Risk warning notice: professional clients and eligible counterparties

Macquarie

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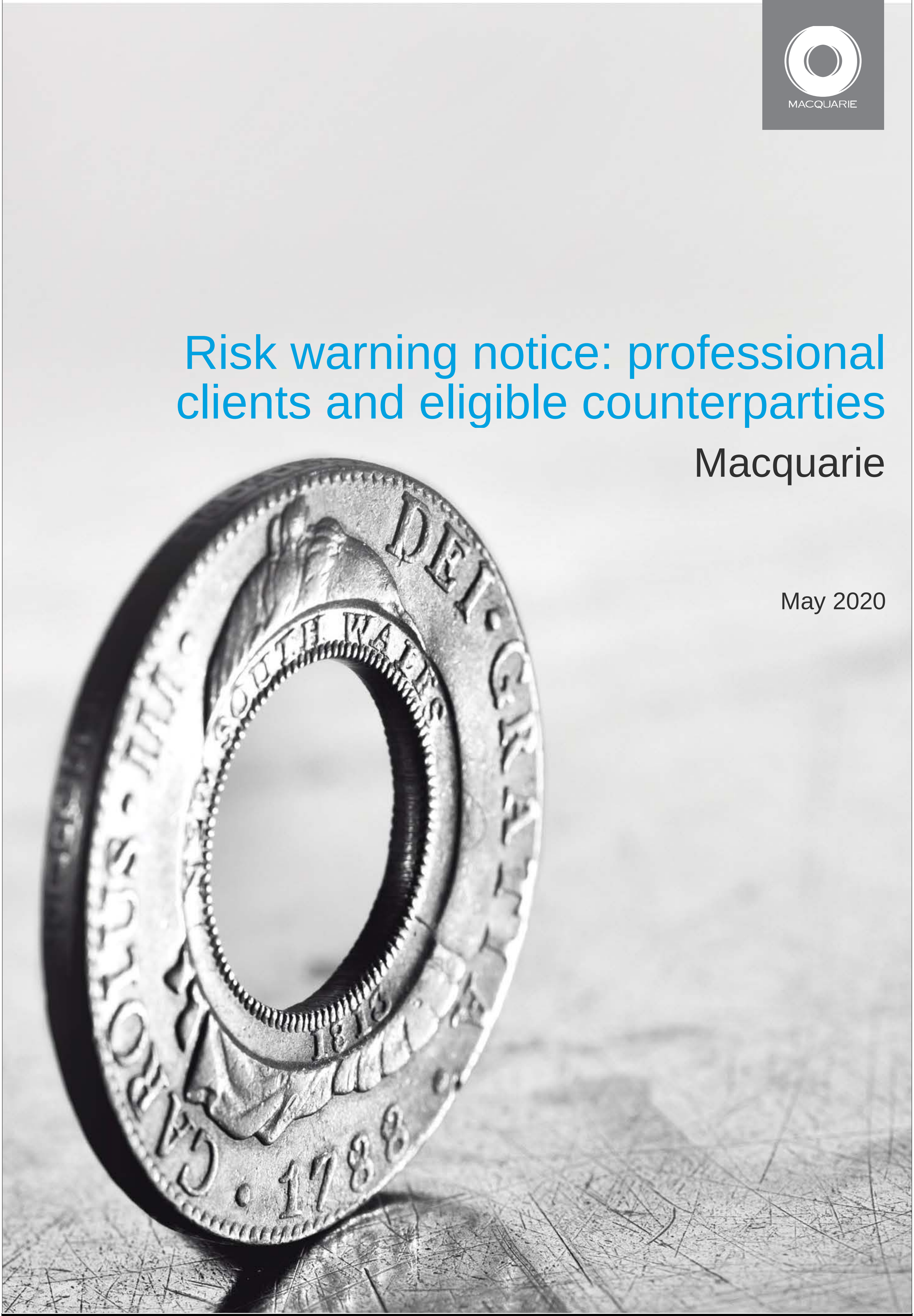

Introduction

This notice is a general description of the nature and risks of financial instruments associated with the investment and ancillary services that Macquarie may provide to its professional clients and eligible counterparties. This notice cannot disclose all the risks associated with financial instruments. You should refrain from entering into any of these investments unless you understand their nature and the extent of your exposure to risk and potential loss. These risk warnings should be taken into account when deciding whether or not to transact with Macquarie in relation to the relevant products or transactions (for the purposes of this notice, referred to as “financial products”, “financial instrument”, “investments” or “products” interchangeably).

You should also read any relevant documentation, for example term sheets and offering documents, which may highlight a non-exhaustive set of other risks that are specific to a particular financial instrument or service. You should not rely on the risks within this notice as being the only risks in relation to a financial instrument or service.

You should refrain from entering into any such transactions unless you fully understand all such risks and have independently determined that the transaction is appropriate for you. Any evaluation of transactions should be made only after seeking advice from independent professional accounting, financial, investment, legal, regulatory, tax and other advisors; Macquarie is not your advisor. This notice is provided by Macquarie and is supplementary to the Terms of Business which you may receive from time to time from Macquarie. This notice may be amended by Macquarie from time to time.

By providing any trading instructions to us after receipt of this notice, you will be taken to have acknowledged and you accept that it has been properly notified by Macquarie with respect to the risks listed herein and you acknowledge and accept that any one or more of these risks could lead to loss which could, in certain circumstances, exceed your initial investments and capital.

In this notice, “Macquarie” means Macquarie Capital (Europe) Limited, Macquarie Bank International Limited, Macquarie Bank Limited (London Branch), Macquarie Bank Europe Designated Activity Company and any affiliate, from time to time, of Macquarie Group Limited which is resident in the United Kingdom or the European Union.

General

There are some risks that will apply generally to any investment.

The value of investments and the income from them may fluctuate and go down as well as up. There is no guarantee that you will get back the amount initially invested. The value of investments may be affected by a variety of factors, including economic and political developments, interest rates and foreign exchange rates, as well as issuer-specific events. Past performance is not a guide to future performance.

Investments denominated in currencies other than your base currency carry the risk of exchange-rate movements. A movement in exchange rates may have a separate effect, unfavourable as well as favourable, on your gains and losses. Hedging techniques may, in certain circumstances, be limited or not be successful.

The market for some investments may be restricted or illiquid. There may be no readily available market and from time to time there may be difficulty in dealing in such investments or obtaining reliable information about the value and extent of risks associated with such investments.

The insolvency or any institution, including Macquarie, acting as a party to a contract in a financial product (or otherwise providing a service) may expose you to financial loss.

