thesharecentre:
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Exchange Traded Funds – additonal risk warnings

Exchange Traded Funds (ETFs) are investment funds, similar to unit trusts and OEICs but they are traded like shares and may not be suitable for everyone. You should consider the following information before making an investment.

1 Most ETFs are not based in the UK and most of the protections provided by the UK regulatory system do not apply. In particular, in the event of default, compensation will not be available from the Financial Services Compensation Scheme. We will only offer to deal in an ETF if it has been registered with the FSA as a recognised offshore scheme by the provider.

2 ETFs closely track the performance of an index and as such their value can go down as well as up and you may get back less than you invested. Also, past performance is not a reliable indicator to future performance.

3 You should read the Simplified Prospectus and/or the full prospectus carefully to ensure that you fully understand the ETF you are intending to purchase. These documents can be obtained from the ETF provider's own website or by calling our Dealing team on 01296 41 42 43.

4 Whilst most ETFs achieve their objectives by purchasing a diversified pool of assets, some achieve their objectives through the use of derivatives, typically swaps, which carry counterparty risk. If the counterparty does not pay the sums due, the investor will see a reduced return regardless of the performance of the underlying assets. The Simplified Prospectus will detail how the ETF aims to meet its investment objectives.

5 Most ETFs are intended to be medium to long term investments.

6 The value of an ETF may be affected by market values, interest rates, exchange rates, volatility, dividend yields and issuer credit ratings. These factors are interrelated in complex ways, and as a result, the effect of any one factor may be offset or magnified by the effect of another factor.

7 You should ensure that the ETF meets your own objectives and circumstances, and consider the possible risks and benefits of purchasing the ETF.

8 Some ETFs don't have 'Distributing Fund Status' from HMRC and this could affect your tax position. Please refer to the prospectus or your tax adviser for further information.

9 The Share Centre does not provide advice on ETFs and is not required to assess the suitability of the product provided or offered to you. As a result, you will not benefit from the protection of the FSA rules on assessing suitability.

The Share Centre will not assess whether:

- The relevant product or service meets your investment objectives.
- You would be able financially to bear the risk of any loss that an investment in the product or service may cause.
- You have the necessary knowledge and experience to understand the risks involved with investing in the product.

You should always consider seeking advice from a financial adviser in making the assessment of whether the product or service is suitable for your needs and circumstances.

10 Certain types of ETF can give rise to substantial additional risk to your investment. These are leveraged, inverse and short daily ETF products available from some providers:

- Leveraged/Inverse Leveraged ETFs offer either leverage or inverse leverage strategies which are often constructed to work on a multiplication factor. Therefore an ETF with a designation of (2x) will look to provide twice the daily percentage change of the index it tracks.

With such a multiplication factor, all daily movements whether positive or negative will be magnified. In addition, some of these investments will, if the index movement is greater than 25% in any one day, be adjusted with the leverage factor being adjusted accordingly.

- Short Daily ETFs take a very short term view on the underlying index e.g. for day trading purposes.

Important Both these types of ETFs are highly complex financial instruments that carry significant risks. They often have unique compounding, daily reset and leverage features that may significantly amplify risk, particularly for medium and long-term investors, and in periods of high market volatility. They are intended for financially sophisticated investors who understand their strategy, characteristics and risks and who wish to take a very short term view on the underlying index eg for day trading purposes. They are not intended as a buy and hold investment.

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