



Risk Disclosure Notice

Stratos Systems Limited



GENERAL RISK DISCLOSURE NOTICE

IN RELATION TO THE INVESTING AGREEMENT

Introduction

This notice provides a non-exhaustive list of the risks and key facts associated with investing in securities (“Investing Agreement Products”): Shares, Bonds, Warrants, Certificates, Exchange-Traded Options (“Options”), Mutual Funds, and Exchange-Traded Funds (“ETFs”). It is provided as part of the company's Key Facts Statement disclosure in accordance with the requirements of the Seychelles Financial Consumer Protection Act, 2022.

Key facts and benefits related to these products:

The Investing Agreement Products give you the ability to buy, hold, and sell a range of securities and collective investment instruments through a single account. Key features and benefits include access to a broad selection of listed markets and asset classes, the potential for capital growth and income generation, portfolio diversification across geographies and sectors, transparent pricing and cost information before you transact, beneficial ownership of the securities held in your account subject to the custody arrangements described in the Investing Agreement, and access to your account information, transaction history, and holdings on an ongoing basis.

While these products offer a number of benefits, they also carry risks. This notice cannot explain all of the risks associated with the Firm's Products and Services nor how such risks relate to your personal circumstances. **You should not deal in the Products and Services offered by the Firm unless you understand the nature of the investment you are entering into and the extent of your exposure to risk. You should also be satisfied that the specific Investments are appropriate for you in the light of your circumstances and financial position.**

Our relationship:

Stratos Systems Limited (“we”, “us”, “the Firm”, “Tradu”) with company registration No. 8430582-1 is a Securities Dealer licensed by the Financial Services Authority Seychelles (license number: SD147).

With regards to all Investing Agreement Products (Shares, Bonds, Warrants, Certificates, exchange-traded Options, Mutual Funds, and ETFs), offered through an Investing Account, the Firm will act as an agent on your behalf, routing your orders for execution (or onward routing) to a third-party Broker, GTN Middle East Financial Services (DIFC) Limited (“GTN”). The Firm will hold the Investing Agreement Products acquired (“Safe Custody Assets”) on your behalf, until further instruction is received from you to transfer or sell them. The Firm will rely on authorised sub-custodians who will hold the Safe Custody Assets in accordance with the regulatory regime applicable in their jurisdiction of listing or another compatible regulatory regime.

1. Risks Associated with Investing Agreement Products

This section provides a non-exhaustive list of the risks associated with trading the following Investing Agreement Products:

- Shares
- Bonds
- Warrants
- Certificates
- Mutual Funds
- ETFs
- Options

Investing in these instruments carries a number of risks (not all of which can be explained here) and these products may not be suitable for all investors. Prior to deciding whether to trade in these instruments, you should be aware of the following points:

- (a) **Risk of Losing the Entire Investment.** There is a risk that the value of the instrument issued by a company falls to zero. This can happen due to numerous reasons including management decisions of the specific company, fraud, extreme market conditions and financial crises. In addition, the value of the entire investment can be lost in situations where the instrument can become completely illiquid and/or impossible to sell, in the case of insolvency of the issuing company and during times of extreme social or political crisis affecting the economic stability of the country of the issuing company.
- (b) **Insolvency.** In the unlikely event of the Firm or the Execution Broker becoming insolvent, the Products and Services may cease to be offered to you. This may also lead to your holdings (including the Shares, Bonds, Options Certificates, Warrants, and the units in Mutual Funds and ETFs you have acquired) being liquidated without your consent.

If the company the Shares, Warrants, Certificates or Corporate Bonds of which you have acquired becomes insolvent, the ability to trade those instruments may be restricted and their price may fall. The latter could result in loss of the full amount of funds that you have invested in those instruments. In these circumstances, the instruments will be dealt with in accordance with the applicable insolvency procedures of the third party responsible for safeguarding the instruments—the Execution Broker, a third-party broker, or any sub-custodian or sub-broker appointed by that third party.

You should also be aware that if trading in an instrument is suspended or if that instrument is no longer listed on a relevant venue, this may affect your ability to sell that instrument and may result in action being taken to close out positions in those instruments.

- (c) **Volatility of Price.** The price or value of Shares or other types of equity instruments, including Warrants, Certificates, Options, Mutual Funds and ETFs, are influenced by a broad array of factors and can change rapidly and unexpectedly. The price of Shares goes up and down depending on market supply and demand, investor perception and the prices of any underlying or allied investments or, indeed, political and economic factors. These can be totally unpredictable. Please be aware that past performance of any Investing Agreement Product is not indicative of future results.