Certain investments may need third parties to act in relation to investments traded or held by you (e.g. custodians, settlement agents, exchanges). Your investments may be at risk in the event of failure and/or fraud in respect of one of these third parties.

Financial Instruments and Products

Equity Securities

Buying equity securities (the most common form of which are shares) will mean that you will become a member of the issuer company and participate fully in its economic risk. Holding equity securities will generally entitle you to receive any dividend distributed each year (if any) out of the issuer's profits made during the reference period.

The risks associated with dealing in shares may involve, but not be limited to, the following:

a) In the event of insolvency of the issuer, your claims for recovery of your equity investment in the issuer will generally be subordinated to the claims of both preferred or secured creditors and ordinary unsecured creditors of the issuer. If the issuer company went bankrupt, all sums invested could be lost.
b) The dividend per share will depend on the earnings and dividend policy of the issuer company. If the company does not make any profits or losses money, dividend payments may be reduced or not made at all.
c) If you buy equity securities you will be exposed to both the specific risks associated with individual securities held (and the financial soundness of their issuers), as well as the systemic risks of the equity securities markets. Share prices may fluctuate causing risk of loss.
d) Shares may be difficult to sell and prove to be illiquid at certain points in time.
e) There is a risk that an issuer may issue more of its shares and thereby potentially reducing the value of a holding and put downward pressure on the amount of dividends per share.

Derivatives

A derivative is a contract entered into between parties for the exchange of payments calculated by reference to an underlying asset, rate or index. A derivative can be traded “over-the-counter” (i.e. outside of an exchange or other trading venue) (“**OTC**”) or on an exchange (“**exchange-traded**”).

In general, derivatives involve the following risks:

a) Market Risk: as derivatives are priced on the basis of an underlying asset or other value, the client will be exposed to the market risks that affect the underlying. However, the economic return of a derivative transaction may not be identical to the economic return of holding the underlying, and may include an adjustment for fees or commissions, financing charges, hedging costs or break costs. “Stop loss” or “stop limit” orders intended to limit losses may not be effective if market conditions make it impossible to execute such orders.
b) Counterparty credit risk: where the derivative transaction is uncleared and uncollateralised, the counterparties are exposed to the credit risk of the other party. The client’s entire investment could be lost in the event of default by, or the insolvency of, its counterparty.
c) Loss of investment: there is a risk that you could, due to the relationship between your position and market pricing, never receive any benefit from the transaction.
d) Contingent liabilities: derivatives such as credit default swaps or options may involve contingent liabilities. This can result in the client incurring losses much greater than its original investment (if any) or premium received (in the case of sold options) should certain conditions be met, such as the occurrence of a credit event or an asset reaching a strike price.
e) Unlimited loss: losses under certain derivatives can be unlimited. In the context of a swap, for as long as the underlying reference rate continues to rise, so too will the client’s loss if it is required to pay the variable rate under the transaction.
f) Leverage risk: derivatives may be entered into on a highly geared or leveraged basis. This may mean that even a relatively small movement in the value of the underlying asset or other specified factor(s) could result in a disproportionately large movement, unfavourable or favourable, in the amount payable between the parties to the transaction.
g) Legal risk: if a counterparty goes into default and the derivative is terminated, the ability to recover value from any transaction may be dependent on netting gains against losses across all the transactions under the same master agreement and the net value of the transactions against the value of the collateral.

If this contractual netting mechanism is not effective in any relevant jurisdiction, it may be that losses will be incurred and your losses may be larger than otherwise expected.

h) Collateral risk: parties to derivatives contracts are often required to post collateral to mitigate their credit exposure to one another. If the market value moves against their position, the investor may be called upon to pay substantial additional collateral on short notice. Failure to post collateral may lead to the contracts being closed out, which could crystallise a loss position. Where collateral is held by a third-party custodian, the return of such collateral is subject to the insolvency, credit and operational risk of that custodian.

i) Basis risk: where a derivative transaction has been entered into to hedge price or other risks arising from ownership of a particular underlying, the performance of the derivative and the performance risk of the underlying may not be perfectly correlated, resulting in a residual basis risk.

j) Delivery risk: If you have entered into a physically settled derivative, you may be obliged to deliver/take delivery of the relevant asset. Any such delivery could necessitate pre-delivery of the relevant asset. In respect of commodities and natural resources, this may require significant operational resources to achieve.

k) Early termination: derivative transactions may be subject to early termination due to “events of default” or “termination events” in relation to the client or the provider (e.g. failure to pay, insolvency, force majeure, illegality, tax events) or extraordinary events relating to the underlying (e.g. merger, nationalisation, delisting or an equity, market disruptions, cancellation of an index, disruptions in the ability of one or more parties to hedge the transaction). Such events (with the exception of voluntary or agreed early termination) may be outside the control of the client and such termination may, depending on the value of the transaction at such time, result in a substantial payment due from/to the client (even where the provider is in default or the termination arises from an external event). Clients may not be able to establish replacement transactions, or may incur significant costs in doing so, such as break costs for early termination even where such early termination is voluntary or agreed between the parties.

l) Liquidity risk: uncleared derivative contracts can be amended or transferred only pursuant to their express terms or by agreement of the parties. Where consent of Macquarie to transfer or unwind an OTC derivative transaction is required, it may not provide such consent, for reasons which it is not obliged to disclose. In addition, there may not be another dealer who is willing to provide the same or a similar transaction. OTC derivative transactions on standard terms will be more liquid than bespoke transactions. OTC derivative transactions may involve greater risks than investing in exchange-traded derivatives because there is no exchange market on which to close out an open position. It may therefore be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk.

m) Risk of adjustments: the occurrence of certain events relating to the underlying of the derivative transaction may trigger the right of the calculation agent to make certain adjustments to the economic terms (e.g. market disruption events, stock splits, or the payment of unexpected or extraordinary dividends, currency controls, cessation of a benchmark). Such adjustments may involve an element of discretion on part of the calculation agent. Exposure to an underlying via a derivative may not correspond in all cases with exposure obtained by holding the underlying directly.

n) Clearing risk: cleared OTC derivatives are OTC derivatives which have been submitted to and accepted for clearing by a clearing house. Such cleared derivatives are subject to the rules of the clearing house, including collateral arrangements required by the clearing house. Therefore, participants may be required to post collateral on short notice to cover losses incurred under the cleared OTC derivative contracts. Failure to post collateral may lead to the contracts being closed out, which could crystallise a loss position. The terms and conditions of cleared OTC derivatives may be modified by the clearing house without notice to reflect changes or events in respect of the underlying asset or otherwise. If Macquarie is not the clearing member then clients will face the counterparty risk of their relevant clearing member and not Macquarie. Default of their clearing member or CCP may lead to positions being liquidated or closed out without client consent. It may be difficult or impossible to liquidate investments, assess value or risk exposure or determine a fair price in these circumstances.

o) Changes to exchange or clearing house rules: the terms and conditions of certain derivatives contracts may be modified by the exchange or clearing house without notice to reflect changes or events in respect of the underlying asset or otherwise.

