MEGA EQUITY
SECURITIES & FINANCIAL SERVICES PUBLIC LTD

RISK DISCLOSURES

Information on risks associated with investing in financial instruments and using investment services

Contents

1. Introduction

1.1. Scope

1.1.1. Mega Equity is required under the Applicable Legal and Regulatory Framework to provide Clients with appropriate information about the nature and risks of the investment services offered and the financial instruments available, so that Clients can make informed decisions before entering into transactions.

1.1.2. This notice summarises (i) general investment warnings, (ii) specific risk categories that may affect investments, and (iii) key risks associated with common categories of financial instruments. Depending on your client classification (Retail, Professional or Eligible Counterparty) and the service you receive (execution-only, investment advice, or portfolio management), different protections and disclosures may apply.

1.1.3. If any part of this document is unclear, you should ask us for further information and/or seek independent professional advice before investing.

1.2. Applicable Legal and Regulatory Framework

1.2.1. The Applicable Legal and Regulatory Framework governing the provision of investment services and the operation of regulated markets includes several key laws, directives, and regulations, both at the Cyprus and EU level. These include:

- Law 87(I)/2017 on the provision of investment services and the operation of regulated markets (as amended).
- Directive 2014/65/EU (MiFID II) and related implementing measures.
- Commission Delegated Regulation (EU) 2017/565 on organisational requirements and operating conditions for investment firms.
- Other relevant EU/Cyprus rules that may apply depending on the product or service (e.g., PRIIPs/KID disclosures, UCITS/AIFMD frameworks, and resolution (bail-in) regimes for certain bank instruments).

1.3. Important notice

1.3.1. This document provides general, high-level information about the nature of certain financial instruments and the main risks associated with investing or trading in them. It is not a personal recommendation, investment advice, legal advice, tax advice, or research. It does not cover every risk or every feature of every product. You should not transact unless you understand the instrument, how it works, and the potential losses you could incur. Where appropriate, you should obtain independent professional advice before making an investment decision.

1.3.2. Risk factors can occur simultaneously and may reinforce each other. In particular, the use of leverage (including margin trading or derivatives) can magnify both gains and losses and may result in losses exceeding your initial investment.

2. General investment warnings

2.1. General Risks

2.1.1. Investing in any type of Financial Instruments carry substantial risks. The level and nature of these risks depend on the specific instrument's type and complexity and may differ across jurisdictions. The Client acknowledges and understands that various risk factors may influence his investment.

2.1.2. The Client acknowledges and understands that he should not engage – directly or indirectly – in any investment in Financial Instruments unless he fully understands the risks associated with the specific instruments offered by the Company. The Client should carefully assess whether a particular Financial Instrument is suitable for him, taking into account his investment objectives, experience, personal circumstances, and financial ability to withstand losses.

2.1.3. If the Client does not fully understand the risks related to the Financial Instruments offered by the Company, he must seek independent financial advice before proceeding with any trading activity.

2.1.4. Dealing in any Financial Instrument involves a high risk of losses. The Client declares and accepts that he is willing and able to assume such risks.

2.1.5. The Company offers a range of Financial Instruments. Each instrument requires a different level of knowledge and experience and is intended for Retail Clients, Professional Clients, or Eligible Counterparties, in accordance with the product governance requirements applicable to each asset class.

2.1.6. The Company is authorised to provide investment services including Reception and Transmission of Orders, Execution of Orders on behalf of Clients and Investment Advice. The Client acknowledges and unconditionally accepts full responsibility for any losses arising from investments executed on an "execution-only" basis, where the Client provides instructions without input from the Company.

2.1.7. In accordance with the Applicable Legal and Regulatory Framework, the Company aims to provide its clients with information regarding general investment risks and the risks associated with different categories of Financial Instruments.

2.1.8. Each type of Financial Instrument has distinct characteristics and involves different risks depending on the nature of the investment. A general overview of these risks is provided below. However, this document does not disclose all possible risks or important aspects of Financial Instruments and should not be regarded as investment advice or a recommendation to engage in any service or investment.

