



**DIRECTIVE 2014/65/EU (MIFID II)**

**1. AXIA VENTURES GROUP LTD**

Axia Ventures Group Ltd (hereinafter "AXIA") operates as an Investment Firm under license No. 086/07 dated 31/10/2007, which was granted by the Cyprus Securities and Exchange Commission. AXIA is regulated by the Cyprus Securities and Exchange Commission (Contact details: 27 Diagorou Str. CY-1097 Nicosia, P.O. Box 24996 1306 Nicosia, Cyprus, Tel.: +35722506600, e-mail: [info@cysec.gov.cy](mailto:info@cysec.gov.cy), <http://cysec.gov.cy>). AXIA is permitted to provide investment services in the European Union pursuant to its permissions under Directive 2014/65/EU on Markets in Financial Instruments and may also provide similar services in the US through its subsidiary Axia Capital Markets LLC, a US registered broker-dealer and member of FINRA. As regards AXIA's establishments in the European Union, AXIA offers investment services through its head office in Cyprus and maintains a branch in Greece.

AXIA's activities are exercised and supervised in accordance with the legal and regulatory framework formed on the basis of Directive 2014/65/EU on Markets in Financial Instruments (hereinafter "MiFID II"), including in particular Cypriot Law 87(I)/2017 (hereinafter "the Law"), Delegated Regulation (EU) 2017/656 containing provisions for the implementation of MiFID II and the directives of the Cypriot Securities and Exchange Commission (CySEC) (hereinafter all the above will be referred to as the "Regulatory Framework").

**2. OFFERED INVESTMENT SERVICES**

AXIA is authorized to provide the following investment services and activities and ancillary services as these are defined in MiFID II as well as in the Law:

<b><i>S/N MiFID II</i></b>	<b><i>Investment services and activities</i></b>	<b><i>Financial instruments</i></b>
1	Reception and transmission of orders in relation to one or more financial instruments*.	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
6	Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis.	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
7	Placing of financial instruments without a firm commitment basis.	1, 2, 3, 4, 5, 6, 7, 8, 9, 10

**\*This service is not available in the context of AXIA's current business activity.**

<b><i>S/N as per the Directive</i></b>	<b><i>Ancillary Services</i></b>	<b><i>Financial instruments</i></b>
1	Safekeeping and administration of financial instruments for the account of clients, including custodianship and	1, 2, 3, 4, 5, 6, 7, 8, 9, 10

	related services such as cash/collateral management and excluding maintaining securities accounts at the top tier level.	
3	Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings.	*
5	Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments.	1, 2, 3, 4,5 ,6 ,7 ,8 ,9 ,10
6	Services related to underwriting.	

<i>S/N as per the Directive</i>	<i>Financial Instruments</i>
1	Transferable securities.
2	Money-market instruments.
3	Units in collective investment undertakings.
4	Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash.
5	Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event).
6	Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF.
7	Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in paragraph 6 of Part III and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are subject to regular margin calls.
8	Derivative instruments for the transfer of credit risk.
9	Financial contracts for differences.
10	Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Part, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognized clearing houses or are subject to regular margin calls.

**\* The particular service does not correspond to Financial Instruments as these are mentioned above.**

## **2.1 COMMUNICATION WITH CLIENTS**

AXIA communicates with its clients in English. Occasionally, when addressing non - English speaking clients, Greek language and terminology may be used.

Any communication initiated by AXIA shall be based on the information provided by the client, which shall be considered to be accurate. The client acknowledges that any related documentation dispatched by AXIA to the client for his/her information shall be deemed to be complete provided that such information is based on the most recent information sent by the client to AXIA. The client is obliged to notify AXIA of any change in the information already provided by the client. The client may communicate with AXIA via phone, post, fax, e-mail as well as in person at AXIA's premises.

AXIA informs the client that, for the purpose of protection of the mutual interests of both parties (AXIA and client), as well as for the purpose of complying (and monitoring compliance) with the Regulatory Framework, any phone communication or correspondence (electronic or otherwise) and/or the use of AXIA's web pages will be monitored and recorded. The relevant records are stored for a period of five years or, if requested by the competent supervisory authority, for a period up to seven years and the Client has the right to receive copies upon request.