Some specific risks associated with certain different types of derivatives are set out below.

Warrants

A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the original issuer of the underlying securities.

A relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be volatile.

It is essential for anyone who is considering purchasing warrants to understand that the right to subscribe which a warrant confers is invariably limited in time with the consequence that if the investor fails to exercise this right within the predetermined timescale then the investment becomes worthless.

You should not buy a warrant unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges.

Some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a 'covered warrant').

Off-exchange Warrant Transactions

Transactions in off-exchange warrants may involve greater risk than dealing in exchange traded warrants because there is no exchange market through which to liquidate your position, or to assess the value of the warrant or the exposure to risk. Bid and offer prices need not be quoted, and even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

Futures

Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The 'gearing' or 'leverage' often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you.

Options

There are many different types of options with varying characteristics.

Buying options

Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if you buy a call option on a futures contract and you later exercise the option, you will acquire the underlying asset or enter into another transaction (swaption).

Selling or writing options

If you sell or write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium received. By writing an option, you accept a legal obligation to make a payment or enter into another transaction or purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price. If you trade in futures contracts for differences or sell options, you may sustain a total loss of the margin you deposit with your firm to establish or maintain a position. If 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 you will be responsible for the resulting deficit. Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered the contract.

If you already own the underlying asset which you have contracted to sell (when the options will be known as 'covered call options') the risk is reduced. If you do not own the underlying asset ('uncovered call options') the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

“Traditional options”

Certain London Stock Exchange member firms under special exchange rules write a particular type of option called a 'traditional option'. These may involve greater risk than other options. Two-way prices are not usually quoted and there is no exchange market on which to close out an open position or to effect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk.

Certain options markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position.

Futures and Options Contracts (Contracts for Difference)

Futures and options contracts can also be referred to as contracts for differences. These can be options and futures on the FTSE 100 index or any other index, as well as currency and interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future or an option and you should be aware of these as set out above.

Off-exchange Transactions in Derivatives

A particular derivative may be arranged as an off-exchange derivative transaction. While some off-exchange markets are highly liquid, transactions in off-exchange or 'non-transferable' derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid prices and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

Debt Instruments

All debt instruments are potentially exposed to a number of risks including, but not limited to, the following:

a) New issuances: investors should be aware that they may not receive the full allocation they apply for, and that any debt instruments they do receive may decline in value from the par value of issuance.

b) Additional risk for banks and investment firms related to debt instruments: debt instruments issued by EU and UK banks, certain other EU and UK financial services firms and, in some cases, their parents and other affiliates may, depending on the rank of the debt security in the resolution creditor hierarchy, be vulnerable to “bail-in” or equivalent measures, where the issuer (or an affiliated bank or firm) undergoes a resolution (or bank rescue) procedure. In a bail-in, a governmental or other regulatory body (generally known as a “resolution authority”) may require investor’s rights under such securities to be written off in whole or part, or converted into equity, or the terms of such securities to be altered (e.g. date of maturity or interest rates payable) or payments suspended. The purpose of such a bail-in is to prevent the bank (or other firm) from entering into insolvency proceedings and will therefore precede formal insolvency. This means that the holders of the bank and related debt securities may lose some or all of their investment, where the issuer is in financial difficulty, even outside an insolvency scenario and absent the technical default of the issuer. Non-UK or EU banks and investment firms may be subject to similar resolution tools and powers.

Bonds

Bonds are negotiable debt instruments issued in bearer or registered form by a company, a government body or other entity to creditors, whose par value at issuance usually represents a fraction of the total amount of the debt. The duration of the debt as well as the terms and conditions of repayment are determined in advance. Unless stipulated otherwise, the bond is repaid either at the maturity date, or by means of scheduled payments, or at different rates determined by drawing lots. The interest payments on bonds may be either (i) fixed for the entire duration or (ii) variable and often linked to reference rates. The purchaser of a bond (the creditor) has a claim against the issuer (the debtor).

In addition to the risks outlined in "Debt Instruments" above, investments in bonds may involve risks including, but not limited to, the following:

a) Insolvency risk: the issuer may become temporarily or permanently insolvent, resulting in its incapacity to repay the interest or redeem the bond. The solvency of an issuer may change due to one or more of a range of factors including the issuing entity, the issuer's economic sector and/or the political and economic status of the countries concerned. The deterioration of the issuer's solvency will influence the price of the securities that it issues.

b) Interest rate risk: uncertainty concerning interest rate movements means that purchasers of fixed-rate securities carry the risk of a fall in the prices of the securities if interest rates rise. The longer the duration of the loan and the lower the interest rate, the higher a bond's sensitivity to a rise in the market rates.

c) Credit risk: the value of a bond will fall in the event of a default or reduced credit rating of the issuer. Generally, the higher the relative rate of interest (that is, relative to the interest rate on a risk-free security of similar maturity and interest rate structure-usually a government bond or certificate of deposit, generally considered to be free from risk of monetary loss), the higher the perceived credit risk of the issuer.

d) Early redemption risk: the issuer of a bond may include a provision allowing early redemption of the bond if market interest rates fall. Such early redemption may result in a change to the expected yield.

e) Risks specific to certain types of bond: additional risks may be associated with certain types of bond, for example floating rate notes, zero coupon bonds, foreign currency bonds and subordinated bonds. For such bonds, you are advised to make inquiries about the risks referred to in the issuance prospectus, and not to purchase such securities before being certain that all risks are fully understood.

f) Risk relating to market conditions: the price of a bond and its disinvestment risk may each be affected by factors relating to wider market conditions, both positive and negative, and such market conditions will affect each issuer differently depending on the nature and size of the issuer, amongst other factors.

g) Disinvestment risk: bonds may be affected by impediments to disinvestment (e.g. the liquidity of a bond). In respect of non-listed bonds, these are generally speaking less liquid than listed bonds. There may be no market for such bonds, meaning that the bond holder is unable to exit this investment before the maturity date. This exposes the bond holder to inflation and/or interest rate risk, as the return on the bond may become lower than the rate of inflation or interest rates available elsewhere.

h) Tax call risk: the issuer of the bond may have the right to call the bond should there be an adverse change to the tax laws that affect it. This may mean that the yield on the bond is lower than anticipated.

i) Termination of listing: where the bonds are listed or admitted to trading, the relevant issuer will not be obliged to maintain the listing or trading. Bonds may be suspended from trading and/or de-listed at any time in accordance with applicable rules and regulations of the relevant stock exchange(s). This may result in reduced liquidity or a reduction in the value of the bonds.

