liquidity risk in trading derivative products is linked to two types of risks:

Derivative product trading liquidity is linked to two types of risks:

Market liquidity risk: This arises when, due to financial market conditions, it is not possible to dispose of or close a position at risk without an impact on the market price or the cost of the transaction.

Financing liquidity risk: There is incapacity to obtain financing on the financial market due to a temporary imbalance in cashflow or unforeseen treasury or liquidity needs.

d) Operational or legal risks

This is the possibility of loss due to inadequacy or failures in the internal processes, personnel, technology and internal systems, or due to external circumstances. This class of risks usually also includes those of a juridical nature; the legal risk arising from deficiencies in the operations contracts and regulatory ones due to breach of legal obligations.

E. STRUCTURED PRODUCTS

Concept and categories:

Structured products are an instrument (bond or bill) issued by an institution, that allows the investor to obtain a final yield linked to the evolution of a specific underlying asset within a specific term, among which we may emphasise: Stock Market Indexes (any national and international market); individual shares or baskets of shares (national and international); interest rates (Euribor, Libor...); commodities (raw materials: petroleum, gold, ...).

Structured products allow investment risks to be hedged by using a combination of derivative products and/or fixed yield instruments, designing investment and financing operations according to the risk/performance profile of the investor or issuer.

In general terms, structured products may lie in several categories, according to the percentage of return on the principal:

1. Guaranteed products: These allow recovery of 100% of the capital invested (at maturity you will always receive at least the investment made). However, they do not necessarily guarantee additional yield, but rather this will depend on the universal of the product underlying asset and on the specific conditions of each one of the structures.

2. Non-guaranteed products: These are specifically designed to try to optimise the profitability / risk binomial, and that respond to specific market expectations. Among many others, we may mention:

• Coupon prices: These efficiently provide attractive coupons in specific market situations, that may be able to take advantage of latent or even bear markets.

• Stock products: Their result is directly linked to the behaviour of an underlying asset (indexes, stock, etc.) in a more efficient manner than separate investment in underlying assets.

• Leverage products: These allow similar profitability to the underlying amount to be obtained, without the need to disburse its cost, being able to contribute a lower amount thanks to combinations of options, financing, etc.

Main risks:

a) Credit risk

This is the risk that one of the parties may cease to fulfil its obligations, that is, that the issuer and/or guarantor of the bonds does not honour its obligation to reimburse the capital and pay the interest.

b) Capital loss risk

The investor could lose all or part of the capital invested as a consequence of the behaviour obtained by the underlying asset to which the investment is linked, except when dealing with a product that has 100% capital protection at maturity (subject to the issuer's credit risk).

c) Market risk

This is potential loss of the value of the structured bill/bond due to movements in the factors that determine their price on the secondary market.

d) Interest rate risk

This is the risk that the price of a bill/bond may be affected by an increase in the market interest rates. An interest rate rise during the investment may cause a reduction in the product price and vice-versa.

e) Liquidity risk

This refers to the possibility of it not being easy to sell the asset prior to its maturity without suffering major capital losses. The issuer will provide a secondary market for structured bonds/bills with a daily price to the extent possible, but that does not imply a guarantee that such a secondary market exists.

f) Currency risk

The investors bear the exchange rate risk, in the event of the capital available to invest in the product being denominated in a different currency to that of the structured product.

g) Conflict of interest risk

Both the issuer as well as any of its subsidiaries may perform diverse functions related to issue of structured products, and each one of these entities may incur conflict of interest due to the roles played in relation to the issue, or due to their activities in general.

FINAL NOTE: Any decision on purchase or sale by the CLIENT regarding financial instruments of any kind or nature, is made personally by the CLIENT themself, and must always be made taking into account the existing public information on such financial instruments and, where appropriate, depending on the type of product, the risks mentioned in this document and, especially, taking into account the content of the relevant document for those financial instruments that must be registered and available at the National Stock Exchange Commission (also available at the Governing Body of the relevant Market, and directly through the firms commercialising and issuing such financial instruments, the latter being responsible for the information recorded in the brochure pursuant to Article 28 of the Stock Market Act). The CLIENT must bear in mind that the financial instruments or securities referred to might not be adequate for their investment objectives or financial situation on the date of issue, due to which the CLIENT is recommended to periodically review their investment profile and to notify ETS of any variation in such and, if appropriate, the relevant financial institution. ETS does not guarantee a specific result, and it informs the CLIENT, that success in past recommendations does not imply success in future recommendations, and that historic or past yields from investments do not guarantee future yields or results. The CLIENT is specifically informed by means of this document that any investment in financial instruments involves risks that the investor should have prior knowledge of, such as loss (even total) of the investment made. Any information on yields or results are simply data to be borne in mind, but never the most important and, in any case, must refer to periods that lie between the preceding twelve months and five years, as appropriate, specifically warning them that any figure related to past results or yields, or to historic performance, are not a trustworthy indicator of future yields or results. In the case of currencies, the CLIENT is specifically notified that they must consider possible increases or decreases in performance according to the monetary fluctuations. Any recommendation or forecast that is made, shall under no circumstance be a trustworthy indicator that future results or yields shall be obtained. Any quotation of a competent authority shall not imply that it approves or backs the services and products referred to.

CLIENT: ___________________________

Signed: ___________________________

Date: _____________________________