GRAVITY | PRIVATE WEALTH

Risk Disclosure Policy

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1. Introduction

Gravity Private Wealth Ltd (hereinafter the "Company") is an Investment Firm incorporated and registered under the laws of the Republic of Cyprus, with registration number HE 442079. The Company is authorized and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) under license number 447/24.

The Company recognizes that investing in financial instruments entails substantial risks and clients may experience losses that exceed their initial investment. The value of investments may fluctuate, and past performance does not guarantee nor is indicative of future results. Clients are advised to carefully consider their financial circumstances, investment objectives and risk tolerance before engaging in any investment activities.

In this regards, the Company hereby establishes this Risk Disclosure Policy (the “Policy”) in order to provide a general overview of certain financial intruments and their associated risks.This Policy does not intend to be exhaustive and clients should also consider additional risk factors in relation to a particular investment in financial instruments. The Policy aims to inform clients about the risks linked to specific financial instruments, enabling them to understand the nature and risks of the services offered and the specific types of financial instruments available. This understanding is essential for clients to make informed investment decisions.

Clients should not rely on the guidance provided in this Policy as investment advice based on investor’s personal circumstances or as a recommendation to enter into any of the services or invest in any of the financial instruments listed below. The Company strongly advises clients to seek independent legal or financial advice if there is any uncertainty regarding the implications of the disclosures or risk warnings contained in this Policy.

Clients hereby acknowledge and accept that they are properly and adequately notified by the Company with respect to the risks listed herein and acknowledge and accept that any one or more of these risks may result in losses that, in certain circumstances, could significantly exceed their initial investments and deposited capital.

2. Scope

This Policy applies to all clients of the Company who engage in investment activities related to the following financial instruments:

1. Transferable Securities;
2. Money-Market Instruments;
3. UCITS (Undertakings for Collective Investment in Transferable Securities); and
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash.

3. General Risks

3.1. Market Risk

Market risk refers to the potential for losses due to changes in market prices. This risk impacts all types of financial instruments and is influenced by factors such as economic conditions, interest rates, and geopolitical events. Market downturns can result in declines in the value of investments, affecting portfolio performance.

Price Risk

The value of equity securities can fluctuate due to changes in the overall market or shifts in a company's financial situation. These price variations may be influenced by factors impacting individual companies, specific sectors, or entire industries selected by the client, as well as broader economic or political conditions. Equity securities face what is known as "stock market risk," meaning that stock prices can decline over both short and extended periods. A decrease in the value of these securities leads directly to a reduction in the value of the client's investment.

Currency Risk

Clients face currency risk when they hold securities that are denominated in a foreign currency, particularly if the underlying exchange rate depreciates. Generally, when the local currency appreciates compared to a foreign currency, investments in that foreign market may decrease in value since the foreign currency is worth less when converted to local currency. Additionally, devaluation actions taken by a country's government or financial authorities can significantly affect the value of investments held in that currency. It is important to note that currency markets are typically less regulated than securities markets.

Interest Rate Risk

Interest rate risk is the potential for changes in interest rates to negatively impact the value of an investment. The value of fixed-income securities usually moves inversely to interest rates; it tends to decrease when interest rates rise and increase when interest rates fall. If the market interest rate increases, the buyer of a fixed-income security faces the risk of experiencing a price loss.

3.2. Liquidity Risk

A security is deemed liquid based on the investor's ability to sell it at fair market value at any time. The sale of liquid securities typically does not lead to significant price changes, regardless of volume. Conversely, narrow and illiquid markets can pose challenges in buying or selling securities. Liquidity risk is particularly pronounced in emerging markets (see "Emerging Market Risks" below), which tend to be smaller, less liquid, and more volatile compared to the securities markets of most developed countries. A small number of issuers often account for a substantial portion of market capitalization and trading volume. These factors can make it challenging for investors to buy or sell certain securities due to poor liquidity.

2.3. Credit Risk

Credit risk is the potential for losses stemming from debtors being unwilling or unable to meet their contractual obligations due to declining credit quality or bankruptcy. Such defaults can lead to losses for investors. Moreover, if an issuer's financial health deteriorates, the credit quality of the securities held by the investor may decline. A drop in credit quality can result in increased price volatility, impact liquidity, and complicate the investor's ability to sell the security.