## **2.2 CLIENT CLASSIFICATION**

AXIA acknowledges its obligation to provide investment services to its clients in a professional, honorable and impartial manner. AXIA provides investment services to the following categories of clients, according to the Directive's and the Law's terminology:

- Professional clients
- Eligible counterparties
- Retail clients

AXIA is obliged to classify its clients in one of the aforementioned categories on the basis of specific criteria provided for by the Regulatory Framework and according to the internal policy and procedures that it has established. AXIA notifies its clients in writing of the category they belong to, either prior to the execution of the agreement between AXIA and the client for the provision of investment services or prior to the provision of the investment services. Such classification aims at ensuring that the investment services are furnished on the basis of each client's knowledge and experience concerning such services.

AXIA classifies its clients on the basis of the data at its disposal. To this end, AXIA's clients are obliged and prompted to provide and disclose complete and accurate data that will facilitate AXIA to proceed to their correct classification. Furthermore, AXIA's clients are obliged and prompted to provide and disclose to AXIA any changes that may affect their classification. AXIA declares that it undertakes no responsibility for incorrect client classification attributed to insufficient or/and false data provided by the client.

Professional Clients, in accordance with the Law, enjoy a lower level of protection compared to retail clients. In particular Professional Clients will be deemed to have the necessary experience, knowledge and expertise with regards to the services and products in respect of which they are classified as professionals, a part of the pre-contractual information (i.e. regarding investment risks) may be less detailed than the information provided to retail clients, and Investment Firms may agree with professional clients to provide less detailed information regarding the costs of the services.

### **ELIGIBLE COUNTERPARTIES**

The category of Eligible Counterparties is related only to investment services concerning the execution, the reception or transmission of orders as well as any ancillary service directly connected to these transactions. Such category is not available for the classification of AXIA's clients based on the kinds of services currently provided by AXIA.

## **RETAIL CLIENTS**

Retail Client is every natural person or legal entity that is neither a Professional Client nor an Eligible Counterparty.

The classification of a client as a "Retail Client" provides the highest level of protection pursuant to the Law.

## **CLIENT RECLASSIFICATION**

Pursuant to the Regulatory Framework, the Client is entitled to request re-classification at any time namely:

- To opt out of the "Professional Client" category to the "Retail Client" category, which entails the highest level of protection.
- To opt out of the "Retail Client" category to the "Professional Client" category, which entails a lower level of protection.

In the event that the client wishes to be re-classified, he/she shall submit a written request to AXIA. The latter is not obliged to accept the submitted written request. Re-classification may concern all or certain investment services and activities concerning one or more financial instruments. AXIA remains at the disposal of its clients for further information concerning the consequences of re-classification and the level of protection.

In the event that AXIA is provided information or data evidencing that a client does not fulfill the criteria of the category, in which the latter has been classified, AXIA reserves the right to re-classify the client. In this case the client concerned will be immediately notified prior to the provision of any investment service or the performance of any activity.

## **ASSESSMENT OF APPROPRIATENESS**

In the context of the provision of investment services other than investment advice and portfolio management, AXIA is obliged to assess the appropriateness of the financial instruments and services for the client (Appropriateness Test). Such assessment has a very limited scope with respect to activities and services that are not related to the conclusion of transactions in financial instruments.

### **2.3 DATA PROTECTION & CONFIDENTIALITY**

AXIA has established policies and procedures in order to ensure confidentiality as regards any information received from its clients and protection from intentional or unintentional disclosure of such information to unauthorized persons. AXIA monitors regularly the implementation and effectiveness of the above procedures.