2.1.9. The Client should not engage in any transaction involving Financial Instruments unless he fully understands their nature, the associated risks, and the extent of his potential exposure. If the Client is uncertain about any of the warnings or information provided, he must seek independent legal or financial advice before making any investment decision.

3. Specific risks

3.1. Market risk

3.1.1. The risk of losses due to adverse movements in market prices and factors such as equity prices, interest rates, credit spreads, foreign exchange rates and commodity prices.

3.2. Credit risk

3.2.1. The risk that an issuer, borrower, or counterparty may be unable to fulfil its payment obligations or other contractual commitments, such as making coupon payments or repaying principal.

3.3. Operational risk

3.3.1. The risk of financial loss or operational delay arising from deficiencies or failures in personnel, internal processes, technological systems, or external events – including system outages, cyber incidents, and disruptions caused by third-party service providers.

3.4. Liquidity risk

3.4.1. The risk that an instrument cannot be bought or sold promptly, in the required size, or at a fair price. Reduced liquidity may exacerbate losses and hinder the ability to exit positions in a timely manner.

3.5. Systemic risk

3.5.1. The risk that the failure, distress, or malfunction of a financial institution, market participant, or infrastructure component transmits through interconnected markets or institutions, potentially resulting in widespread disruption or the collapse of the financial system as a whole.

3.6. Settlement risk

3.6.1. The risk that a counterparty fails to deliver the security or the corresponding cash value as agreed, even after the other counterparty has already fulfilled its own delivery obligations. This risk is generally lower for financial instruments traded on regulated markets due to the safeguards and oversight applied within such markets. Conversely, settlement risk increases when transactions involve instruments traded outside regulated markets or when settlement must occur across different time zones or through multiple clearing systems.

3.7. Foreign exchange (currency) risk

3.7.1. When an instrument or its underlying exposures are denominated in foreign currency, exchange rate movements may reduce value, income or returns. Hedging techniques may be imperfect and can introduce additional risks.

3.8. Country and political risk

3.8.1. The risk that political or regulatory changes, instability, sanctions, capital controls or other country-specific events adversely affect investments or market access.

3.9. Interest rate risk

3.9.1. The risk that changes in interest rates (and the shape of the yield curve) affect the value of instruments, especially fixed-income securities and interest-rate sensitive products.

3.10. Issuer/counterparty risk

3.10.1. The risk that an issuer, broker, custodian or trading counterparty becomes insolvent or otherwise unable to meet obligations, potentially causing partial or total loss.

3.11. Concentration risk

3.11.1. The risk of financial loss that arises when a portfolio is excessively exposed to a single issuer, sector, geographic region, currency, or type of financial instrument. Because the portfolio lacks diversification, adverse performance in the concentrated exposure can disproportionately amplify losses.

3.12. Margin and collateral risk

3.12.1. Where margin is required, the Client may be required to provide additional funds or collateral at short notice (a margin call). Failure to meet such requirements may result in your positions being closed out at a loss. The value of collateral may also decline, and you may not receive back the same assets originally posted.

3.13. Leverage risk

3.13.1. Leverage amplifies the impact of market movements, meaning that losses can occur rapidly and may be substantial – potentially exceeding the amount initially invested.

3.14. Price volatility and gap risk

3.14.1. Certain instruments may exhibit significant volatility, with prices moving sharply or discontinuously ("gapping"), particularly during periods of reduced liquidity or heightened market stress.

3.15. Inflation risk

3.15.1. Inflation can erode the real (purchasing power) value of returns and capital, particularly for fixed-income investments.

3.16. Custody and safekeeping risk

3.16.1. Financial instruments and client money may be held with third-party custodians or sub-custodians, including in other jurisdictions. Legal/regulatory protections may differ and you may be exposed to the default or operational failures of those entities.

3.17. Order execution risk

3.17.1. Execution may be delayed, partially completed, or not carried out at all due to market conditions, volatility, trading halts, venue rules, or technical issues. Additionally, slippage may occur, resulting in a difference between the requested execution price and the price at which the order is ultimately filled.

3.18. Emerging market risk

3.18.1. Emerging markets may exhibit lower liquidity, heightened price volatility, less robust regulatory and supervisory frameworks, increased settlement-related risks, and greater exposure to political and currency-related uncertainties.

