GENERAL DESCRIPTION OF THE NATURE AND RISKS
OF FINANCIAL INSTRUMENTS

INTRODUCTION

This document is intended to provide Customers with a general description of the nature and risks of investments. The description, as set out below, explains the nature of the specific type of instrument concerned as well as the risks particular to that specific type of instrument in sufficient detail to allow Customers to take investment decisions on an informed basis. This information is not intended to constitute investment advice and is not to be considered as a comprehensive statement of all the risks to which investors might be exposed and there may be others that exist now, or which may arise in the future. It is at the Customer's discretion to make such use of information.

1. GENERAL RISK WARNINGS

The main general risks associated with investing are as follows:

a. The value of investments and the return from them can fluctuate and you may not get back the amount invested;

b. Past performance is not indicative of future performance;

c. Selling an investment at an inopportune moment may result in a loss;

d. Tax rules can change over time and the tax treatment of your investments will depend on your circumstances;

e. Some investments (e.g. illiquid bonds) are less readily realisable than others and it may therefore be difficult to deal in or obtain reliable information about their value;

f. Investments may be made in currencies which are different from your currency of reference. This carries with it an element of currency risk in view of potential fluctuations between your currency of reference and the currency of the investments.

Each investment being purchased will also be subject to a number of specific risks which relate to the nature of the said investment. You can refer to the respective section for product specific risks.

2. PRODUCT SPECIFIC RISK WARNINGS

Bonds

Bonds are investments representing the debt of a government, company or other organisation. Effectively they are loans issued by these organisations and bought by banks, insurance companies, fund managers and private investors. At launch, bonds are sold to investors via a bank or broker. This is known as the primary market. After this primary phase, bonds can be traded between investors and/or market counterparties. However, unlike equities that trade through a centralised stock exchange, bonds generally trade on a peer-to-peer basis from one institution (such as a bank) to another (such as broker). The main risks associated with investing in bonds are:

a. There are few recognised markets in such securities, as the trading is between the issuers, their brokers, and the banks and securities houses making a market in the securities;

b. With regard to securities in currencies other than your base currency, foreign exchange rates may move in an unfavourable direction affecting adversely the valuation of investments in base currency terms;

c. The issuer may be unable to return all or some of the capital and interest payments. In the bond markets this is known as a default;

d. Many bonds are issued with embedded features such as "calls", which enable the issuer to repay the debt ahead of its maturity. This can be disadvantageous to the holder. However, MeDirect does not offer these types of bonds because these are complex instruments within the meaning of MiFID;

e. There is a risk of capital erosion in real terms over time due to the effects of inflation;

f. The value of bonds may fall as well as rise due to market movements.

Equities

Equities are ownership shares in a corporation and represent a claim on its proportionate share in the corporation's assets and profits. A person holding such an ownership in the company does not enjoy the highest claim on the company's assets. Instead, an equity holder's claim is subordinated to creditors' claims, and the equity holder will enjoy distributions from earnings or proceeds from liquidations of assets only after these higher priority claims are satisfied. The main specific risks associated with investing in equities include:

a. Dividend growth is not guaranteed, nor are companies in which you invest obliged to pay dividends;

b. Companies may go bankrupt rendering the original investment valueless;

c. Equity markets may decline in value;

d. Corporate earnings and financial markets may be volatile;

e. If there is no recognised market for equities, then these may be difficult to sell and accurate information about their value may be hard to obtain. However, MeDirect does not offer the possibility to buy unlisted shares;

f. Smaller company investments may be difficult to sell if there is little liquidity in the market for such equities and there may be substantial differences between the buying price and the selling price;

g. With regard to investments in overseas companies, foreign exchange rates may move in an unfavourable direction affecting adversely the valuation of investments in base currency terms.

ETFs

ETFs are funds traded on a stock exchange. Most ETFs aim to track the performance of a particular index of stocks, bonds or other assets and often have low management costs. The main risks associated with investing in ETFs are:

a. The prices of the underlying investments of the ETFs will vary according to the markets on which these are listed or traded;

b. With regard to funds holding in currencies other than your base currency, foreign exchange rates may move in an unfavourable direction affecting adversely the valuation of funds denominated in a currency different from your base currency;

c. Dividend growth is not guaranteed, nor are companies in which you invest obliged to pay dividends;

d. Underlying assets may decline in value;

e. As with all funds, ETFs may be suspended from trading due to the closure of the underlying market or due to the winding down of the fund**;**

f. For full details relating to the risks of a particular ETF you should read the relevant Key Investor Information Document (KIID) and Prospectus. These can be found on our website.

Investment funds

Investment fund is a term that covers different types of structure, normally Open Ended Investment Companies ("OEICs") or Unit Trusts. Funds are arrangements that enable a number of investors to pool their money, in order to gain access to professional fund managers. Investments held by these funds may typically include bonds and equities, but depending on the type of scheme, may hold higher risk instruments such as property, derivatives, and other complex products. The main risks associated with investing in collective investment funds are:

a. There are no recognised markets for collective investment funds as units/shares are issued and redeemed by the managers/operators/administrators of the funds;

b. Funds may be valued for pricing and dealing purposes either daily, weekly, fortnightly, monthly or even less frequently by the managers/operators/administrators;

c. The prices of the underlying investments of the funds will vary according to the markets on which these are listed or traded;

d. Unregulated funds are not subject to the supervision by a regulatory body as authorised funds, and some authorised funds are subject to greater supervision than others depending on their structure. However, MeDirect only offers investment funds that have been authorised for distribution by the FSMA;

e. With regard to funds in currencies other than your base currency foreign exchange rates may move in an unfavourable direction affecting adversely the valuation of investments in base currency terms;

For full details relating to the risks of a particular fund you should read the relevant Key Investor Information Document ("KIID") and Prospectus, which can be found on our website.