### **2.4 CONFLICTS OF INTEREST POLICY**

#### **IDENTIFICATION AND MONITORING OF CONFLICTS OF INTEREST**

AXIA applies measures and policies, which are appropriate to AXIA's size, organization and the nature, extent and complexity of its activities, in order to avoid or manage the conflicts of interest and to ensure that (a) its members of the Board of Directors, partners or equivalent, managers or tied agents, (b) the members of the Board of Directors, partners or equivalent or managers of any tied agent of AXIA (c) AXIA's employees or the employees of AXIA's tied agents, as well as any other natural person, whose services are placed at the disposal and under the control of AXIA or a tied agent thereof who is involved in the provision by AXIA of investment services or/and the performance of investment activities (d) any natural person who is directly involved in the provision of services to AXIA or its tied agents under an outsourcing

arrangement for the purpose of the provision by AXIA of investment services or/and the performance of investment activities (hereinafter: "Relevant Persons") handle the clients with a fair and objective manner and that they behave with the required impartiality.

For the purposes of spotting cases of conflicts of interest between AXIA, including its managers and employees, tied agents or other Relevant Persons, as well as any person connected directly or indirectly with them with a relation of control, and their clients or between one client and another, which arise either during the supply of main and ancillary investment services or a combination thereof or with any other manner, which may impair the clients' interests, AXIA determines on the basis of specific and pre-determined criteria whether AXIA, including its managers and employees, tied agents or other Relevant Persons, as well as any person connected directly or indirectly with them with a relation of control, is involved in any of the following cases:

- It is possible to have financial benefit or avoid a financial loss, to the detriment of a client.
- Has, in relation to the result of a service which is provided to the client interest different than the interest of the client.
- Has a financial or other motive to favor the interests of another client or another group of clients to the detriment of the client.
- Carries out the same business activity with the client.
- Receives or will receive from the client a benefit in relation to the service which will be provided or has been provided, in the form of money, goods or services which exceeds the level of the usual commission or remuneration for such a service.

Taking into account the activities currently exercised by AXIA, some examples of situations, which could potentially give rise to conflicts of interest are the following:

- In respect of investment research services, the Company or the Competent Persons have an interest from using the investment research or analysis service carried out by the respective part of the Company, before it is even notified to the Company's Customers.
- in respect of underwriting and/or placement of financial instruments, the Company or Competent Persons have an interest from influencing the formation of the price of the public offer made by a client-issuer of securities through the Company, acting against the client's interests, with the aim of favoring other customers of the Company who will participate in the offer or placement.
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AXIA, in general, ensures that it takes necessary measures and actions (e.g. Chinese walls) for the monitoring of conflicts of interest. These policies, actions and measures aim to ensure that the Relevant Persons who participate in the business activities or provide services, which could give rise to conflicts of interests, carry out such activities in a level of independence, which is proportionate for the size and activities of AXIA and the extent of risk of the interest of the clients.

More specifically AXIA has put in place effective procedures for:

- Avoiding or restricting any inappropriate influence in the manner that a Relevant Person provides investment or ancillary services or carries out activities.
- Avoiding or monitoring the exchange of information among the Relevant Persons that are involved in activities, which give rise to risks of conflicts of interest, when such exchange might be detrimental to the interest of a client or clients.
- Separate supervision of the Relevant Persons, whose main duties include carrying out of activities on behalf of clients or the provision of services to clients, to the extent that the interests of such clients might conflict each other or to the extent that such clients represent different interests (including interest of AXIA or the AXIA group) which might conflict each other.
- Avoiding of giving motives, through the link of the remuneration of the Relevant Persons who carry out an investment activity on behalf of AXIA with the revenues, which come from other Relevant Persons which mainly carry out another investment activity on behalf of AXIA or with the

remuneration of such Relevant Persons, provided that a conflict of interest might arise in connection with such activities.

- Implementation of remuneration policies and practices in such a way to avoid incentives that may lead relevant persons to favor their own interests or the company's interests to the potential detriment of any client and to ensure the fair treatment of clients.
- Avoiding the reception of inducements from third parties or by the IF's remuneration structure.
- Avoiding or monitoring the simultaneous or successive participation of a Relevant Person in different main or ancillary investment services to the extent that such participation might impair the reasonable monitoring of conflicts.
- Application of procedures for the monitoring and (when necessary) restriction of personal transactions of the Relevant Persons.

