

Pre-contractual information

for retail clients and retail potential clients and on the investment firm and by the investment firm provided investment services

The company Wealth Effect Management o.c.p., a.s., as an investment firm pursuant to act no. 566/2001 Coll. on securities and investment services and on change and amendment of other acts (hereinafter as the „**Securities Act**“) in accordance with the measure of the National Bank of Slovakia no. 378/2007 Coll. on provision of information to clients or potential clients prior to the provision of an investment service (hereinafter as the „**Measure**“) is obliged to provide to potential retail clients, as well as to retail clients (hereinafter as the „**client**“) information, which are necessary for a client to understand adequately the character and risks of the required investment service and/or related service and the specific type of financial instrument to which the requested investment service and/or ancillary service relates.

I. Basic information about the company

Business name: **Wealth Effect Management o.c.p., a.s.**

Registered office: Prievozská 4C, 821 09 Bratislava

Business identification number: 51 127 113

Register: Commercial register of Bratislava I District Court, section Sa, insert no. 6652/B

License for provision Of investment services: The National Bank of Slovakia issued to the company Wealth Effect Management o.c.p., a.s. the decision no. č.z.: 100-00-051-478 k č. sp.: NBS1-000-007-562, which became effective on 17.08.2017.

The company Wealth Effect Management o.c.p., a.s. enables client to communicate with the company Wealth Effect Management o.c.p., a.s.:

- in person,
- by phone,
- in writing or
- by e-mail.

Unless the Securities Act, the Measure or General Terms and Conditions of the company Wealth Effect Management o.c.p., a.s. (hereinafter as the „**GTC**“) stipulate otherwise, email communication considers for communication in writing. GTC stipulate more detailed conditions of communication between the client and the company Wealth Effect Management o.c.p., a.s.

The company Wealth Effect Management o.c.p., a.s. enables the client to communicate with the company Wealth Effect Management o.c.p., a.s. in:

- Slovak language,
- Czech language,
- English language,
- Bulgarian language.

In case of documentation for the client or documentation executed by the company Wealth Effect Management o.c.p., a.s. for the client, the company Wealth Effect Management o.c.p., a.s. executed the abovementioned documentation in Slovak or English language.

Webpage of the company: www.wemocp.sk

E-mail: backoffice@wemocp.sk

Phone numbers: +421 2 321 185 85

Recording of the communication: The company Wealth Effect Management o.c.p., a.s. records the conversations and communication relating to the reception, transmission and execution of the Client's instructions, while a copy of the recording of such conversation and communication with the Client will be available upon request for a period of five years, possibly seven years.

(the company Wealth Effect Management o.c.p., a.s. specified in this article of this pre-contractual information hereinafter as the „**Company**“)

II. System of protection of clients and clients assets

While performing the activity of an investment firm the Company is obliged to secure adequate and satisfactory protection of client assets, client's financial instruments and financial means entrusted to the Company. For this purpose, the Company has ensured and implemented adequate and satisfactory measures in the form of organizational measures and internal directives, the application and compliance of which ensures the highest possible level of the protection of the client's assets.

Investment guarantee fund (hereinafter as the „**IGF**“) is a legal entity established by the Securities Act in order to secure the clients assets. IGF serves to provide financial compensation for inaccessible client assets accepted by the Company as an investment firm to perform the investment service required by a client. GFI concentrates the monetary contributions of the investment firms and branches of foreign investment firms and other entities in order to provide compensations for inaccessible client assets accepted by the investment firm or foreign investment firm and/or other entity to provide an investment service and deal with the acquired monetary funds in accordance with the Securities Act.

Pursuant to the section 81 of the Securities Act the client assets means funds and financial instruments of a client entrusted to the Company in relation to performance of investment service or ancillary services pursuant to section 6 subsection 2 letter a) of the Securities Act, including the financial instruments and funds obtained for these values, if the client is:

- a) a natural person, including a natural person as an entrepreneur,
- b) a foundation, non-investment fund, non-profit organization providing generally beneficial services, civil association, or an association of owners of residential and non-residential premises,
- c) a legal entity other than those mentioned in letter b), except for
 - i. a bank, insurance company, supplementary pension insurance company, asset management company including investment fund assets, pension fund management company including pension fund assets, investment firm other than a bank, central depository, stock exchange, commodity exchange, post office, legal entity operating lotteries or other similar games, Export-Import bank of the Slovak Republic,
 - ii. a Slovak legal entity not mentioned in point i. or a foreign legal entity, which has at least partly same or similar business activity as any of the legal entities mentioned in point i.,
 - iii. a legal entity not mentioned in point i. or ii., which must have its financial statement audited pursuant to the separate law,
 - iv. the state, a state budget-funded organisation, a state budget-supported organisation, state fund, municipality, superior territorial unit and public administration authorities,
 - v. a legal entity established by law not covered by points i. to iv.,
 - vi. a legal entity controlling the investment firm or a foreign investment firm, or which is controlled pursuant to section 138 of the Securities Act by an investment firm or foreign investment firm in which, or in the branch of which, the client assets are maintained.

