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mintos

Disclosure of risks of investing in financial instruments

It is important to understand investing in financial instruments is not risk free. Investors must carefully evaluate their readiness to tolerate the risks of investing based on their investing experience, investment goals, and wealth.

Using risk management tools decreases the risk of loss, however, it does not exclude the possibility to lose part or all of the invested funds if some of the risks materialize.

Investors should consider at least the following risks before making an investment:

General risks of investing

Market risk
The value of the investment may decline due to events outside the control of market participants, such as an economic downturn, a financial crisis, or geopolitical events.

Currency risk
The value of an investment in a foreign currency may depreciate against the investor's home currency as the exchange rate fluctuates.

Interest rate risk
Changes in both short and long-term interest rates may affect the value of financial instruments. A change in interest rate may affect all types of investments in your portfolio. In general, long-term fixed-interest securities react strongly to fluctuations in interest rates

Risks related to the investment firm
Mintos may become insolvent, its license may be revoked, or the company may become unable to service its clients. This could lead to delayed repayments or loss of invested amounts.

Counterparty risk
Mintos holds investors' uninvested funds in several banks within the European Union and Switzerland according to the requirements for investment firms on safeguarding clients' funds. As part of the safeguarding requirements, the banks acknowledge that the funds are held by them not as deposits, but as third party funds in a special account opened by Mintos on behalf of its clients. In the event that any of these banks becomes insolvent or fails to perform their obligations under the agreements concluded with Mintos, access to funds held with these banks may be disrupted, or these funds could be partially or fully lost.

When investors' funds are held in a bank outside the European Union, they will be subject to local law, and the rights of the investors may differ.

Mintos may place uninvested funds in money market funds which comply with requirements provided by regulation. The funds placed in money market funds will not be held as client money in accordance with the applicable regulation on safeguarding of client funds. However, the units or shares of respective money market funds will be held as safe custody assets in accordance with applicable requirements on safe custody. Mintos undertakes to separate the respective units or shares of the money market funds from its own assets. Investments in money market funds are considered low risk. However, if any respective money market fund fails, the invested funds could be partially or fully lost. Mintos is not obliged by law or contract to compensate the loss to the investors.

Operational risk
In their operations, Mintos and its counterparties rely on sound performance of their IT systems, internal processes, and employees, as well as external partners such as banks and web service providers.

A failure or breach of IT systems can affect Mintos' or the counterparty's ability to serve its customers. In this event, investors' orders might not be executed to the full extent, or investors might not receive information on their investments in real time. An error in any internal process, including human error, may result in availability or quality issues for some or all of the provided services. Any problems with external partners could also impact some of the services Mintos provides.

Risks of investing in Notes (Notes backed by loans)

Risks related to the underlying loan
Payments are linked to the underlying loan receivables. If the borrower does not make a scheduled payment on time, the investor will also not receive a payment on time. If the borrower does not repay the underlying loan at all and the lending company is not able to recover the money, the investor will not receive further payments.

The borrower may repay the principal amount at any time. The loan agreement might also be canceled by the lending company, triggering early repayment by the borrower. While the investor may invest the repaid money in other Notes, the return on the investments could be lower than the initially planned return. If the investor decides not to reinvest, the uninvested money in their account will not earn any returns.

Risks related to the lending company
The lending company may become insolvent, become unable to service loans, or stop cooperating with Mintos. As a result, the company could fail to honor its contractual obligations, leading to not making payments or defaulting on the buyback obligation.

Risks related to the Notes issuer
The company issuing the Notes may default on its obligation or become insolvent. This could lead to delayed repayments or loss of invested amounts.

Risks specific to Notes
Investors are investing in Notes backed by loan receivables. The legal title to the loan receivables is held by the Notes issuer. This means investors don't have direct recourse against the borrower and can't independently pursue the borrower to collect payments.

Investors will only receive payment after payment obligations of a higher priority, such as taxes or recovery costs, have been settled. Moreover, the outcome of an insolvency or court procedure could overrule the creditors' priority.