In case an employee of AXIA or a person connected directly or indirectly with AXIA with a relation of control identifies an actual or potential conflict of interest, notifies immediately the Group Managing Directors, the Group Compliance Officer and the Internal Auditor. The cases of conflict of interest are recorded by each department. The departments assess their systems of internal control and if the existing structures are not deemed sufficient, the Internal Auditor is notified and alternative or additional measures are taken.

## **NOTIFICATION TO CLIENTS**

Where organizational or administrative arrangements made by AXIA to manage conflicts of interest are not sufficient to ensure with reasonable confidence, that risks of damage to client interest will be prevented, AXIA clearly discloses to clients, with a durable medium, the general nature and/or sources of conflicts of interest, as well as the steps taken to mitigate those risks before undertaking business on the client's behalf. For this disclosure AXIA takes into account the characteristics of each client and gives to the client adequate details in order that the latter takes a decision taking into account such conflict of interest before the undertaking of the investment service on its behalf.

## **RECORDS**

AXIA maintains a record (which is updated regularly) for each investment or ancillary service, for which conflict of interest, which might substantially harm the interests of the clients, has arisen or in case of continuing service or activity which might give rise to a conflict of interest.

## **REVIEW**

AXIA carries out regular internal review of the measures and procedures applied to ensure that they remain appropriate, effective, comprehensive and proportionate to the nature, scale and complexity of its business activities, especially in terms of the nature and the range of the investment services and activities it undertakes in terms of its business activities. AXIA shall take immediately appropriate measures to correct any deficiencies identified during such review.

## **2.5 INVESTOR COMPENSATION FUND**

Information regarding the Investor Compensation Fund in which AXIA participates is available at this link on its website:

- [http://www.axiavg.com/images/pdf/AXIA\\_Investor%20Compensation%20Fund.pdf](http://www.axiavg.com/images/pdf/AXIA_Investor%20Compensation%20Fund.pdf)

## **3. FINANCIAL INSTRUMENTS RELATED TO THE SERVICES**

The kinds of financial instruments which are most usually the object investment and ancillary services are described herein below.

### 3.1 TRANSFERABLE SECURITIES

Transferable securities according to the EU Directive 2004/39 EC are those classes of securities which are negotiable on the capital market, with the exception of instruments of payment, such as:

- a) shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares;
- b) bonds or other forms of securitized debt, including depositary receipts in respect of such securities;
- c) any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures.

Transferable securities, in relation to which AXIA provides investment services are indicatively the following:

#### **(a) Listed Shares**

Shares constitute units of ownership interest in a corporation. Investors who own shares have certain rights, such as the right to vote at the shareholders' meetings (voting rights) or to participate in the company's profits, should the corporation decide to distribute dividends.

AXIA may provide its clients investment services with regards to shares issued by companies that are listed in regulated markets, the price of which is determined based on the markets' supply and demand, and shares issued by companies not listed in regulated markets.

#### Investment Risks

Equity investments (investments in shares) may be subject to some of the following risks: market risk, liquidity risk, issuer risk, exchange rate risk, systemic and non-systemic risk. Therefore, equity investments may be regarded as not having guaranteed performance, since the amount initially invested by the investor may suffer losses.

#### **(b) Warrants**

A warrant is a security that gives the right to purchase shares or other securities with or without the deposit of a certain amount to the issuer, at a specific price within a certain timeframe. If the client does not exercise such right within the predefined timeframe the warrants lapse and have no value whatsoever.

#### Investment Risks

The value of the warrants is directly affected by the price of the share or security which may be acquired when the warrant is exercised. For example, a minor change in the price of the share or security, which may be acquired may result in a major change in the price of the warrant. Consequently, the value of the warrant is highly volatile.