2.4. Inflation Risk

Inflation risk refers to the possibility that the purchasing power of an investor's money will decrease over time due to rising prices. As inflation increases, the value of currency diminishes, meaning that the same amount of money can buy fewer goods and services than before.

2.5. Volatility Risk

Volatility risk refers to the uncertainty and potential for rapid and substantial price fluctuations in a security or investment. A security with high volatility is characterized by significant and frequent changes in its price, both upward and downward. Understanding volatility risk is essential for investors, as it impacts their investment decisions and overall portfolio performance.

2.6. Tax Risk

Tax risk arises because of the uncertainty associated with tax laws. Changes in law may lead to changes in the tax treatment of capital gains and income from securities, in terms of both the amount and nature of taxes. Double taxation treaties between countries can have positive effects on the capital market prices. However, there is no guarantee that applicable double tax treaties, will remain in place or will not be changed.

2.8. Foreign Markets Risks

Foreign markets will involve different risks from the Cyprus market. In some cases the risks will be greater. The potential for profit or loss from transactions in foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

2.9. Emerging Market Risks

Investments in emerging markets may involve certain risks not found in investments in developed markets. Emerging markets are usually smaller, less liquid and more volatile than developed markets and there is often substantially less information publicly available about these investments. In addition, there may be greater risks arising from political, social and economic uncertainties and from possible changes in currency exchange rates. Accounting, corporate governance and financial reporting standards that prevail in certain of these countries are often not equivalent to those in countries with more developed markets. Tax and legal regimes may be subject to uncertainty and to significant and unpredictable changes and repatriation of investments and profits may be restricted by exchange controls.

There may also be less well-developed regulation of markets, issuers and intermediates. Markets may lack the liquidity of those in developed countries, leading to difficulty in valuing assets. Instability in such markets has previously led to and may continue to lead to investor losses. Settlement of transactions carried out on such markets may be lengthier and less secure than in developed markets.

4. Specific Risks by Instrument

4.1 Transferable Securities

- **Market Risk:** The value of these securities can be subject to substantial fluctuations due to market conditions, investor sentiment, and economic factors.
- **Liquidity Risk:** Some transferable securities may not be readily saleable or may be sold only at a significant discount.

- **Credit Risk:** The risk that the issuer may default on its obligations.

4.2 Money-Market Instruments

- **Interest Rate Risk:** Changes in interest rates can impact the values of money market instruments.
- **Credit Risk:** Qualifying issuers could default, leading to financial loss.
- **Liquidity Risk:** There can be instances where these instruments may be less liquid during market stress.

4.3 UCITS (Undertakings for Collective Investment in Transferable Securities)

- **Market Risk:** As UCITS invest in various assets, they are susceptible to market volatility affecting the underlying investments.
- **Operational Risk:** Factors such as management errors or system failures can impact performance.
- **Liquidity Risk:** UCITS can invest in less liquid assets, limiting the ability to redeem shares at desired times without affecting market price.

4.4 Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash

- **Leverage Risk:** Derivatives can amplify gains and losses due to leverage.
- **Market Risk:** Prices for derivatives can be highly volatile. Significant losses can occur, especially when price movements are unfavorable.
- **Counterparty Risk:** The risk that the other party in the transaction may default on their obligations.
- **Settlement Risk:** Derivatives may be settled physically or in cash, and any delays or issues in settlement can expose clients to additional risks.
- **Complexity Risk:** Certain derivatives can be complex, requiring a deep understanding of the mechanisms, which may not be suitable for all investors.
- **Regulatory Risk:** Changes in regulations can impact market dynamics and legal standing of derivative contracts.
- **Liquidity Risk:** Market conditions can lead to reduced liquidity for specific derivatives, complicating the execution of trades.

5. Conclusion

Clients are encouraged to thoroughly understand the risks associated with the financial instruments mentioned above before engaging in any investment activities. It is advisable to seek independent financial advice to align investments with personal financial goals and risk appetite.

6. Implementation and Review

The Company has the right to amend the current Policy at its discretion and at any time it considers suitable and appropriate. Where any amendments take place, the updated version of the present Policy shall be approved by the Company's Board of Directord, shall be published to the Company's website and shall be distributed to the Company's employees who shall acknowledge that they have read and understood the updates.