For the clients assets is considered also (i) joint client assets which, according to records made by by an investment firm or foreign investment firm before a day when the client assets became inaccessible pursuant to section 82 subsection 1 of the Securities Act, were kept for several clients, with information on individual clients having at least the extent specified in section 5 letter a) of the Securities Act, (ii) assets in notarial custody with an investment firm or foreign

investment firm, where the eligible beneficiary of financial instruments or funds in this custody is or should be a person, whose client's assets are protected under the Securities Act, if before the date when the client assets become inaccessible pursuant to the section 82 subsection 1 of the Securities Act, a notary administering this notarial custody delivers a written notice to the respective investment firm or foreign investment firm containing information on eligible beneficiaries at least in the extent specified in section 5 letter a) of the Securities Act.

Inaccessible client assets means the client assets taken over by (i) an investment firm or a foreign investment firm, which was declared for incapable to fulfil obligations towards clients pursuant to section 86 subsection 3 of the Securities Act and/or (ii) an investment firm or a foreign investment firm, whose disposal with client's assets was suspended as a result of bankruptcy court order in the bankruptcy proceedings pursuant to the specific act, provided such an order became enforceable before a declaration pursuant to the section 86 subsection 3 of the Securities Act.

The Company provides the client with more detailed information about system of protection of client assets and terms of provision of compensation through IGF in a separate document „Protection of clients through IGF“.

III. Protection of financial instruments and funds

Client's assets entrusted to the Company are not part of the Company's assets. The Company may not use the entrusted funds and financial instruments of clients for the benefit of the Company or for the benefit of third parties.

Financial instruments or funds of the client may be held on behalf of the Company by a third party, but the liability of the Company to the client's assets is not thereby limited. When selecting, determining and concluding contracts with such a third party, the Company proceeds with due care. The Company takes into account and regularly verifies the expertise level and credibility of the third party on the market and the provisions of generally binding laws and market practices relating to the holding of financial instruments, which could have adverse effect on client's rights. If it is allowed by the generally binding laws and bylaws, the subject of which is the third person and by which the third person is governed, the financial instruments and funds of the third party may be held in the omnibus account. In such case, the risks of pledge right on financial instruments or financial funds of the Client may exist, or rights to a mutual set off in relation with this instruments or financial funds may exist.

If the third party is the subject to the different jurisdiction, other than jurisdiction of some of the member states of the EU, the Investment firm provides for the third party to be subject to the similar laws in relation to the financial funds and financial instruments of the Client.

IV. Measures against conflict of interests

The company implemented, uses and respects effective measures in order to prevent conflict of interests. The aim of these measures is to handle the conflict of interests in a way, which minimizes the risk of harm of client's interests to the lowest possible level or eliminates it completely.

Measures against conflict of interests include restrictions and control of the personal transactions of individual persons of the trader, the separation of powers of employees of the company who perform transactions and settlement of the transactions, measures in order to handle conflict of interests in case a conflict of interests arises, the obligation to inform the client about the nature and source of conflict of interests before provision of investment service or performance of activity and to secure equal and fair treatment of each client. Because the Company is not trading

on its own behalf, conflict of interests in realisation of transactions on behalf of the client and on behalf of the company is excluded.

More detailed information on the Company's measures against conflict of interests is contained in a separate document „Measures against conflict of interests, Prohibition of the use of confidential information and the Obligation to maintain confidentiality“, which is upon client's request presented to client in the registered office of the Company or in any of its branches.

V. Information obligations of the Company and provision of information to clients

Pursuant to provisions of the section 73j of the Securities Act the Company, as an investment firm, is obliged to provide clients with adequate reports on provided investment services, in particular information on the costs associated with the transactions and services undertaken on behalf of the client.

If the Company provides the investment service of Portfolio management, the Company is obliged to provide the client with regular reports on activities related to portfolio management performed on behalf of the client on a durable medium. These reports must contain information pursuant to the section 73k subsection 2 of the Securities Act. The Company provides these reports to retail clients once every three months. The Client may decide that the client will receive information on individual performed transactions according to the following paragraph.

