Investment Risk Disclosure

July 2024

Introduction

This disclosure (the "**Investment Risk Disclosure**") should be read in conjunction with the Terms of Equities Services of Van Lanschot Kempen N.V. (the "**Terms**"), as published on the Website. Unless the context requires otherwise, capitalized terms not defined herein shall have the meaning ascribed to them in the Terms.

Risk warning: There are certain risks involved in entering into the Transactions and/or making use of the Equities Services. This Investment Risk Disclosure provides guidance on some of such risks and provided pursuant Clause 10 of the Terms. You should also read any additional disclosures, as may be included in the Terms, any Agreement or any other documentation provided to you by Van Lanschot Kempen. This Investment Risk Disclosure and any other disclosures are not intended to exhaustively address all possible risks and other significant aspects of the Equities Services and Financial Instruments. These and other risks may occur simultaneously and/or may compound each other. The Investment Risk Disclosure and other respective disclosures are neither to be relied upon as investment advice under MiFID/MiFIR nor as Research and Marketing, a recommendation to enter into any Equities Service or Transaction or to invest into any Financial Instrument. Van Lanschot Kempen does not accept any responsibility for any loss, liability or cost which you might suffer or incur in relying on such information.

Prior to soliciting Van Lanschot Kempen for any Equities Service or engaging in any Transactions, it is advisable to independently evaluate its appropriateness for your needs.

This Investment Risk Disclosure contains two clauses. Clause 1 discusses general risks factors which are associated with the Equities Services and Transactions and which may vary depending the nature of the Equities Services, Financial Instruments involved, market conditions, your financial position and other circumstances. Clause 2 explains how the general risks may manifest themselves in relation to various Financial Instruments and also focuses on individual risk factors.

1. General Risk Factors

Market risk

Market risk refers to the potential risk associated with changes in market conditions that may impact the value of the Financial Instrument. Market risk arises from various factors that influence the overall market sentiment such as fluctuations in interest rates, exchange rates or the overall performance of the financial markets as well as investor behavior. Trading Platforms can experience periods of volatility, characterised by rapid and significant price fluctuations. Market volatility can be influenced by factors such as economic conditions, geopolitical events, changes in investor sentiment, or shifts in industry dynamics. Higher market volatility can result in increased price fluctuations of the Financial Instruments. If the market conditions are unfavourable, it may be challenging to find buyers and sellers for the Financial Instruments.

Effectively managing market risk requires conducting comprehensive market analysis, understanding of investor behavior, and employing strategies to navigate potential fluctuations. Issuers and larger sellers frequently collaborate with financial institutions, such as underwriters and placement agents, to assess market conditions and tailor their equity offerings to align with current market dynamics.

Price risk

Market prices may fluctuate. Leading to price risk. Price risk can arise from various factors, including market volatility, changes in investor demand, economic conditions, and investor sentiment.

Counterparty (credit) risk

Counterparty (credit) risk is associated with a counterparty's failure to their obligations. It that may arise in a Transaction when a party fails to pay or deliver. It may also manifest itself in a relationship between the issuer and the holder of a Financial Instrument. The initial determination of the value of certain Financial Instruments, such as bonds, relies on the expectation that the issuer (the debtor) will fulfill their obligations as per the issuance term. The bond's yield tends to decrease as the issuer's creditworthiness increases.

Currency risk

Currency risk arises when there is exposure to fluctuations in exchange rates that can impact the value of Financial Instruments or, if applicable, the cost of the operations, especially in international capital markets transactions. Exchange rates are linked to a host of economic, social and political factors and can fluctuate greatly. Some countries have foreign exchange controls which may include the suspension of the ability to exchange or transfer a currency, or the devaluation of a currency. Currency risk may be also faced by an investor in the euro area who invests in bonds that are not denominated in euros or in shares that are not listed in euros. Shares and depository receipts listed in euros can also be exposed to foreign exchange risks, for example when the issuing institution conducts his operations, or realizes his results, in countries outside the euro area.

Interest-rate risk

The risk resulting from fluctuations in the interest rate, and it can have both direct and indirect effects on Financial Instruments. Specifically. in the case of shares, an increase in interest rates can potentially lead to a decrease in share prices. This is because higher interest rates make the cost of investing higher, thereby making other investments that are considered less risky comparatively more appealing due to their increased yields.

Liquidity risk

Liquidity may be an issue if Financial Instruments are not listed or traded on a Trading Platform, or if they are listed but traded infrequently, for example, due to a lack of market demand or limited market access. Various factors can influence liquidity, including market conditions, investor sentiment, the trading group/segment and the characteristics of the Financial Instruments themselves. Liquidity risk can manifest itself in several ways, such as price volatility. A lack of liquidity can make it challenging to issue and/or dispose of Financial Instruments, potentially requiring a discount that could make it difficult for the issuer to raise capital or result in a loss for the seller of these Financial Instruments.

Regulatory/Legal/Structural Risk

All Financial Instruments and Transactions could be exposed to regulatory, legal or structural risk. Regulatory risks include issues related to registration, disclosure, reporting, and compliance with specific rules and regulations set by regulatory authorities.

If you are involved in cross-border Transactions, you face additional regulatory and legal risks.
Regulatory and legal risks also arise when engaging in fraudulent activities, misrepresentation, or other deceptive practices that harm market participants.

Other risks

Examples of such risks include political risk, inflation risk, tax risk, reinvestment risk, transparency risk, conflicts risk and operational risk.

2. Individual Risks Factors

2.1. Equity Instruments

Shares and depositary receipts

Shares and depositary receipts are issued as primary means of raising capital through the equity capital markets. Shares and depositary receipts have additional risks (in no particular order).