Asset-backed Securities

An asset-backed security ("**ABS**") is a debt security in respect of which the income payments, and therefore the value, are derived from and collateralised (or "backed") by a specified underlying asset or pool or underlying assets. The asset can be a loan, a lease or a pool of secured loans or receivables relating to assets such as cars, aircraft or real estate or revenue streams (for example, trade debts or football ticket sales). In addition to the risks outlined in "Debt Instruments" and "Bonds" above, the holder of an ABS is exposed to certain risks including, but not limited to, the following:

a) Credit risk: the holder of an ABS is exposed to the credit risk of the issuer of the ABS and the borrower against the underlying asset (for example, the company that has taken out a loan against an aircraft).

These two risks may be related. Wide-spread default by underlying obligors may lead to the insolvency of the issuer of the ABS.

b) Operational risk: often an ABS is issued by a special purpose vehicle ("**SPV**") which is specifically formed for the purpose of issuing the ABS and purchasing the relevant asset or assets. An SPV is highly dependent on third parties such as corporate service providers, servicers / asset managers, paying agents, trustees and other service providers to meets its own obligations. It is therefore exposed to the operational and credit risk of those third parties.

c) Shortfall: the right of a holder of an ABS to participate in the assets of the issuer will be limited to the net proceeds of the assets secured for such holder's benefit. Such proceeds may be insufficient to meet all (or, depending on the transaction or circumstances, any) payments due under such ABS.

d) Market risk: a holder of an ABS is exposed to market risk in respect of the underlying asset. If the market value of the collateral against which the loan has been made falls or liquidity is reduced, the issuer of the ABS may be unable to recover the full amount of the loan it has made to a defaulting borrower.

e) Ownership: the holder of the relevant ABS does not have any ownership rights over the underlying assets and will therefore have no claim over the underlying obligor(s) in the event of its or their insolvency.

f) Performance of manager: the performance of the manager of the SPV may also affect the value of the ABS. If the SPV (or originator or portfolio manager) has incorrectly assessed the risk profile of the securitised assets, the rate of default may exceed expectations and increase the risk of losses.

g) Early termination: ABS transactions may be terminated prior to their maturity date (due to regulatory, tax change or other events of default). Early termination may mean an investor's expected return is not provided and/or not all the investment is returned. The holder of the relevant ABS may not be able to reinvest the proceeds in a product with comparable returns.

Structured Products

Structured products provide economic exposure to a wide range of underlying asset classes, generally taking the form of a debt obligation embedding a derivative. The level of income / capital growth derived from a structured product is usually linked to the performance of the relevant underlying asset(s). The range of products may include those where the return is linked to an index or indices, a basket of securities or other specified factors which relate to one or more of the following: equity or debt securities, interest rates, currency exchange rates, commodities, depositary receipts, shares in ETF's, interests in mutual funds, warrants or dividend futures contracts.

The potential return from the structured product may be different to that which may be achieved as compared to directly holding the underlying asset. These instruments may involve a high degree of gearing or leverage, so that a relatively small movement in the relevant index / indices, basket or other specified factor(s) results in a disproportionately large movement, unfavourable or favourable, in the amount paid on maturity of the investment.

Certain structured products provide capital protection whilst others provide no capital protection. It may be difficult to liquidate or sell a product of this type as there may be limited providers of liquidity. You will also be exposed to the credit risk of the issuer of the relevant structured product and may lose up to the entire value of your investment if the issuer fails or is otherwise unable to meet its payment obligations.

Structured products are complex in nature and carry a higher risk of loss than certain more straightforward debt and equity products. Therefore, in addition, investors in structured products should be aware of certain additional risks relevant to certain specific product types.

Structured Notes

A structured note is a debt obligation with an embedded derivative. The performance of a structured note tracks both that of the underlying debt obligation and the derivative embedded within it. This type of note seeks to alter the risk profile of the underlying by including additional modifying structures, therefore increasing the bond's potential returns or providing a particular exposure to the investor.

In addition to some of the risks outlined in "Bonds" and "Debt Instruments" above, investments in structured notes may involve risks including, but not limited to, the following:

a) Market risk: as the return on a structured note is determined by reference to an underlying asset or basket of assets, clients will be exposed to the risks that pertain to those underlying assets. The performance of an underlying asset may be subject to sudden and large unpredictable changes over time, which could adversely affect the value of and return on the structured notes.
b) Credit risk: clients will be exposed to the credit risk of the issuer of the structured note and may lose up to the entire value of their investment if the issuer either fails or is otherwise unable to meet its payment obligations. Structured notes are not deposits and are not protected under any deposit insurance or protection scheme.
c) Adjustment risk: in certain circumstances (e.g. if the calculation agent for the issuer determines that any adjustment events or other events affecting the underlying assets or the issuer's hedging arrangements have occurred), the calculation agent may adjust the terms and conditions of the structured note (including substituting an underlying asset) without the consent of the investor. Any such adjustment could have a material effect on the return on, and value of, the structured note.
d) No interest in underlying assets: the holder of a structured note does not have any ownership rights over the underlying assets and will therefore have no claim over the issuer of the underlying assets, including in the event of its insolvency or any recourse as regards the underlying assets themselves.
e) Termination of listing: where structured notes are listed or admitted to trading, the issuer will not be obliged to maintain the listing or trading. Structured notes may be suspended from trading and/or de-listed at any time in accordance with applicable rules and regulations of the relevant stock exchange(s). This may result in reduced liquidity or a reduction in the value of the structured note.
f) Legal risk: in certain circumstances (e.g. if the issuer determines that its obligations under a structured note have become unlawful or illegal, upon certain events having occurred in relation to any underlying asset or following an event of default), the structured note may be redeemed prior to its scheduled maturity. In such circumstances, the amount payable may be less than the original purchase price of the structured note and could be as low as zero.

Repackaged Securities

Certain structured notes or warrants may be issued by an SPV ("**Repackaged Securities**"). Unlike structured notes, Repackaged Securities do not normally embed a derivative and are issued by a SPV. Such Repackaged Securities may be comprised of an underlying financial product, such as one or more bonds, shares, loans or other instrument, and an OTC derivative used to transform the return on such underlying instruments into the specific cashflows of the Repackaged Securities.