If the Company, on behalf of the client, executed an instruction other than instruction related to portfolio management service, the Company is obliged to provide a retail client with report confirming execution of the instruction (confirmation) at latest on the first business day following its execution or, if the Company received the confirmation from a third person, at latest on the first business day following receipt of a confirmation from such a person. The Company is also obliged to provide client, upon his request, with information on status of his instruction. This information must contain requirements pursuant to the section 73j subsection 5 of the Securities Act. The Company provides these reports by e-mail.

The Company that holds client financial instruments or funds is obliged to provide a client at least once a year on a durable medium with the statement on financial instruments and/or funds. The statement must contain information according to the section 73l subsection 3 of the Securities Act, unless such information is provided in other periodic statement.

Where the portfolio of a client includes the proceeds of one or more unsettled transactions, the Company may provide the information on financial instruments or funds as of the transaction date or settlement date, provided that all information in the statement are to the same date.

VI. Selected information for the portfolio management service and investment advice

Selected information about the Company and services provided by the Company for retail client in relation to the portfolio management service:

- the Company will evaluate the financial instruments in the client's portfolio daily by the fair value for which the security is traded in the stock market on a day when it was evaluated,
- in case if the approved investment strategy enables it, the Company can secure deposit of the client's funds on term accounts in banks,
- the Company compares portfolio performance as a positive (in case of loss a negative) difference between the selected benchmark and client's portfolio always at the end of the reported period. The Benchmark is a stock or other appropriately selected index specified in the approved investment strategy,
- according to the individual approved investment strategies, to the client's portfolio can be added particularly but not exclusively shares, ETF, depositary receipts, participation

- certificates, bonds and other securities traded on the stock market; where two kinds of transactions will be performed, namely purchase and sale,
- in case the Client's funds will be invested in securities denominated in other currency as the Euro in accordance with the approved investment strategy, the investment will be exposed to the rate risk,
 - the sole purpose of client's portfolio management is to increase the value; while the Company manages the portfolio, the company takes into account individual risk levels accordingly, in relation to the approved investment strategy.

Selected information on the Investment firm and services provided by the Investment firm for the retail client in relation to the providing of the investment advice:

- the Investment firm considers providing of investment advice services for independent, because it does not accept and does not keep any incentives from the third parties related with providing of this service,
- financial instruments, that can be recommended by the Investment firm by provision of this service:
- shares, bonds, ETF, depositary receipts and structured financial instruments, the underlying assets of which are formed by one, more or by the file of above mentioned financial instruments,
- the Investment firm does not have any close legal and economic relationship with the issuers and the providers of the above mentioned financial instruments, and the Investment firm is not interconnected with them.
- the prime interest of the Investment firm is to fulfill the investment goal specified by the Client, while the factors taken into account by the selection process, used by the Investment firm by advising the financial instruments, may be different for specific clients, however common factors are: relevant risks, costs and difficulty of the financial instruments,
- the Investment firm assess the suitability for the Client quarterly, or in case of the adverse development, when the value of the whole Client's portfolio drops by 10 %, while the portfolio is considered as whole,
- the Client is notified on updated recommendations in writing.

VII. Selected financial instruments and specific risks involved

Description of shares and depositary receipts

Share means a security which gives to the owner of the share (shareholder) the right to participate in the management of the company, in its profit and in its liquidation assets in case of dissolution of the company. The shareholder has no right to require from the issuer (issuer of security) to pay the nominal value of the share, the share can be sold only for the current market rate. The yield from possession of the share may be a dividend (its amount depends on the profit of the joint-stock company) and the capital profit or loss (difference between the purchase price and sale price for the share).

Depositary receipt – (e.g. American / Global Depositary Receipt) – is a bank certificate, representing ownership of shares of a foreign joint-stock company, which is traded on the financial markets in several countries. The issuer of the depositary receipt is a foreign bank or its branch, which owns shares of a foreign joint-stock company. One depositary receipt represents one or more shares of a foreign joint-stock company. A right to a dividend is connected to the depositary receipt. Risks related to these securities are the same as risks related to the shares; the liquidity risk can be higher than in case of individual shares.

Risks related to trading with shares, depositary receipts:

- equity risk means the risk of loss of value of the investment as the result of the change of price of the share in the stock market,
- market risk means the risk of loss of value of the investment as the result of general drop down of the stock market,
- liquidity risk means the risk that the share cannot be sold for money in the stock market in due time or for an adequate price,
- currency risk – in case if the share is nominated in other currency than in EUR, its value can decrease due to the changed exchange rate of the local currency to the currency in which the share is nominated,
- risk of the issuer means the risk of the change of the market perception of the issuer of the share,
- inflation risk causes that the amount of obligation of the issuer to pay the debt in certain currency has a lower fair value than in the time of investment due to higher inflation of this currency,
- event risk means the risk of loss of value of the share due to any event outside the financial markets, for example a natural disaster, taking over of the firm having issued the share or any regulatory changes.