Conflicts of interest
The best interests of the lending company, the investors, and Mintos might not be aligned.

Legal, regulatory, and compliance risk
The underlying loans of Notes available for investment on Mintos come from multiple geographies. Each country might have different requirements regarding supervision of lending companies, investor rights protection, collateral management, insolvency proceedings, etc. Such differences may influence the risk of investment.

Currency risk
Besides the general currency risk described under General risks of investing, there might be a specific currency risk related to investing in Notes. When a Note is listed on the platform in a currency that is different from the currency in which the underlying loans were issued, the lending company assumes a currency exchange risk. When borrower repayments are received or when repurchase or buyback prices have to be paid, the lending company must transfer the amount to Mintos in the listed currency. If the currency of the underlying loans devalues significantly against the listed currency, the lending company could fail to honor its contractual obligations. This could lead to delayed repayments or loss of invested amounts.

Intermediary risk
The transactional setup of the Notes may involve additional intermediary companies which are involved in the process of transferring funds from the borrowers and lending companies to Mintos. In the event that these companies fail to honor their contractual obligations or become insolvent, this could lead to delayed repayments or loss of invested funds.

Liquidity risk
Notes typically have a fixed term, and investors have to hold them until they mature. Investors who want to sell their investment early can only do so on the Mintos Secondary Market. There is a possibility that investors will not be able to sell the investments made in the Notes before their maturity. Mintos does not guarantee demand on the Secondary Market, nor availability of the Secondary Market as such.

Risks of investing in Bonds (Including Notes backed by bonds i.e. Bond-Backed Securities)

Risks related to the bond
A bond's repayment and value is heavily related to the bond issuer's financial position and the security package. The value of the bond can be also impacted by multiple market factors, such as changes in interest rates, currency fluctuations, and others.

The bond issuer has a call option to redeem the bond before its maturity date. While the investor may invest the repaid money in other investment opportunities, the return on the investments could be lower than the initially planned return. If the investor decides not to reinvest, the uninvested money in their account will not earn any returns.

Risks related to the bond issuer
The company which has issued the bond may become insolvent, become unable to repay or refinance the bond at maturity, or stop cooperating with Mintos. As a result, the company could fail to honor its contractual obligations, leading to not making coupon or principal payments.

Conflicts of interest
The best interests of the bond issuer, the investors, Bond-Backed Securities issuer (if such is involved) and Mintos might not be aligned.

Legal, regulatory, and compliance risk
Bonds may come from multiple geographies. Each country might have different requirements regarding investor rights protection, collateral management, insolvency proceedings, etc. Such differences may influence the risk of investment.

Liquidity risk
Bonds typically have a fixed term, and investors have to hold them until they mature. Investors who want to sell their investment early can only do so on the Mintos Secondary Market. There is a possibility that investors will not be able to sell the investments before their maturity. Mintos does not guarantee demand on the

Secondary Market, nor availability of the Secondary Market as such.

Inflation risk
Fixed-rate bonds can be vulnerable to inflation risk. If inflation rises more quickly than expected, the purchasing power of the bond's future interest payments and principal may be eroded.

Risks related to the Bond-Backed Securities issuer (only to Notes backed by bonds, i.e. Bond-Backed Securities)
The company issuing the Bond-Backed Securities may default on its obligation or become insolvent. This could lead to delayed repayments or loss of invested amounts.

Risks specific to Bond-Backed Securities (only to Notes backed by bonds, i.e. Bond-Backed Securities)
Bond-Backed Securities are financial instruments (Notes) backed by bonds. The legal title to the underlying bond is held by the Bond-Backed Securities issuer. This means investors don't have direct recourse against the bond issuer and can't independently pursue the bond issuer in case of non payment.

Investors will only receive payment after payment obligations of a higher priority, such as taxes or recovery costs, have been settled. Moreover, the outcome of an insolvency or court procedure could overrule the creditors' priority.