#### **(c) Bonds & Other Debt Securities**

A bond is a security, whose issuer (borrower) has the obligation to pay the investor (lender) the nominal (initial) value of the investment at maturity as well as interest payments (coupons) at specified intervals until a final repayment date, called the maturity date of the bond. By purchasing bonds, the investor aims to benefit from the collection of interest and/or a possible increase of the bond's price in the secondary market.

- Government Bonds: bonds which are issued by governments or their respective debt management organizations (e.g. Greek Government, U.S. Government).
- Supranational Bonds: Bonds issued by supranational organizations (e.g. the European Investment Bank (EIB)).
- Corporate Bonds: Bonds issued mainly by banks, utility companies and other corporations.

- Municipal Bonds: Bonds issued by local government bodies (e.g. municipalities).

Besides the issuer, the main characteristics of bonds are:

- Face Value/Nominal Value: the initial amount of the security that the issuer promises to pay back to the investor at maturity. The interest payments are based on the face value of the bond.
- Price: The price of a bond is quoted based on 100, which corresponds to its face value (also known as "at par"). When the price of a bond is higher than its nominal value, i.e. above par (or above 100), the bond is traded at a premium. When the price of a bond is less than its nominal value, i.e. below par (or below 100), the bond is traded at a discount. Based on the above, the following prices can be identified:
  - Issue Price: The price at which investors buy the bond from the bond's issuer at its issue date.
  - Buying Price: The price at which the investor buys the bond.
  - Selling Price: The price at which the bond holder sells the bond.
  - Redemption Price: The amount which the investor receives by the issuer at maturity.
- Issue Date: The date the bond is issued.
- Maturity Date: The date at which the bond matures.
- Interest Rate/Coupon: It is the interest rate based on which the bond's interest payment is calculated for a specific period of time (usually a month, quarter, semester, or year). It is expressed as a percentage of the bond's nominal value. The coupon, which is specified when the bond is issued, may be fixed or floating.
- Accrued Interest: This is the interest that has been accumulated since the previous coupon payment, which is owed by the issuer but not yet payable to the bond holder.
- Fair Value: This is the total sum of the present values of all future cash flows of the bond (coupons plus face value at maturity).
- Yield to Maturity: The return the investor will enjoy if he/she holds the bond until maturity. It is expressed as a percentage.
- Quoted Margin (this is a feature of floating rate bonds): The Quoted Margin is the fixed percentage by which the bond's coupon exceeds the reference rate. For instance, if a floating rate bond has a coupon rate of LIBOR + 2%, the 2% is the bond's quoted margin, specified when the bond is issued and is usually fixed to maturity. The Quoted Margin may also be expressed in basis points and not as a percentage rate, where 100 basis points correspond to 1%.
- Discount Margin: In floating rate bonds, the discount margin expresses the margin of the bond with respect to the reference interest rate, based on the bond's current price, the quoted margin and the bond's remaining time to maturity. The discount margin varies throughout the bond's lifetime based on the aforementioned factors.
- Status of the bonds: The priority by which the claims of the bond holders are satisfied in case the issuing company is liquidated.
  - Senior Debt Instruments
  - Subordinated Debt Instruments, which are distinguished in the following categories:
    - Tier 2 Capital comprising of:
      - Lower Tier 2 Capital; and
      - Upper Tier 2 Capital.
    - Tier 1 Capital comprising of:
      - Lower Tier 1 Capital; and
      - Upper Tier 1 Capital.
- Credit Rating: The rating of the bonds according to the credit risk [creditworthiness] that they represent, which is basically associated with their issuer. Credit Rating Agencies estimate the credit risk of bond issuers such as governments, financial institutions, corporations. In particular, Credit Rating Agencies collect and analyze information from various sources which relates to the issuer of the securities, the market segment in which the issuer operates, the issuer's overall financial situation, the nature of the bond and in general the ability of the issuer to meet the undertaken obligations towards the bond holder. The ratings have to be assessed by the investors, who have to weigh the potential risks of default or a decline in the bond's market



price. Due to the large variety of bond types, for instance short-term or long-term bonds representing senior or subordinated debt, different bond issues by the same issuer may have a different rating. The three best known Credit Rating Agencies that are active at an international level use the following ratings:

➤ Standards & Poor's:

Long term credit ratings: AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C, D, NR.