Holders of Repackaged Securities are exposed to the risks associated with both the underlying financial product and the OTC derivative, as well as specific risks arising in respect of the issuer and structure of the Repackaged Securities. In addition, investments in Repackaged Securities may involve risks including, but not limited to, the following:

a) Issuer risk: holders of Repackaged Securities will be exposed to risks relating to the stability and financial health of the issuer of the Repackaged Security, which is typically an SPV. While such SPVs are intended to be bankruptcy remote, they are not bankruptcy proof and there is a risk that the insolvency proceedings are brought successfully against the vehicle, resulting in early termination/loss to clients holding the SPV's securities. Issuer of Repackaged Securities are often multi-issuance SPVs, and there is a risk that assets of the SPV ring-fenced to meet a holder's claims may be available to other creditors of the SPV (notwithstanding the mitigants in place to achieve the segregation of assets).
b) Limited recourse: the right of a holder of Repackaged Securities to participate in the assets of the SPV will be limited to the net proceeds of the assets secured for such holder's benefit. Such proceeds may be insufficient to meet all (or, depending on the transaction or circumstances, any) payments due under such Repackaged Securities.
c) Market risk: the market value of Repackaged Securities will be affected by the value and volatility of any index, securities, commodities or other obligations to which payments on the Repackaged Securities may be linked, directly or indirectly, the value and volatility of the underlying financial products and the creditworthiness of the issuer of the Repackaged Securities and obligors of the underlying financial products.
d) Early termination: Repackaged Securities may be terminated prior to their scheduled maturity due to certain events of default, tax events or changes in law or regulation affecting the issuer, the swap counterparty, the underlying financial product or the OTC derivative. Early termination may mean that an

investor does not receive the expected return and/or not all the investor's original investment is repaid. Following early redemption of Repackaged Securities, investors may not be able to reinvest the redemption proceeds at a comparable return and/or at an effective interest rate as high as the interest rate or yields on the Repackaged Securities being redeemed, and may only be able to do so at a significantly lower rate.

e) Operational risk: the ability of the issuer to meet its obligations under the Repackaged Securities depends on the performance by other parties, including third parties (such as service providers, custodians, trustees and paying agents, amongst others) of their respective obligations in respect of such Repackaged Securities. As a result, holders of Repackaged Securities are exposed to the operational and, in certain circumstances, credit risk of such third parties.

Currency Risk

In respect of any foreign exchange transactions and transactions in derivatives and securities that are denominated in a foreign currency, a movement in exchange rates may have a favourable or an unfavourable effect on the gain or loss achieved on such transactions.

The weakening of a country's currency relative to a benchmark currency will negatively affect the value of an investment denominated in that currency. Currency valuations are linked to a host of economic, social and political factors and can fluctuate greatly, even during intra-day trading. Some countries have foreign exchange controls which may include the suspension of the ability to exchange or transfer currency, or the devaluation of the currency. Hedging can increase or decrease the exposure to any one currency but may not eliminate completely exposure to changing currency values.

Bundled Products

Where a financial instrument or service (a "**bundled product**") is composed of two or more different financial instruments or services, the associated risks may be affected by the interaction between the different components. As a result, the risk profile of the bundled product may be greater than that of the individual components. For example, the different components of the following may interact to affect the overall risk profile of the bundled product:

a) Products embedding a derivative: certain products may be regarded as containing an embedded derivative. Where this is the case, the risk profile of the product may depend on how the risks arising in respect of the embedded derivative interact with the other components of the product. For example, a convertible bond may be regarded as composed of a bond together with an option over the shares in the issuer which may be exercised by converting the bond into equity. As a result, an investment in convertible bonds may give rise to bond risks (including exposure to the credit risk of the issuer), equity risks (including the risk of unforeseeable equity price fluctuations causing risk of loss) and conversion risks (including the risk that the holder is unable to convert the bond to equity at the most advantageous time). These risks may interact in that, for example, the equity related risk of unforeseeable price fluctuations may be correlated with heightened credit risk in the issuer. Other examples of products which may be regarded as embedding a derivative may include (but are not limited to) exchangeable bonds and credit linked notes.

b) Products which have derivatives as underliers: certain derivative products may themselves have derivatives as underliers. Where this is the case, the risk profile of the product may depend on how the risks arising in respect of the derivative combine with those of its derivative underlier. For example, a swaption may be regarded as composed of both a swap and an option. As a result, an investment in a swaption may give rise to risks relating to the option (including exposure to the risk the option may not be in the money at the time it must be exercised) and risks relating to the underlying swap (including exposure to the market risks of the relevant underlying cash flows). These risks may interact in that, for example, the risk that the option is not in the money at the time it is exercised may be correlated with market risks relating to the underlying cash flows.

The list of bundled products set out above is non-exhaustive. Where an instrument is a bundled product, we may provide additional risk disclosures to the extent required under applicable rules. This may include providing an adequate description of the legal nature of the financial instrument, the components of that instrument and the way in which the interaction between the components affects the risks of the investment. You should not deal in any bundled product unless you understand its nature and the extent of your exposure to risk and potential loss.

Emerging Markets

General

You should be aware that there are significant additional risks in investments in an emerging market, such as markets in the Middle East, Africa, parts of Asia and Eastern Europe and the Russian Federation which are not typically associated with well-developed markets. Such investments should be considered as highly speculative, involve a high degree of risk and may result in the loss of the entire investment.

Generally, any investment in an emerging market is only suitable for sophisticated investors who fully understand and appreciate the risks involved. Accordingly, you should exercise particular care in evaluating the risks involved and must decide for yourself whether, in the light of those risks, investment is appropriate.

These risks set out are not intended to be exhaustive and there may be other risk factors which you should take into account in relation to a particular investment. The information contained in this statement may become out-dated relatively quickly.

Whilst the risks outlined below could arise in any jurisdiction, there is a greater risk that they could arise in an emerging market.

Political Risks

Factors such as external or internal conflicts, coups and racial and national tensions create political instability in emerging markets. Political instability can significantly influence any investment. Furthermore, changes in the political scene may have an impact on the ability to repatriate capital, dividends and profits earned and generally on investment and investment ownership rights. In many emerging markets it is not possible to say whether political reforms aimed at creating a multi-party democracy and transition from a centrally planned economy to a market economy will be successful. There is the possibility that these goals could be disrupted or even reversed due to political, social, economic, ethnic or religious instability.

Emerging markets are frequently criticized for the lack of transparency and fairness in their electoral processes and the results of such processes may not always be acceptable to the international community. Emerging markets may also be faced with corruption within their governmental, administrative and financial systems and practices.