In respect of the shares, depositary receipts, neither the return of the paid investment nor regular payment of dividend is guaranteed. The amount thereof depends on the issuer's economic results and from the decisions of the general meeting. The value of the shares may fluctuate also according to the value of assets and economic result of the issuer. Maximum loss, which may be incurred by the client in case of purchase of shares, is limited by the amount of his initial investment.

Description of debt securities (bonds)

Debt security means a security, the holder of which has the right to claim repayment of the outstanding amount in the nominal value and payment of interest revenues thereto as of certain date, and represents the obligation of the person entitled to issue the debt securities (issuer) to fulfil these obligations. Issuer of debt securities may be various entities, for example countries, towns and municipalities, banks, private enterprises. The issuer is obliged to repay the issued debt securities in their nominal value in a single instalment as of the specific date or in instalments on several dates. Interest revenue from bonds is as a rule determined by fixed interest rate, floating interest rate or zero interest, when the revenue is determined only by the difference between the purchase price of the bond and price of the bond while selling or purchasing the bond.

Risks related to trading with debt securities (bonds):

Trading with debt securities is connected with the risk of decrease of value of the debt security against the price, for which the holder acquired it, as well as with fulfilment of the obligation of the issuer. The value of debt securities depends on several factors and risks, which as a rule affect the value or increase the risk from non-performance of issuer's obligation, are in particular:

- interest risk means the risk of drop in value of the debt security as a result of changed interest rates, when in case of increase of the interest rates, the value of the debt security usually falls down,

- credit risk means the risk of drop in value of the debt security due to changed market perception of the creditworthiness of the issuer and the risk of failure to fulfil the obligations by the issuer,
- market risk means the risk of drop in value of the debt security due to overall drop down of the market with debt securities,
- risk of reinvestment arises from the fact that in the event of drop down of interest rates, the regular proceeds from debt securities (coupons or regular repayment of debt) are reinvested for lower interest rates reducing the proceeds of the holder of the debt security,
- risk of calling the debt security is in the event that the debt security comprises the option of prepayment of debt by the issuer,
- liquidity risk means the risk that in the event of sale of the debt security, the realisation price is lower than the estimated market price due to low demand for the respective debt security,
- currency risk of the debt security applies for the debt securities, which are issued in other than local currency of the holder of the debt security and in the event of negative movement of the exchange rate of the currency of the debt security towards the local currency of the holder of the debt security, the holder loses the value of the investment into the debt security,
- inflation risk causes that the amount of the issuer's obligation to repay the debt in certain currency has lower fair value due to the increased inflation rate of that currency than at the time of investment,
- political risk means the risk of loss of value of the debt security due to any changes in political situation in individual countries or regions, which may have negative effect on the value of the debt security,
- event risk means the risk of loss of value of the debt security due to event outside the financial markets, for example natural disaster, taking over the firm, which issued the bond or any regulatory changes.

Maximum loss, which may be incurred by the client in case of purchase of debt security, is limited by the amount of his initial investment.

Description of participation certificates

Participation certificate means a security which may be issued for one or several shares of the shareholder in the assets in the mutual fund and with which is connected the right of the shareholder to the corresponding shares on assets in the mutual and the right to receive a revenue from the assets according to the statute of the mutual fund. The aggregate value of all shares in circulation represents the net value of the assets in the mutual fund.

According to the current financial assets or property to which the funds collected in the mutual fund's assets are invested or according to the risk of the market being an objective of the mutual fund's investment strategy, the mutual funds are divided into the following types:

- monetary market mutual funds,
- bond mutual funds,
- mixed mutual funds,
- stock mutual funds,
- funds' mutual funds,
- reinsured mutual funds,
- real estate mutual funds.

ETF (Exchange-traded funds) are mutual funds, which may be subject of trading in the stock markets anytime during the business day for current market price. Usually they replace stock

indices, economic sectors, commodities and so on (underlying assets), in the form of tradeable securities. Legal requirements and composition vary according to the trading site or place of issue. Their price with small differences reflects the price of the underlying assets. These features make the ETF more advantageous securities in comparison to traditional participation certificates of collective investment funds. They allow at reduced costs to diversify the risk connected with investments into financial instruments.