Short term credit ratings: A-1, A-2, A-3, B, B-1, B-2, B-3, C, D.

➤ Fitch:

Long term credit ratings: AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-, CCC, DDD, DD, D.

Short term credit ratings: F1+, F1, F2, F3, B, C, D.

➤ Moody's Investors Service:

Long term credit ratings: Aaa, Aa1, Aa2, Aa3, A 1, A2, A3, Baa1, Baa2, Baa3, Ba1, Ba2, Ba3, B1, B2, B3, Caa1, Caa2, Caa3, Ca, C.

Short term credit ratings: P-1, P-2, P-3, NP.

It should be noted that the price of a bond is affected to a large extent by its credit rating and by any changes in its credit rating which occur before maturity of the bond.

Indicatively, bonds include the following types:

- Zero-Coupon Bonds: These bonds are issued at a discount and do not provide interim interest payments, but only the payment of their face value at maturity.
- Fixed Coupon Bonds: In this case, the interest rate is specified at a fixed rate when the bond is issued and remains fixed until maturity.
- Floating Rate Bonds/Notes - FRN: FRNs have a coupon that is reset periodically with respect to the reference interest rate (e.g. Euribor, Libor). The reference rate as well as any possible spread, which is added to or subtracted from the reference rate, is specified when the bond is issued. The interest that the investor receives in each interest period depends on the fluctuation of the reference rate. If at the coupon reset date the index has decreased, then the coupon will decrease accordingly.
- Callable Bonds: When a callable bond is issued, it is specified in its issue terms that the issuer has the right to "call" it at specific future dates, i.e. repay it prior to its maturity. For instance, if interest rates are significantly decreased with respect to the bond's coupon, then the issuer can exercise the call right at the price and the date specified when the bond was issued.
- Puttable Bonds: When a puttable bond is issued, it is specified in its issue terms that the bond holder has the right to demand that the issuer repays it at a predetermined price and at dates prior to its maturity date. For example, if the interest rate is significantly increased with respect to the bond's coupon, then the bond holder can exercise the put right at the price and the date specified when the bond was issued.
- Convertible Bonds: Convertible bonds offer the investor the right to convert each of them into a number of other securities of the same issuer, usually shares, at a specified conversion ratio. The conversion right may be exercisable at specified future dates up to the maturity date of the bond and according to predefined procedures.
- Structured/Complex Bonds: Bonds, whose return and/or the capital payment at maturity are not predefined but depend on certain underlying securities, indices or other factors. Structured/complex bonds can be classified according to the following characteristics:
  - Capital Guarantee at Maturity: (a) 100% capital guarantee at maturity, (b) Partial capital guarantee at maturity and, (c) Non capital guarantee at maturity.
  - Type of underlying financial instrument: (a) Equities or indices, (b) Interest rates, (c) Exchange Rates, (d) Commodities, (e) Mutual funds or hedge funds, (f) Other instruments (freight rates,

indices relating to climate changes, emission allowances, inflation rates or other official economic statistics etc.) and (g) Combination of two or more underlying financial instruments.

➤ Maturity: (a) Up to 1 year, (b) 1 - 2 years, (c) 3 - 5 years and (d) Over 5 years.

#### Notes relating to investments in Bonds:

- The possibility that an issuer will not be able to pay the investor the initial principal and/ or the coupons (credit risk), such as in the case of bankruptcy of the issuer, cannot be eliminated.
- When interest rates increase, the price of the bonds usually decreases. Additionally, fixed coupon bonds, with long maturities and higher coupons are usually more sensitive to interest rate variations than those with shorter maturities and higher coupons.
- Bond investments may lead to the loss of a portion of the invested capital amount, when the investor sells them prior to their maturity date.
- The prices of structured bonds in the secondary market are also affected by the underlying securities, which may lead to the loss of up to 100% of the invested principal (in case of structures bonds with no capital guarantee) as well as of the return.