Emerging markets may face adverse international relations and / or international economic sanctions and / or international attention to their practices with respect to their governmental, administrative, economic and fiscal systems, their practices with respect to the prevention of money laundering and financial crime and their practices on the international effort to combat terrorism. Sanctions may apply to the Higher Risk country as a whole or to natural or legal persons from or affiliated with such emerging market.

There is a particular risk in emerging markets that guarantees of investor protection may not always be honoured, and that policies encouraging foreign investment may be abandoned, interrupted or reversed. There can be no assurance that any securities or the assets of the issuer of the securities will not be subject to nationalization, requisition or confiscation, or compulsory reorganization by any authority or body and attention is drawn to the fact that certain constitutions within emerging markets may allow respective national governments to undertake such actions without respective obligations for fair compensation.

Economic Risks

The underlying economic infrastructure of many emerging market is significantly less developed than in more mature economies and many emerging markets suffer from major macroeconomic problems including hyperinflation, public deficits, unemployment, overdependence on the performance of one or more particular sector(s) (such as commodity markets), volatile interest rates, shortages of basic raw materials and increased levels of poverty. Economic policies and reforms may be taken for reasons other than long term macroeconomic development and stability. Economic policies and reforms may fail, creating a challenging macroeconomic environment for issuers of any securities and prolonged periods of severe economic disruption potentially also leading to total economic collapse. Poor infrastructure including, without limitation, telecommunications and transport systems, and an inefficient banking sector, can hinder business development. The limited supply of domestic savings, coupled with the absence of mechanisms and institutions through which new capital can easily be raised, may give rise to problems in obtaining funding. There may also be high levels of external debt which, if maintained, could weaken the economic situation of countries which have emerging markets. Government policies within emerging markets may be of an interventionist nature which may impact the operation of the respective capital market including the banking sector and the stock market. Government interest rate policies (aimed for example at controlling inflation or boosting economic growth) will also impact the performance of the respective stock market as higher interest rates may make investments in equities less attractive and vice versa. Often, emerging markets borrow and transact in foreign currencies and the exchange rate with the domestic currency may fluctuate affecting the ability to pay their foreign exchange denominated obligations.

Legal and Regulatory Environment

There does not yet exist in many emerging markets the legal and regulatory systems necessary for the proper and efficient functioning of a modern, efficient and transparent capital market. This may include the non-existence or limited functioning of market regulators, incomplete legislation and regulations pertaining to the capital markets and no or limited investor compensation schemes. There is therefore a high degree of legal uncertainty as to the nature and extent of investor's rights and the ability to enforce those rights. Many advanced legal concepts which now form significant elements of mature legal systems are not yet in place or, if they are in place, have yet to be tested in courts. It is difficult to predict with a degree of certainty the outcome of judicial proceedings or even the quantum of damages which may be awarded following a successful claim.

In emerging markets, courts, arbitration courts and agencies may not consider themselves bound by precedents so you may find it difficult to pursue legal remedies or enforce judgments of foreign courts. Furthermore, many relevant regulations are unclear in scope, which increases the risk that transactions entered into in good faith and with professional advice, could later be seen to be in breach of such regulations and subject to challenge. There is likely to be rapid change in many emerging markets as new legislation is implemented.

Before making any investment in an emerging market you should understand the particular legal and regulatory environment and seek appropriate independent legal advice on the regulatory and legal requirements and risks associated with an investment in that country. Macquarie does not provide legal advice. The rules and regulations in emerging markets may change or be reinterpreted and Macquarie assumes no responsibility for advising you of any such change or re-interpretation.

Investment Risks

Settlement procedures and ownership risks

The capital markets in many emerging markets, and the institutions on which they depend, are undeveloped. Therefore, the procedures for settlement, clearing and registration of security transactions can give rise to technical and practical problems. In the worst cases this could lead to disputes over title to securities. In other cases, inefficient systems may result in delayed payments. Risks may also arise in relation to local custody arrangements; the provision of custody services is a relatively novel practice, and the controls put in place in more mature markets may not be available. In addition, the country-specific law of many emerging markets (particularly those countries whose legal systems are based on European civil law systems) generally do not recognize the distinction between legal and beneficial ownership with the consequence that nominee arrangements cannot be guaranteed to be effective. This can have significant adverse tax implications for you because of uncertainty as to the tax treatment and liability to tax as between the custodian and beneficial owner.

Securities, especially equity securities, are usually registered in book-entry form only and are not evidenced by actual certificates. Title is therefore dependent on the register of stockholders being properly maintained. At worst, you could lose the value of your investment because your interest in securities has not been correctly registered or has been removed, or the register itself has been lost or destroyed. In addition, you may have to make payment on a purchase or delivery on a sale before receipt of securities or, as the case may be, sale proceeds.

In some emerging markets there is a requirement for each investor to have a unique investor number or identifier. We may require you to provide us with your investor number or identifier at the time you place an order with us and any failure or delay in doing so may result in your order not being placed or not being executed in accordance with your instructions.

Repatriation of funds

The laws of certain emerging markets can in some cases prohibit the repatriation of funds invested therein. Therefore, there can be no guarantee that all such funds will be capable of being remitted to the Counterparty. Although certain emerging markets have specific legislation which currently provides assurances of the rights of foreign investors to remit profits and dividends from their Investments, such rights may be subject to restrictions. The legislation of emerging markets may change or be reinterpreted to prevent repatriation.

Corporate actions

There is no centralised source of disclosure of corporate actions in many emerging markets. The obligation to disclose may solely be limited to press announcements. Legislation governing corporate actions may be different from that in more developed countries. We will bear no responsibility or liability for failure on our behalf to locate or identify such relevant events.

Exchange rates and controls

Securities of issuers based in emerging markets are, with few exceptions, denominated in foreign currency which may not be externally convertible into other currencies, although, subject to restrictions, certain such currencies are convertible within their own country of origin. The value of investments measured in USD or in other hard currency such as the Euro can fluctuate significantly due to volatile exchange rates and high inflation. Also, the relatively unpredictable operation of the banking systems of the emerging market may affect the transfer of funds in and out of the country and the convertibility of the relevant currency into other currencies, including the requirement for advance notice to the respective financial and monetary authorities for the repatriation of funds. Exchange rate fluctuations may occur between the trade date for the transaction and the date on which you acquired the relevant currency to meet settlement obligations. Accordingly, the purchase price measured in the local currency may be greater than at the trade date.

