



RISK DISCLOSURE STATEMENT

IMPORTANT – PLEASE READ CAREFULLY:

Leveraged trading in forex, derivatives, precious metals, CFDs or other off-exchange products (also known as “over-the-counter” or “OTC derivative products”) on margin carries a high level of risk to your capital. You do not own, or have any rights to, the underlying assets. Trading is not suitable for everyone and may result in losses that are greater than your deposits. You should only trade with money you can afford to lose.

This statement provides you with a non-exhaustive overview of the key risks that you should take into account when deciding whether to open an account and trade with Kern Private Capital. This statement does not explain all of the risks involved in trading or how the risks relate to your personal circumstances.

It is important that you read the relevant legal documentation to fully understand the risks involved in light of your personal circumstances before deciding to open an account and trade with us. We recommend that you seek independent advice if you’re unsure.

United Kingdom clients: This notice is provided to you in compliance with the rules of the Financial Conduct Authority (FCA). If you are a retail client, you are afforded greater protections than other clients.

A. NO ADVICE

Our products and services are provided on an execution-only basis – you are solely responsible for any decisions that you make in relation to our products and services.

Kern Private Capital is not a financial advisor nor do we provide any regulatory, tax or legal advice. Sometimes we will provide you with general factual information about the market and how our various products and services work. Any information and analysis provided by us is general in nature and does not take into account your or your client’s personal objectives, financial situation or needs. You should not regard any of the information that we provide to you as an investment recommendation or an offer to make a transaction.

Tax benefits are subject to change and depend on your individual circumstances. We recommend that you seek specialist advice if you are uncertain about any of these matters.

B. COSTS

Our dealing costs are set out in writing on our website (www.kernprivatecapital.com). If you have any queries about costs please contact our support team by email at support@kernprivatecapital.com.

We make costs as transparent as possible. OTC products are traded at market prices. The cost of these transactions will show up separately on your contract notes and statements. Costs are charged as a percentage, or basis points, of the total position size traded and are not relative to the deposit or margin used. Costs are charged where indicated on a per transaction basis.

Minimum charges can be relevant for smaller trade sizes and there are also charges associated with over-night financing of positions – we will provide all of this in writing to you before you open your



account. With respect to foreign exchange trading, costs may be included in the transaction price. If this is the case, we will stipulate the size of the bid/offer spread quoted depending on the products you wish to trade.

C. PRODUCTS

Kern Private Capital offers Margin FX Contracts and Contracts For Difference (CFDs), which are OTC (otherwise known as “off-exchange”) derivative products. While some OTC markets are highly liquid, transactions in OTC or “nontransferable” derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may not be possible to liquidate an existing position, to assess the value of the position arising from an OTC derivative transaction or to assess the exposure to risk. Bid and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments. Consequently, it may be difficult to establish what a fair price is.

You should not deal in OTC derivative products unless you understand their nature and the extent of your exposure to risk. You should also be satisfied that the product is suitable for you in the light of your circumstances and financial position.

1. Margin FX Contracts

The price of a Margin FX Contract is based on the underlying instrument, which is the price of one currency relative to another. Please note that at no stage will you take any physical delivery of currency (being the underlying instrument) when trading Margin FX Contracts.

Margin FX Contracts can be differentiated from other foreign exchange products in that they allow the investor an opportunity to trade foreign exchange on a margined basis as opposed to paying for the full value of the currency. This “gearing” or “leverage” often obtainable in trading Margin FX contracts means that a relatively small market movement can lead to a proportionately much larger movement in the value of your investment. Leverage can work against you as well as for you and in some cases, may result in you losing more money than your original deposit. Please see section D for more information regarding margins and leverage.

2. CFDs

A CFD is a leveraged financial instrument that fluctuates in value based on the price of the underlying instrument - which could be the price of gold, a share index, a currency or of a particular commodity. A CFD does not provide ownership or any rights to the underlying instrument and does not entitle you to the delivery of the underlying instrument at any stage. A CFD is an agreement between you and us to exchange the difference in value of an underlying instrument from when a position is opened to when it is closed. If the value of the CFD has moved in your favour, you will be paid an amount into your account. Should the value of the CFD move against your position, an amount will be deducted from your account. The amount of profit or loss you make will be the difference between the price when the CFD is opened and the price when it is closed, adjusted to reflect notional dividends and interest payments, where applicable.

D. GENERAL TRADING RISKS

1. Deposit and Margin Requirements

OTC derivative products such as Margin FX Contracts and CFDs are leveraged products, which means

that you can open a position (also known as a contract) without having to fund the whole position. Instead you will be required to put up a deposit or “margin” to maintain each open trade on your account. To open a trade you must have sufficient trading resources on your account to cover the margin requirement applicable to that trade. You will then need to maintain sufficient net equity in order to keep that trade open.

If the market moves against you, you may be required to pay substantial additional funds or margin at short notice to maintain your position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be liable for any resulting deficit. It is very important that you closely monitor any open positions, to help limit the risk of any deficit if the market moves against you.

2. Leverage

OTC derivative products involve a high level of leverage. Whilst the use of leverage can work in your favour, it can also work against you. Even a slight fluctuation in the market could lead to a proportionately much larger movement in the value of your investment, and your potential losses may be far greater than the money you deposit into your trading account. Please also be aware that commission is paid on a pro rata basis, based on the size of your notional position.

3. Past Performance

Past performance of any investment is not necessarily a guide to future performance.

4. Foreign Markets

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

5. Contingent Liability Transactions

Contingent liability transactions that are margined require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately.

When trading OTC derivative products you may sustain a total loss of the margin you deposit to establish or maintain a position. If the market moves against you, you may be required to pay substantial additional margin at short notice to maintain your position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be liable for any resulting deficit.

Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered into the contract.

6. Volatility

Movements in the price of underlying markets can be volatile and unpredictable and are outside of our control. This will have a direct impact on your profits and losses. Understanding the volatility of an underlying market will help you to manage the risks in relation to your trades.

7. Stop-Losses Not Guaranteed

You are responsible for monitoring your account and taking steps to limit your losses.

We encourage you to employ “stop-loss orders” to minimise your risk, but it is important for you to note that stop-losses are not guaranteed. If there are instances of illiquidity, slippage or the market gaps up or down, your exit price could deviate significantly from your intended stop-loss price.

8. Slippage

Orders may be subject to slippage. This most commonly occurs during fundamental news events or gapping in the markets. The volatility in the market may create conditions where orders are difficult to execute, since the price might be many pips away due to the extreme market movement or gapping. Execution is subject to available liquidity at any and all price levels. This means that if a stop-loss order cannot be executed at your chosen price in the market, or cannot be executed in the desired volume at the chosen price, the order will be filled at the best available price at that time.

9. Insolvency

Our insolvency or default may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payment in cash. We accept no responsibility for insolvency of, or default by, other brokers involved with your transactions.

10. System Risk

Operational risks in relation to our trading platform are inherent in every product that we offer. For example, disruptions to our operational processes such as communications, computers, computer networks, software or external events may lead to delays in the execution and settlement of a position. You may be unable to trade in a particular product that we offer and you may suffer a financial loss or opportunity loss as a result.

11. Regulatory and Legal

Changes in taxation and other laws, government, fiscal, monetary and regulatory policies may have a material adverse effect on your dealings in OTC derivative products.