#### **(d) Other Securities**

This category includes hybrid notes, namely securities that combine the characteristics of other financial instruments. The investor may receive dividends, like owning a share, but the note may behave in the secondary market like a fixed income security. These notes are subordinated debt securities and belong to the category of Basic Own Funds (Tier 1 Capital).

Hybrid notes may, for instance, pay a specific amount of dividend at regular intervals, like a fixed income security, but may simultaneously include terms that give the issuer the right to omit some payment (like in preferred shares) in case of objectively specified economic difficulties. It is rather often that hybrid notes do not mature (perpetual notes), like equities, or have very distant maturities dates (e.g. 100 years), but the issuer has the right to buy them back at predetermined dates (call right of the issuer). Investments in hybrid notes entail capital and/or yield loss risk.

### **3.2 Money - market Instruments**

Money Market Instruments according to the EU Directive 2004/39/EC are those classes of instruments, which are normally dealt in on the market, such as treasury bills, certificates of deposit and commercial papers, excluding instruments of payment.

Money market instruments in relation to which AXIA may provide investment services are indicatively the following:

- Certificates of Deposit: Certificates of Deposit are instruments that are typically issued by commercial banks and have maturity that ranges from one month to five years. These instruments have a specific, predetermined maturity and typically a fixed interest rate. Certificates of Deposit are intended to be held by the investors until maturity, upon which the invested principal is returned to the investor along with the accrued interest.
- Treasury Bills: Short term government debt instruments issued by central banks, usually on discount basis, guaranteed by the country's government and mature at par in one year or less (e.g. Greek Government Notes or U.S. T- Bills). Their interest rate usually depends on their maturity as well as the credit rating of the issuing state.
- Commercial Papers: Issued by states and private corporations at a discount or at par in order to finance their working capital needs, with maturity of typically up to 365 days. They have a specific principal and maturity; they are transferable and traded in secondary markets. These instruments are usually issued by large corporations which maintain a high enough credit rating by Credit Rating Agencies.
- Bankers' Acceptance Notes: Short term money market instruments issued by corporations whose principal and interest payments are guaranteed by a banking institution.

- Repos: Repurchase Agreements equivalent to time deposits with bonds as collateral.

In case these instruments are not held until maturity the investor may lose part of the invested principal.

### 3.3 UNITS IN COLLECTIVE INVESTMENT UNDERTAKINGS - MUTUAL FUNDS (REGULATED UCITS ETC.)

A Mutual Fund is a pool of assets that includes transferable securities, money market instruments and cash whose individual assets belong indivisibly to more than one unit holders, according to the number of units each one holds. Mutual Funds are not legal entities, have no maturity and the unit holders are represented in and out of court in relation to their legal dealings arising from management and their rights in the fund assets by the manager (the Mutual Fund's Management Company).

The Management Company is responsible for managing the fund according to the fund's investment objectives and policy.

The mutual fund's future performance cannot be determined in advance. The value of the fund's portfolio may increase or decrease as it depends on the market characteristics and volatility, as well as emerging current conditions. The mutual fund's net assets, the number of units, the net value of each unit, and its sale and redemption price are calculated every business day and are published in the daily press two business days later by the Management Company.

There are various categories of mutual funds. The most common are:

- Money Market Funds: Money Market Funds primarily invest in money market instruments and secondarily in debt instruments.
- Bond Funds: Bond Funds invest mainly in government and corporate bonds and secondarily in money market instruments.
- Equity Funds: Equity Funds invest in shares listed in domestic or foreign regulated markets.
- Balanced Funds: Balanced Funds combine investments in debt instruments and stocks.
- Funds of Funds: Funds of Funds invest in units of other funds. Funds of Funds are "baskets" of funds whose main objective is high diversification in terms of investment instruments (e.g. bonds, stocks) as well as geographical dispersion. Funds of Funds invest in many different strategies, such as convertible arbitrage, long/short equity, statistical arbitrage etc.
- Special type Funds: Special Type Funds are long-term funds which are characterized by the use of derivatives. Through this strategy, they offer capital and yield guarantee at maturity through a mechanism of assessing the course of an underlying instrument (e.g. basket of stocks/bonds, index or basket of indices). Due to their exposure to derivatives, they are considered to entail high risk.
- Absolute Return Funds: This type of Funds follow the interbank market interest rates aiming at achieving a return higher than the money market instruments' return while having certain objectives regarding its variance. Usually, investment vehicles in these Funds are debt instruments, money market instruments and derivatives.
- Exchange Traded Funds: The units of this type of Funds are listed and traded in regulated markets. Typically, their portfolio structure tracks a stock index such as the S&P 500 or a market sector such as energy, technology, commodities (gold, oil, etc).
- Commodity Funds: Commodity Funds are Funds of alternative types of investments. This type of Funds are active in the commodities market by using derivatives which have commodities or commodities indices as their underlying assets. Their performance depends on the course of the underlying instruments.

According to their investment profile, investors should carefully select the funds they decide to invest in.

It is the Fund's Management Company responsibility to decide and choose the financial instruments in which the fund invests. In the case of Regulated Mutual Funds (such as UCITS) the applicable law regulating, among others, the Funds' Management Companies may specify those financial

instruments, their respective participation shares in the fund's portfolio and other obligations. The mutual fund's objective, category, investment restrictions, degree of portfolio risk exposure, as well as charges are described in the fund's charter.

#### **4. INVESTMENT RISKS**

Historical returns of the various financial instruments do not ensure future performance. Every investment on any financial instrument is exposed to one degree or another, to all or some of the following risks:

- **Systemic Risk:** It is the risk of a change in the value of a financial instrument due to specific market-related factors.
- **Non-Systemic Risk:** Non-systemic or specific risk is the risk of a change in the value of a financial instrument due to specific factors that influence the issuer of the instrument (issuer's financial results, market sector, etc).
- **Market Risk:** It is the risk of unfavorable changes in general market factors such as interest rates, stock and index prices, exchange rates, commodity prices, changes in volatility.
- **Interest Rate Risk:** The risk derived from unfavorable changes in interest rates and their consequent effect on the present value of an investment's future cash flows.
- **Inflation Risk:** The loss of the real value (buying power) of capital due to a larger than expected increase in the level of inflation.
- **Portfolio Management Risk:** It is the risk that depends on the investment strategy that is being followed or on the ability of the portfolio manager to act according to the best portfolio management practices.
- **Credit Risk:** It is the risk of loss due to the possibility that the counterparty will not meet his/her contractual obligations.
- **Early Redemption Risk:** Some types of bonds give the issuer the right to recall and redeem them before their maturity date. The risk originates from the possibility that the bonds will be recalled at an unfavorable price for the investor.
- **Foreign Exchange Risk:** The risk originating from unfavorable changes in the exchange rate of the currency at which the financial instrument is valued.
- **Liquidity Risk:** The risk of not being able to liquidate a financial instrument within a reasonable time at a price close to its current market price. Financial instruments that historically present large marketability entail low liquidity risk (e.g. US T-Bills).
- **Legal Risk:** The risk that financial instruments contracts do not include detailed and clear information on the financial instruments' characteristics and value at maturity. This may happen in over-the-counter transactions, whereas in regulated markets transactions the legal risk is almost eliminated.
- **Operational Risk:** The risk originating from factors such as people, systems and processes. For example, the risks of a client's order being executed incorrectly or in a non-timely manner by the broker, or the risk that the trade - matching system or derivatives settlement system breaks down.
- **Basis Risk:** The risk of deviation between the prices of derivatives and the prices of their underlying financial instruments due to the exchange market conditions or rules imposed by the derivatives or underlying instruments market regulators.

**Returns on a transaction conducted in the past are no guarantee of future performance. The value of investments is subject to considerable fluctuations and may result in significant or even complete loss of the capital invested.**