Because certain emerging market operate certain exchange controls affecting the transfer of funds in and out of the country and the convertibility of their currencies, particular care must be taken to ensure that exchange control formalities are complied with and all relevant licences obtained, including where required the registration of initial investments. Currency regulations are frequently changing and it is possible that your ability to convert local currency into hard currency may be impaired.

Investment restrictions, default and currency risk

Foreign investment in emerging markets is or may become, in certain cases, legally restricted or may become restricted for reasons beyond Macquarie’s or your control or understanding. Such actions can affect liquidity and the overall value of the investment. Sometimes these restrictions are contained in constitutional documents of a company which may not be easily obtainable. You acknowledge that ownership of certain investments in certain emerging markets is restricted by citizenship, nationality, residency or other requirements which ultimately may purport to implement the policies of certain governments.

You also acknowledge that you are familiar with the risks inherent in investing in emerging markets or related to emerging markets, including, without limitation, the risks inherent in purchasing synthetic investments in emerging markets and that you accept such risks. In particular you understand that the governments in some emerging market have a history of defaulting on their obligations and that their currencies may have experienced periods of instability and hyperinflation, all of which could lead to the loss of the entire value of investments in your account or possession.

Additional Risks

Suspensions of Trading

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

Securities Lending and Repurchase Transactions

Securities lending and repurchase transactions may affect your tax position and you should consult a tax advisor before proceeding. Securities lending involves one party providing legal title to the relevant security for a limited period of time, in exchange for legal ownerships of collateral. A repurchase transaction involves the sale of securities alongside an agreement for the seller to buy back the securities at a specified price and time.

As a result of lending securities or entering into a repurchase transaction, you will cease to be the owner of the relevant securities as in each case, the transaction involves the transfer by one party of title to securities to the other party, although you will have the right to reacquire at a future date equivalent securities (or in certain circumstances their cash value or the proceeds of redemption). However, except to the extent that you have received collateral, your right to the return of the securities is subject to the risk of insolvency or other non-performance by the borrower. These types of transactions also entail operational risks such as the non-settlement or delay in settlement of instructions. Since you are not the owner during the period securities are lent out, you will have not voting rights nor will you directly receive dividends or other corporate actions although you will normally be entitled to a payment from the borrower equivalent to the dividend you would otherwise have received and the borrower will be required to account for you for the benefit of corporate actions. Full details will be contained in any securities lending or repurchase agreement you enter into and the above description is subject to the terms of any such document.

Emissions Allowance Trading

Greenhouse gas emission allowances are traded in a marketplace of which the EU Emissions Trading System (“EU ETS”) forms part. The EU ETS is an EU wide cap and trade system whereby an annual limit is set at a national level by legislation on the total emissions allowed for each installation covered by the EU ETS. Allowances are then allocated or purchased by the covered installations. Emissions are monitored and reported by the covered installations and allowances are surrendered to meet their annual compliance target. As part of this system, allowances are traded by participants in the market, including third parties not obligated under the EU ETS as an installation. The EU ETS is administered in the UK by the Environment Agency.

As with all commodities, emissions allowance prices may be volatile and will be affected by a variety of factors that are unpredictable including changes in demand / availability, legal and regulatory changes, and other national and international political events. Furthermore, emission reduction targets, allowance allocation and other mechanisms created within the EU ETS artificially drive demand and supply of allowances. EU allowance markets are also subject to temporary distortions or other disruptions due to various factors including failing of the infrastructure supporting the transfer, allocation or holding of allowances and/or the early or inaccurate release of compliance data.

The availability of emissions allowances for trading may be affected by political factors. As this is a relatively new market and heavily dependent on targets and corresponding regulator obligations set on certain participants, changes in policy and regulations may affect prices significantly. These factors may also affect the availability of counterparties to the trades. Trades may be undertaken by means of spot trades, forwards and futures contracts. As the instruments may be short term contracts, you may not be able to unwind or terminate the contracts at the time or price you desire.

The Bank Recovery and Resolution Directive (BRRD) resolution regime

The BRRD aims to reduce threats to financial stability by establishing a framework for the recovery and resolution of EEA credit institutions and investment firms (and, in due course UK credit institutions and investment firms by virtue of on-shored BRRD). The BRRD gives "resolution authorities" the power to rescue failing European financial institutions by using a bail-in tool that involves either the cancellation of the liabilities (typically unsecured) of the failing entity, in whole or in part, or the conversion of such liabilities into another security, including ordinary shares of the surviving entity (if any). The BRRD resolution regime (in particular, the exercise of the bail-in tool) could cause you to lose some or all of any investment in financial instruments issued by EEA entities in scope of the BRRD (which would include EEA credit institutions, certain EEA investment firms and potentially other entities within the group). The terms and rights associated with such financial instruments (e.g. date of maturity or interest rate payable) may be varied or payments suspended, or the instruments may be converted into ordinary shares or other instruments of ownership, which have different risks or rights associated with them.

Your investment in such instruments issued by an institution that is subject to the BRRD resolution regime may therefore be written down to zero and you will lose the entire capital you have invested in that instrument or security. Even when you have not invested directly into such instruments, where you have invested into instruments which are exposed to such "in-scope" instruments, where such underlying instruments are subject to "bail-in", there may be an adverse impact to the value and return of your investments. The exercise of the "bail-in" and other powers under the BRRD resolution regime may not constitute an event of default under the terms of your investments and you will have limited recourse to challenge the use of such measures.

Proprietary Indices

The following list contains certain risk factors associated with an investment in a financial instrument linked to one or more Macquarie proprietary indices for which Macquarie is the Index Administrator. Macquarie has endeavoured to cover what it perceives to be the key risks, but there may be additional risks in general or risks specific to a particular investor which are not included below. Any investor must make an independent assessment of the appropriateness of any transaction in light of their own objectives and circumstances including the potential risks and benefits of entering into such a transaction. If you are in any doubt about any of the contents below, you should obtain independent professional advice.

Return

There is no assurance as to the return of the Index, which may not reflect past performance. The level of the Index (the "**Index Level**") may go down as well as up, depending on the performance of the constituents of the Index (the "**Components**") and the weighting strategy that the Index implements.

The weighting strategy may not be successful or may not be as successful as other strategies employing the same or a similar strategy implemented in a different way. The performance of the Index could be significantly less than the performance of alternative indices and benchmarks with similar risk characteristics.

The Index Level (or any Component thereof) may fall to zero and investors in financial products linked to the Index could lose their entire investment. Unless the relevant Index manual specifies that the Index is floored at zero, then the value of such Index (or any Component thereof) may fall below zero and have a negative value, in which case an investment linked to such Index may incur losses that exceed such investment's notional amount.