Firstly, they have market risk associated supply. The issuance of shares and depositary receipts may impact the price of the shares and depository receipts. Should the market perceive an issuance as a negative or should there be an oversupply of shares or depository receipts, it can result in a significant decline in price. This may impact any offering of shares or depository receipts.

Secondly, they have risk associated with their dividend obligation. The issuer has no obligation to repay the original cost of the share or depository receipt, or the capital, to the shareholder until the issuer is wound up (in other words, the issuer ceases to exist). In return for the capital investment in the share or depository receipt, the issuer may make discretionary dividend payments to ordinary shareholders, which typically take the form of cash or additional shares. Should the shares or depository receipt carry dividend rights, while there is no obligation, the issuer may be under pressure to pay dividends to shareholders, even during periods of financial difficulty. This can put a strain on the issuer's cash flow and financial resources.

Preference Shares

Preference shares are typically issued for the purpose of raising capital without diluting the ownership and control of ordinary shareholders. Preference shares have additional risks (in no particular order).

Firstly, they also have risks associated with their dividend obligation. Preference shares typically come with a fixed dividend rate or a predetermined dividend formula. Some preference shares may have variable dividend rates that are tied to interest rates. If interest rates increase, the dividend payments on these shares may also increase, potentially straining the issuer's cash flow. If the issuer experiences financial difficulties or fails to generate sufficient profits, meeting these dividend obligations may put a strain on the issuer's cash flow and financial resources.

Secondly, they also have redemption risk. Preference shares often have a maturity date or a redemption feature that allows the issuer or holder to repurchase the shares at a predetermined price. If the issuer is unable to redeem the preference shares at the specified time or price, it may need to finance such redemption using external sources. That may put a strain the issuer's cash flow and financial resources.

Lastly, they also have risks associated with their limited voting rights. Preference shareholders may have limited or no voting rights, which means they have less influence over the decision-making process of the issuer. However, if the issuer fails to fulfil dividend obligations or faces certain specified events, preference shareholders may have the right to exercise voting power, which may impact the issuer's governance.

Warrants

A warrant is a time-limited right to subscribe for Financial Instruments and is exercisable against the issuer. Warrants are typically issued in order to provide the issuer with flexibility in raising capital, and managing dilution. Warrants have additional risks (in no particular order).

Firstly, they also have dilution risk. When warrants are exercised, it typically leads to the issuance of additional shares, which can dilute the ownership and earnings per share for existing shareholders. This dilution risk may impact issuer's governance. An oversupply of shares can also result in a decline in share price. This may impact any offering of shares.

Secondly, they also have market and price risk. The market value of the issuer's shares can fluctuate, and the exercise price of the warrants may not align with the prevailing market price. If the market price of the shares is lower than the exercise price, warrant holders may choose not to exercise their warrants, resulting in potential loss of anticipated capital for the issuer.

Lastly, they also have cash flow and funding risk: If a significant number of warrant holders exercise their warrants, the issuer may face increased cash outflows to fulfil the share issuance at the predetermined price. This can put pressure on the issuer's cash flow and funding requirements, especially if the exercise occurs during a period of financial strain or limited access to capital.

2.2. Debt Instruments/Bonds/Debentures

Debt instruments have additional risks (in no particular order).

Firstly, they also have credit and refinancing risk. Debt instruments typically have a maturity date, and issuers need to repay the principal at that time. Refinancing risk arises when the issuer needs to refinance the debt at maturity but faces challenges in obtaining new financing. This risk can be heightened if market conditions or the issuer's financial position deteriorate. If the issuer is unable to refinance or repay the debt when it matures, it may face challenges in meeting its financial obligations, it may need to negotiate extensions or additional financing at less favourable terms, it can damage its credit rating and reputation in the market (making it more difficult and expensive to raise future capital) and it may face bankruptcy.

Lastly, they also have interest rate risk. Issuers are exposed to interest rate risk, which refers to the potential impact of changing interest rates on the cost of servicing the debt. If interest rates rise, the issuer may have to pay higher interest expenses, which can strain its financial position. Conversely, if interest rates decline, the issuer may have an opportunity to refinance the debt at a lower cost.

2.3. Investment Funds and Hedge Funds

In general, an investment institution can be described as equity raised by participants that is collectively invested in Financial Instruments by a manager. The investments can be focused on specific asset categories, such as shares, bonds, real estate property or a mix. In addition, there are investment institutions or UCITS that focus on specific business sectors, as well as, for example, on raw materials or precious metals. All of the abovementioned risks can, depending on the composition of the investment fund's portfolio, also apply to the investment fund itself. Rights in (semi-)open-end investment institutions are directly or indirectly purchased or repaid from the assets at the request of participants. The price is based on the intrinsic value of the investment institution adjusted by a mark-up or discount. Rights in closed-end investment institutions are not directly or indirectly purchased or repaid from the assets at the request of a participant. The price of the rights and the marketability of the rights of participation depend on the demand for and the offer of the rights of participation. If at a given point in time, for any reason whatsoever, temporarily or otherwise, there are few buyers, the possibility of selling may not exist or only to a limited extent. With a view to this limited marketability, on investment in a closed end investment institution must therefore be considered a long-term investment.

A hedge fund is an investment fund whereby the fund's manager tries to realize an optimal yield independent of the direction of the (Stock) Exchange. The emphasis is on achieving an absolute yield and not as much on outperforming an index. One of the differences between hedge funds and investment funds is that hedge funds use a broader range of instruments and trading techniques. Investing via hedge funds yourself requires solid knowledge of the strategy, leverage effects and liquidity risk of the hedge funds. In addition, it requires an excellent grip of the complex trading and derivative strategies is important.

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