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- (d) **Limitations on the Available Market for the Specific Instruments.** It is possible that the market price could have changed between order placement and execution time, and, therefore, we cannot guarantee that the price requested will be the same as the price at which the order is executed, therefore, the price you receive can be in your favour or against you, which is time-dependent. Also, execution of your orders can only occur within market hours, which means the execution price may be different to the price at which you placed your order, if that was done outside those hours.
- (e) **Impediments or Restrictions to Disinvestment.** There is no guaranteed return on an investment in Shares, Certificates, Warrants, Mutual Funds and ETFs and in the event of a liquidation of the listed entity, ordinary Shareholders are amongst the last with a right to repayment of capital and any surplus funds of the company, which could lead to a loss of a substantial proportion, or all of the original investment.
- (f) **Commissions and Taxes.** Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable. The Client is responsible for any taxes, duties, fees, or expenses that may accrue in respect of the Client's trades. The Client is responsible for managing the Client's tax and legal affairs and complying with applicable laws and regulations. The Firm does not provide regulatory, tax, or legal advice. If the Client has any doubt regarding the tax treatment or liabilities of investment products available through the Firm, the Client should seek independent professional advice.
- (g) **Risks Specific to Fractional Shares.** Trading in fractional Shares carries additional risks as fractional Shares cannot be traded on regulated markets (such as public exchanges) and as such may be subject to greater liquidity risk than full Shares. In addition, fractional Shares cannot be transferred to another Broker (save in the event of the third-party Execution Broker's insolvency) and must be sold via the third-party Execution Broker.
- (h) **Interest Rate Risk.** Changes in market interest rates can have an impact on the value of your Bonds. Generally, market interest rates and bond prices move in opposite directions, i.e. when market interest rates increase, the price of bonds falls (and vice versa).
- (i) **Foreign Markets and Currency Risk.** Where an Investing Agreement Product is denominated in a currency different from the one in which your account is denominated, the positive or negative change in the foreign exchange rate may impact, respectively, your profits or losses resulting from the instrument in question.
- (j) **Electronic Trading Risk (Technology Risk).** Technology malfunctions of the Firm's Trading Facility can impact the Products and Services. The result of any malfunction may be that an order for an Investing Agreement Product is not received, transmitted and/or executed in accordance with the instructions provided or is not executed at all. Such malfunctions may also impact your ability to monitor the value of the instruments you have acquired.
- (k) **Regulatory and Legal Risk.** Regulatory and legal changes in the jurisdictions in which the Firm and/or the Execution Broker or third party broker are incorporated may affect the overall lawfulness of the Products and Services. The effect of such changes can be unexpected and moreover material in nature.
- (l) **No Guarantee of Rights.** The right to receive dividend payments and/or the right to vote in general meetings of the issuing company may be present for certain instruments. You should be aware that you might not be able to exercise these rights. In particular, there is no guarantee that a given company will

pay dividends and you may not have the opportunity to vote in the general meetings of the company issuing the instruments in question.

- (m) **No Advice.** The service of receiving and transmitting orders and/or executing orders on behalf of clients for Investing Agreement Products is provided on a non-advised basis. Neither the Firm, the Execution Broker, nor any third-party broker provides any investment advice, including advice on the suitability of any particular investment or investment strategy.

The Firm may publish general news and information, commentary, interactive tools, quotes, research reports and data concerning the foreign exchange markets, other financial markets and other subjects. You agree and understand that this information is not investment advice.

- (n) **Client Money Risk.** Client Money is held separately from the Firm's own funds in segregated client bank accounts with approved banks in accordance with arrangements of regulation imposed by our regulator. The purpose of these arrangements is to ensure protection of your money. However, the regulations do not remove all risks, including counterparty risk at the bank or other third parties involved in settlement, operational and reconciliation risks, and timing delays in the event of firm or counterparty failure.
- (o) **Client Assets Risk.** All Client assets are held in accordance with the Safeguarding of client investments regulation imposed by our regulators. All assets are held in segregated client accounts, separate from any company assets and with approved custodians. All custodians (and sub-custodians) are only appointed following relevant due diligence and are subject to on-going monitoring. Whilst mitigating several risks, such arrangements cannot eliminate all risks, including counterparty or insolvency risk, at all levels of the custody chain, settlement risk, operational and reconciliation risk and possible timing delays in returning your assets to you, in the event of firm or counterparty failure.
- (p) **Extended Hours Trading Risk.** In cases when you wish to trade during hours different than the opening hours of the underlying market, i.e. extended market hours, please be informed that due to less trading volume than during trading hours (opening hours), there may be limited liquidity which may impact order execution and pricing. Because of the lower trading volumes, it is not unusual to experience higher volatility, wider spreads, or difficulty in having trades executed. Almost all economic and market news announcements occurs outside of the trading hours. During these news events and at any time during the extended hours session, prices may move very quickly up or down and can reach levels that were not reached during the regular trading session.