The bondholder is entitled to sell the bond in situations described in the prospectus. If this option is exercised, investors may experience a loss (if the bond is sold at discount).

Intermediary risk (only to Notes backed by bonds, i.e. Bond-Backed Securities)
The transactional setup of the Bond-Backed Securities may involve additional intermediary companies which are involved in the process of transferring funds from the bond issuer to Mintos. In the event that these companies may fail to honor their contractual obligations or become insolvent, this could lead to delayed repayments or loss of invested funds.

Risks of investing in ETF

Risks specific to ETFs
ETFs are subject to the same market risks as individual stocks or bonds. The value of an ETF can fluctuate based on the performance of the underlying assets it holds. If the assets in the ETF's portfolio decline in value, the ETF's net asset value will also decrease. If you invest in ETFs that hold foreign assets, you are also exposed to currency risk.

ETFs can experience trading either below or above their net asset value due to fluctuations in supply and demand.

Liquidity risk
There is a possibility that investors will not be able to sell their investments made in ETFs if there is insufficient demand from other investors interested in purchasing the same ETFs. The liquidity of an ETF is also influenced by liquidity of the underlying assets.

Rebalancing risk
Mintos offers investing in ETFs through portfolio management service in multiple strategies which include several individual ETFs. Your portfolio allocation of individual ETFs may deviate from the originally intended target allocation, which in turn may impact your return on investment.

Risks of investing in Real Estate Securities (Notes backed by real estate)

Risks specific to Real Estate Securities

The redemption value of the Securities is linked to the market value of the underlying real estate and may be lower than their principal value if the market value of the underlying real estate declines. Interest payments are tied to the rental income of the underlying real estate property and may be lower than expected if the rental income decreases.

Risks related to the underlying real estate

There are multiple factors that may adversely affect the value of the underlying real estate. These factors, among others, may include global macroeconomic trends, regional real estate market trends, damage caused by third parties, natural disasters, or the failure to perform necessary maintenance and repairs on the real estate.

Liquidity risk

Real Estate Securities typically have a fixed term, and investors must hold them until maturity. Investors wishing to sell their investment early can do so only on the Mintos Secondary Market. There is a possibility that investors may not be able to sell their Real Estate Securities investments before maturity. Mintos does not guarantee demand on the Secondary Market, nor the availability of the Secondary Market itself.

Intermediary risk

The transactional setup of the Real Estate Securities may involve additional intermediary companies that hold the title to the underlying real estate or share therein, manage rental and maintenance processes, and participate in transferring rental or other income regarding real estate to Mintos. If these companies fail to honor their contractual obligations or become insolvent, it could result in delayed payments or loss of invested funds.

Risks of investing in Mintos Smart Cash (Money market funds)

Risks specific to money market funds

Money market funds, while generally less volatile than other types of mutual funds, are not entirely risk-free and are different from an investment in deposits. Money market funds are exposed to the creditworthiness of the issuers of the securities they hold. A downgrade or default on one or more of the issuers could affect the fund's performance and reduce its income, which, in turn, may result in lower yield for investors and/or loss of part or all of the principal invested. Money market funds are also exposed to counterparty risk - the insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the fund to financial loss.

Liquidity Risk

Certain money market funds may face liquidity issues due to abnormal market conditions or significant redemption pressures from investors, which could lead to difficulties in selling securities.

Intermediary risk

The transactional setup of the Mintos Smart Cash may involve additional intermediaries (financial institutions) which are involved in the process of transferring funds from the money market fund to Mintos. In the unlikely event that these financial institutions may become insolvent, this could lead to delayed payments or loss of invested funds.

Risks of investing in Shares

Risks specific to shares

Shares represent an ownership interest in a company. The value of shares and the income derived from them are not guaranteed and may fluctuate significantly over time.