3.19. Macroeconomic risk

3.19.1. Macroeconomic developments – including economic cycles, inflationary shocks, central bank policy actions, geopolitical events, and shifts in market sentiment – can materially influence valuations across asset classes.

3.20. High-yield risk

3.20.1. Higher-yielding instruments typically entail elevated credit risk and tend to exhibit greater sensitivity to economic downturns and liquidity stress, which may result in more pronounced price volatility.

3.21. Subordination and ranking risk

3.21.1. Some debt instruments are subordinated and rank below senior creditors in insolvency. Recovery may therefore be significantly lower or zero.

3.22. Covenant and documentation risk

3.22.1. For certain debt instruments, covenant provisions may be breached or amended, potentially weakening investor protections and adversely affecting recovery prospects in periods of financial stress.

3.23. Loss absorption / resolution (bail-in) risk

3.23.1. Certain bank instruments may be written down, converted into equity, or otherwise subject to statutory loss absorption in resolution, which can lead to partial or total loss of principal and/or income.

4. Financial instruments and related risks

4.1. Shares (equities) and equity-like instruments

4.1.1. Equities represent a form of ownership in a company and are inherently subject to price volatility, with values fluctuating due to both company-specific developments and broader market conditions. In the event of insolvency, shareholders rank after all other creditors and therefore risk losing the entirety of their investment. The liquidity of equities can also vary significantly, particularly for smaller, less-traded, or emerging-market issuers, making it more difficult to buy or sell positions efficiently. Furthermore, corporate actions – such as capital increases, mergers, or trading suspension may materially influence both the value and tradability of equity investments.

4.2. Exchange Traded Funds (ETFs)

4.2.1. Exchange-Traded Funds (ETFs) aim to track the performance of an index or basket of assets and trade on regulated exchanges; however, their market prices may deviate from net asset value due to liquidity conditions and broader market factors. Tracking errors may also arise from elements such as fees, sampling methodologies, portfolio rebalancing, taxes, and other market frictions. Synthetic ETFs introduce additional counterparty risk, as the collateral backing of the structure may not fully protect investors in adverse scenarios. Moreover, disruptions involving market-makers or trading venues can impair liquidity and execution quality, further affecting an investor's ability to trade efficiently.

4.3. Bonds and other fixed-income securities

4.3.1. Fixed-income securities are subject to several key risks, including interest rate risk, credit risk, and liquidity risk, all of which can affect their market value and performance. Investors who sell such instruments before maturity may incur losses if prevailing market prices fall below the original purchase price. Longer-dated or lower-rated bonds are generally more sensitive to movements in interest rates and credit spreads, leading to greater price volatility. Additionally, certain bond structures – such as zero-coupon, floating-rate, callable or puttable, and convertible instruments – carry further risks related to reinvestment, early redemption features, or conversion terms, which can materially influence returns and overall risk exposure.

4.4. Rights and warrants

4.4.1. Rights and warrants are time-limited instruments that may become worthless if they are not exercised or sold before their expiry date. They often incorporate leverage, meaning that even small movements in the price of the underlying asset can result in disproportionately large gains or losses. In addition, their valuation can be complex, as pricing is highly sensitive to factors such as market volatility, time decay, and liquidity conditions.

4.5. Subordinated bank capital (e.g., AT1/CoCo, Tier 2)

4.5.1. These instruments are generally subordinated within the capital structure and therefore may incur higher loss severity during periods of financial stress or issuer insolvency. Coupon payments may be discretionary or cancellable, and certain contractual trigger events can result in the write-down of principal or the conversion of the instrument into equity. Moreover, such instruments can be complex in design and highly sensitive to changes in regulatory frameworks, issuer-specific developments, and broader market sentiment, all of which can materially influence their value and risk profile.