Risks connected with trading with participation certificates and ETF:

Trading with participation certificates and ETF is connected with the risk of drop in the value of the mutual fund. The value of the mutual fund and ETF depends on the value of individual assets and/or property contained in the mutual fund, because the risk of drop of value of the mutual fund is directly connected with the risk of drop of value of individual assets contained in the mutual fund. Subject to the type of the mutual fund and the specific assets contained in the mutual fund, investments into the participation certificates and ETF may be connected with various types of risk, in particularly the following:

- market risk means the risk of drop in the market of certain category of assets, contained in the mutual fund, resulting in drop of value of those assets and at the same time of the mutual fund (for example fall in the market with stock, if there is any stock contained in the mutual fund),
- liquidity risk (or risk of liquidity) means the risk that certain asset contained in the mutual fund cannot be sold for money in due time for an adequate price,
- currency risk means the risk of change of value of the assets contained in the mutual fund, expressed in the local currency due to the changed exchange rate of the local currency towards another currency,
- concentration risk means the risk connected with significant investment into certain category of assets or property or to certain part of the market,
- inflation risk causes that the value of investments in certain currency has a lower fair value, due to the increased inflation rate, than at the time of investment,
- interest risk causes that assets contained in the mutual fund, whose value is affected by movement of interest rate, will lose value, which results in decreased value of the mutual fund,
- event risk means the risk of loss of the value of the assets contained in the mutual fund, and thus also a loss of value of the mutual fund, due to any event outside the financial markets,
- settlement risk means the risk that settlement of any asset contained in the mutual fund is not realised according to the agreed conditions,
- risk of investment in real estate property sector means the risk of change of value of real estate property assets due to changed value of real estate properties. The value of the real estate properties may be changed mainly because of change in expected income connected with the ownership of the real estates, the risk of failure to conclude a lease contract, the risk that the lease contract will be concluded under other terms and conditions than those assumed in the expert opinion or due to different amount of costs for maintenance and repair of the property in comparison to the amount estimated by the expert opinion. In case of decrease of expected income connected with ownership of the real estates, the value of expected assets usually falls down. The rate of risk of investment in the property on the real estate market depends particularly on the current share of the property in the mutual fund, invested into real estate property.

Maximum loss, which may be incurred by the client in case of purchase of participation certificates or EFT, is limited by the amount of his initial investment.

VIII. Information on the location where services are provided

Venue of performance means a regulated market, a multilateral trading system, systematic internaliser, a market maker, another liquidity provider or a person performing similar activities. Current list of venues of performance used by the Company in performance and procedure of clients instructions for individual financial means:

Overview of the for shares, ETF, depositary receipts and bonds

Market	Stock exchange	Currency
Czech Republic	Prague Stock Exchange	CZK
France	Paris Stock Exchange	EUR
Ireland	Irish Stock Exchange	EUR
Hong Kong	Hong Kong Stock Exchange	USD/EUR
Japan	Tokyo Stock Exchange	JPY
Luxemburg	Luxembourg Stock Exchange	EUR
Germany	XETRA	EUR
Switzerland	Geneva Stock Exchange	CHF
Switzerland	Zurich Stock Exchange	CHF
USA	NASDAQ	USD
USA	New York Stock Exchange	USD
Great Britain	FT – SE International	USD
Great Britain	London Stock Exchange	GBP
OTC	Wealth Effect Management o.c.p., a.s.	

Overview of the counterparties and banks for shares, ETF, depositary receipts, bonds and financial funds

Patria Finance, a.s.

Interactive Brokers (UK) Ltd

Tatra banka, a.s.

This list of venues of performance of activity is not exhaustive, but contains those venues of performance, which permanently enable the Company to gain the best possible result when executing the client's instructions. The list of venues of performance is continuously monitored and updated. In cases where the Company itself acts as the venue of performance, it will use all available information from sources that are considered for reliable and trustworthy, in order to achieve the best possible result of execution of instruction.

IX. Information on costs and fees for services of the Company

More detailed information on fees for services provided by the Company to client, as well as on costs, which are borne by the client and charged to the client by the Company, as well as the amount of fees and costs are contained in the Service charges of the Company, which is publicly available on the webpage of the Company and upon client's request it will be presented in the registered office of the Company or in any of its branches.

X. Final information

The company provides pre-contractual information to clients in accordance with the Securities Act in good time before signing the respective agreement, together with terms of the agreement and its individual attachments. This pre-contractual information is published on the webpage of the Company without restrictions on access to them, and the client has opportunity to acquaint with them anytime.

These pre-contractual information regarding the Company and by the Company provided investment services and ancillary services are effective from 30.04.2018.