The market price of shares may rise or fall due to factors related to the issuing company, its industry, or broader market conditions. These factors may include, among others, changes in the company's financial performance, business strategy, competitive position, management decisions, or expectations of future profitability. Investors may lose part or all of the invested amount.

Shares generally do not provide a fixed income. Dividend payments, if any, depend on the issuing company's financial results and dividend policy and may be reduced or cancelled at any time. Past dividend payments do not guarantee future distributions.

Risks related to the issuing company

The company whose shares are invested in may become insolvent, enter restructuring, or otherwise become unable to continue its business operations. In such cases, the value of the shares may decline significantly or become worthless.

In the event of insolvency or liquidation of the issuing company, shareholders typically rank behind creditors and other senior claimants. As a result, investors may receive no recovery of their invested funds.

Market volatility risk

Share prices may be subject to high volatility over short or long periods. Volatility may be caused by company-specific events, changes in investor sentiment, macroeconomic developments, geopolitical events, or regulatory changes. Increased volatility may lead to rapid and substantial losses.

Liquidity risk

Although shares are generally traded on regulated markets or multilateral trading facilities, there is no guarantee that sufficient demand will exist at all times. Investors may not be able to sell their shares at the desired time or price, or at all, particularly during periods of market stress or low trading activity.

Currency risk

When shares are denominated or traded in a currency different from the investor's account currency, fluctuations in exchange rates may adversely affect the value of the investment and any income received, independently of the performance of the issuing company.

Corporate actions risk

Corporate actions such as share splits, reverse splits, mergers, acquisitions, delistings, or capital increases may affect the value, liquidity, or rights attached to shares. Such actions may have a negative impact on investors and may occur without the investor's ability to influence the outcome.

Regulatory and legal risk

Changes in laws, regulations, taxation, or accounting standards applicable to the issuing company or the market where shares are traded may negatively affect the value of shares or investors' rights. Regulatory interventions, trading suspensions, or delistings may limit investors' ability to trade or dispose of their shares.

Risks of investing in Crypto ETPs

Risks specific to Crypto ETPs
Crypto ETPs are subject to market risks related to their underlying assets. The value can fluctuate based on the performance of the underlying assets they hold. If the assets in the portfolio decline in value, the net asset value will also decrease.

Crypto ETPs can experience trading either below or above their net asset value due to fluctuations in supply and demand.

Cryptocurrencies are extremely volatile assets with price movements that can be significantly larger and more frequent than traditional financial assets. Crypto ETPs tracking these assets will experience similar volatility, potentially resulting in substantial gains or losses over short periods.

The regulatory environment for cryptocurrencies is rapidly evolving and varies significantly across jurisdictions. Changes in regulation, including potential bans or restrictions on cryptocurrency trading, ownership, or ETP structures, could materially affect the value of crypto ETPs or their ability to operate.

Crypto ETPs depend on blockchain technology and digital infrastructure. Technical failures, cybersecurity breaches, network congestion, or protocol changes could affect the underlying cryptocurrency's functionality and value, impacting the ETP's performance.

Crypto ETPs rely on specialized custody solutions for holding digital assets. The loss, theft, or mismanagement of the underlying cryptocurrency by custodians or issuers could result in partial or total loss of investment. Unlike traditional securities, cryptocurrency transactions are generally irreversible.

Cryptocurrency markets operate differently from traditional financial markets, including 24/7 trading, different market participants, and varying liquidity across different exchanges. This can lead to pricing discrepancies and affect the ETP's ability to accurately track its underlying assets.

The cryptocurrency market is dominated by a small number of assets (particularly Bitcoin), making crypto ETPs susceptible to concentration risk. Poor performance of major cryptocurrencies could disproportionately affect the entire crypto ETP market.

Liquidity risk
There is a possibility that investors will not be able to sell their investments made in Crypt ETPs if there is insufficient demand from other investors interested in purchasing the same Crypto ETPs. The liquidity of Crypto ETP is also influenced by liquidity of the underlying assets.

Please note that this is not an exhaustive list of risks investors should consider before investing.