Additionally, the prices of Products traded during extended hours may not accurately reflect those at the close of trading hours or at the commencement of the subsequent trading day. Consequently, participating in extended hours trading may result in obtaining a less favourable price compared to what you would obtain during trading hours.

2. Risks Specific to Options

Options are complex instruments carrying high risk and are not suitable for all investors. You should be aware of the following risks related to Options trading:

- (a) **Total Loss of Premium.** When holding an Option you risk losing the entire amount (premium) paid for the Option. If you do not sell an Option in the secondary market nor exercise it prior to expiration, then you will lose the entire investment in the Option. The risk of losing all or part of your investment is higher, the more an Option is out of the money and the shorter the time to expiration is.

- (b) **Uncovered Options.** Because of the leverage inherent in an Option, writing uncovered Options gives rise to extremely high market risk.

The potential loss for the writer of an uncovered call Option is unlimited, should the price of the underlying security rises above the exercise price. Similarly, the potential loss for the writer of an uncovered put Option can be substantial, should the price of the underlying security falls below the exercise price.

Writers of uncovered Options must maintain the minimum margin requirement at all times. If you write an uncovered Option and the market moves against you, you may be called upon to pay substantial additional Margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and professional clients and eligible counterparties will be liable for any resulting deficit.

- (c) **Option Assignment.** An Option writer may be assigned an exercise at any time during the period when the Option is exercisable. American-style Options are subject to being exercised at any time from the day they are purchased until they expire.
- (d) **Market Availability.** If a secondary market in an Option were to become unavailable, writers of that Option would not be able to engage in closing transactions and would remain obligated until expiration or assignment.

Moreover, in the case where a secondary market is not available in the period prior to when an Option is exercisable (for European-style and American-style delayed start Options), holders of that Option would not be able to realize any value from the Option by selling it in the secondary market during that period.

- (e) **Options Strategies and Associated Risks.** Trading in options, including strategies such as long calls, long puts, and long straddles, involves a high level of risk and may not be suitable for all investors. These strategies require an understanding of how options pricing is affected by factors such as volatility, time decay, and movements in the underlying asset. While options can provide opportunities to profit from anticipated price movements or to hedge existing positions, they also carry the risk of a total loss of the premium paid. For strategies involving multiple options (such as long straddles), the total cost of the position may be higher than that of a single option, and profitability generally requires a significant price movement in the underlying asset. If the expected movement does not occur, you may incur substantial losses up to the full amount of the premium paid. You should ensure you fully understand the characteristics and risks of options before engaging in such transactions.
- (f) **Additional Options Strategies and Associated Risks.** Other commonly used options strategies, such as long strangles and cash-covered (cash-secured) puts, also involve specific risks that you should carefully consider before trading. A long strangle strategy involves the simultaneous purchase of a call option and a put option on the same underlying asset, each with the same expiration date but different strike prices. This strategy seeks to profit from substantial price movements in either direction; however, if the underlying asset remains stable, you may lose the total premiums paid for both options. A cash-covered put strategy involves selling a put option while setting aside sufficient funds to cover the potential obligation to purchase the underlying asset if the option is exercised. While this approach may generate income through the premium received and potentially allow you to acquire the underlying asset at a preferred price, it also carries the risk of being obligated to purchase the asset at a price higher than its market value. Profits are limited to the premium received, and losses can occur if the market price of the underlying asset declines significantly. You should ensure you fully understand the mechanics, benefits,

and risks of these strategies and assess their suitability in light of their financial objectives and risk tolerance before engaging in such transactions.

The above is not intended to be an exhaustive list of all the risks associated with trading Options.

For more information, please read the **Characteristics and Risks of Standardized Options**, also known as the Options Disclosure Document (“ODD”). The ODD is available on Options Clearing Corporation website:

theocc.com/company-information/documents-and-archives/options-disclosure-document

The ODD explains the principal risks associated with Options trading in more detail than we can in this notice. You should be satisfied that you understand these risks and that these risks are acceptable given your risk tolerance, financial position and personal circumstances, prior to entering into any Options transactions.

Stratos Systems Limited

Block B, Global Village, Jivan’s Complex,
Mont Fleuri, Mahe, Seychelles.

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