4.6. Collective Investment Schemes (e.g., UCITS funds)

4.6.1. Collective investment schemes rely on the performance of their underlying assets and the decisions of the fund manager, and while diversification helps reduce concentration risk, it does not eliminate the possibility of loss. Returns are also affected by various charges – such as management, custody, and entry or exit fees – all of which are detailed in the fund's offering documents. In addition, certain funds may be subject to dealing restrictions, limited valuation frequency, or liquidity constraints, particularly during periods of market stress, which can affect an investor's ability to redeem or accurately value their holdings.

4.7. Money market instruments and cash equivalents

4.7.1. Money market instruments are typically shorter-dated and exhibit lower price volatility; however, they remain exposed to key risks such as credit, liquidity, inflation, and interest rate risk. Investors who sell these instruments before maturity may incur losses if market prices move unfavourably or if liquidity conditions deteriorate, limiting the ability to exit positions efficiently.

4.8. Derivatives (futures, options, forwards, swaps)

4.8.1. Derivatives can involve significant leverage, meaning that losses may exceed the initial margin or premium, particularly in the case of option writers. Over-the-counter (OTC) derivatives introduce additional counterparty and documentation risk, while exchange-traded derivatives are subject to margin call requirements and potential close-out risks. Their valuation can also be complex, and liquidity may at times be limited, making it difficult to unwind positions efficiently. Furthermore, certain derivative strategies may create non-linear payoffs, which can accelerate losses and lead to rapid and substantial risk exposure.

4.9. Structured products

4.9.1. Structured products combine multiple financial instruments – often a note and one or more derivatives – to deliver a predefined payoff, and their complexity can make effective risk assessment challenging. Returns are typically linked to the performance of an underlying asset, index, rate, or basket, meaning adverse market movements can significantly reduce returns or even principal. Issuer and credit risk are fundamental considerations, as the failure of the issuer may result in partial or total loss of the investment, irrespective of how the underlying performs. Secondary-market liquidity may also be limited, and investors who exit early may need to accept a substantial discount. Given these characteristics, termsheets and offering documents must be reviewed carefully, as certain structured products are designed primarily for experienced or sophisticated investors.

4.10. Alternative / less liquid investments (e.g., hedge funds, private equity, real estate funds)

4.10.1. Alternative and less-liquid investments may involve lock-ups, restricted redemption windows, delayed valuation processes, and higher fees. Their strategies may employ leverage, short-selling, or derivatives, which can increase volatility and amplify potential losses. In addition, these products often offer lower transparency and may operate under lighter regulatory frameworks compared to traditional funds, resulting in reduced investor protections.

5. Service, operational and custody risks

5.1. Service model and client responsibility

5.1.1. Under an execution-only arrangement, clients provide instructions without receiving a personal recommendation, and they remain fully responsible for their investment decisions and any resulting outcomes.

5.1.2. When investment advice is provided, recommendations are formulated on the basis of the information disclosed by the client; therefore, incomplete or inaccurate information may lead to recommendations that are not fully suitable.

5.2. Best execution and trading venues

5.2.1. Orders may be executed on regulated markets, MTFs/OTFs, or over-the-counter (OTC), depending on the characteristics of the instrument and the execution venues available. Execution quality can be influenced by factors such as liquidity conditions, market volatility, partial order fills, and venue-specific rules or trading halts, all of which may affect the final outcome of a transaction.

5.3. Third parties, custody and cross-border differences

5.3.1. Client assets may be held with third-party entities such as custodians, sub-custodians, depositories, clearing houses, or settlement agents. When assets are held outside Cyprus, different legal frameworks and insolvency regimes may apply, which can affect the level of protection and the rights available to investors. In the event of the insolvency of a third-party provider, the recovery of assets may be delayed or reduced, potentially resulting in financial loss.

5.4. Charges, commissions and incidental costs

5.4.1. Transaction costs and ongoing fees can materially reduce overall returns, and in some cases these costs may even outweigh the expected benefits of an investment. In addition, various third-party charges – such as venue, clearing, custody, or fund-related fees – may apply depending on the specific product and market, further affecting net performance.

5.5. Technology and communications

5.5.1. Electronic trading systems may experience delays, outages, or technical errors, which can impair your ability to place, amend, or cancel orders in a timely manner. In addition, market data may at times be delayed, and this should be carefully considered when making time-sensitive trading decisions.