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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 legal 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 Fractional Bonds (Notes backed by bonds)

Risks related to the underlying 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 underlying 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 underlying 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.

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

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

Risks specific to Fractional Bonds
The Fractional Bonds are financial instruments (Notes) backed by bonds. The legal title to the underlying

bond is held by the Fractional Bonds 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.

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

Legal, regulatory, and compliance risk
The underlying bonds of Fractional Bonds available for investment on Mintos 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.

Intermediary risk
The legal setup of the Fractional Bonds 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.

Liquidity risk
Fractional 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 made in the Fractional Bonds 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 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 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.

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