The Index is composed of a number of Components and is intended to offer a return which may be replicated by an investment in the corresponding assets or instruments, weighted appropriately. However, the Index Level is calculated according to an algorithm as set out in the relevant Index manual and is not the same as holding the portfolio of Components.

Unless otherwise indicated in the relevant Index manual, there is no active management of the Index. The Index will be rebalanced according to an algorithm on the relevant rebalancing days, whereas an actively managed investment may respond more immediately or directly to market, political, financial or other factors, and potentially more effectively than the Index. There may be significant differences between the return of the Index and the return from an actual holding of the Components. Such differences may arise from, amongst other reasons, the impact notional fees and costs embedded in the Index, from the treatment of any income earned from such Components (e.g. dividends) and from the way that the Components are valued and notionally traded.

In the event that there is an increase in investments seeking to capture a similar objective to that of an Index, or a change in market structure, this may negatively affect the Index. In such circumstances, the features or rationale that the Index is seeking to capture may cease to exist or change; and this may lead to a negative performance of the Index.

Investors should be familiar with indices and financial instruments in general.

The Index may embed leverage, as described in the Index manual. Any such leverage will result in the magnification of the performance of the Index, as well as any costs deducted from the Index, and consequently, the loss associated with any financial product linked to the Index can be substantial.

Components

Multiple Components

The performance of the Index reflects the overall return of the Components as weighted according to the applicable strategy.

The return of the Index does not reflect the return of any particular Component. For example, even if one Component performs positively, the Index may perform poorly depending on the return of the other Components and the applicable weighting algorithm.

Correlation between Components

The correlation between the Components will affect the return of the Index. For instance, if there is high correlation during periods of negative return contributions of Components, the performance of the Index may be adversely affected. Correlations may change and the performance of the Index may be adversely affected.

Weighting of the Components

The gross exposure of the Components may total less or more than 100%. In such circumstances, increased or reduced exposure (as the case may be) may cause an adverse effect on level of Index or underperformance.

The actual weights of the Components may vary following each rebalancing. The longer the period between rebalancing, the more likely it is that the Component weights in the Index will diverge from the rebalancing constraints.

Short exposure to a Component

If the Index manual specifies that the Index will take a short position in a Component, then the Index will provide a negative exposure to such Component by virtue of attributing a weight of less than zero to it. Where an Index has a short position in a Component, the Index will be negatively affected if the value of such Component increases and positively affected if the value of the Component decreases. Due to the negative exposure, the increase in the value of a Component to which an Index takes a short position may cause unlimited losses and could cause the Index Level to decline, potentially to, or below, zero.

Reliance on external sources

The Index relies on third party sponsors and external sources to get inputs for the Components. Investors should read the information sources referred to in the Index manual in respect of the Components. Macquarie makes no warranty as to correctness and accuracy of that information.

The policies of the administrator of a Component may affect the value of such Component and therefore could affect the performance of the Index.

Corrections

If the value of a Component is corrected after the Index Calculation Agent has used such value in relation to a calculation or determination in respect of the Index, the Index Calculation Agent may use the original value and not the corrected value. Consequently, the performance of the Index may differ, potentially materially, from the performance that would have been calculated using the corrected value.

Currency exchange rate risk

If the currency of any Component is different from the base currency of the Index (the "Index Currency"), then the Index will be exposed to currency exchange rate risk, particularly in the case where no currency hedging feature is applied. Unless otherwise specified in the Index manual, the Index is not currency hedged.

If the Index manual specifies that the Index includes a currency hedging feature relating to any Component that is denominated in a currency other than the Index Currency, such currency hedging feature will seek to minimise to a certain extent certain effects of currency exchange rate fluctuations in the relevant currency. A currency hedging feature may be employed by way of notional foreign exchange spot transactions or the inclusion of foreign exchange forward Components in the Index, or as otherwise described in the Index manual. Any currency hedging feature may be ineffective if the relevant money markets perform in a different direction or to a different extent from that intended in the implementation of the currency hedging. Accordingly, investors will be exposed to the risk of currency fluctuations that are likely to affect the performance of the Index.

Currency exchange rates are influenced by various factors and may be volatile and move in unexpected ways. An unfavourable performance of any reference currency in relation to the Index Currency may have an adverse effect on the Index Level at any time. Historical currency exchange rates should not be considered indicative of future currency exchange rates.

Notional exposure

The Index creates a notional exposure to the Components and such notional exposure will only exist in the books and records of the Index Administrator and the Index Calculation Agent.

No rights

Investors in financial instruments linked to the Index (1) have no legal or beneficial ownership interest in any Component and therefore have no recourse to any Component; (2) have no right to take delivery of any Component; (3) have no voting rights with respect to any Component; and (4) have no right to receive dividends, distributions or other payments with respect to any Component.

Total return

If the Index is a "total return index", it will include the notional reinvestment of amounts calculated by reference to any dividend, distribution or payment that would be received by a holder of a Component (or, if the Index is comprised of unfunded instruments or derivatives contracts, the total return shall include a return from a notional investment in "risk-free" assets). If the Index is not a "total return index", it will not include any such notional reinvestment.

In respect of an Index comprised of Components that are equities, the Index Calculation Agent will assume a notional tax rate for dividends. The effective tax rate may be different from the assumed notional tax rate depending on a number of factors that may change from time to time. If at any time the effective tax rate is lower than the assumed notional tax rate, then Macquarie may accrue a benefit from its hedges that will not be passed on the investors in financial products linked to the Index.

If an Index that is calculated on a total return basis includes Components that are calculated on an excess return basis, the risks outlined below under "Excess Return" may apply.

Excess return

If the Index is an "excess return index" then it will be calculated based on changes in the price of a notional portfolio of unfunded instruments or derivatives excluding any notional collateral returns. If specified in the Index manual, such a portfolio may be constructed synthetically with funded instruments (as described for a total return index), from which is deducted a notional investment in "risk-free" assets. Accordingly, an excess return index will underperform a related total return index, where there are positive risk-free rates.

No investigation

Neither the Index Administrator nor the Index Calculation Agent has made or will make any investigation or enquiry with respect to any Component, including with respect to any publicly-available information that is disclosed in these Risk Factors or the relevant Index manual with respect to any Component. Consequently, there can be no assurance that all events have been disclosed which would affect the performance of the Index or the value of any financial instrument linked to the Index.

Fees and costs

The Index Level will include notional fees and/or costs (which may be referred to as a notional cost, fee, charge, spread or similar term) as described in the relevant Index manual. Unless otherwise specified in the Index manual, the impact of such fees and/or costs will be to reduce the Index Level. As a consequence, the Index will underperform a hypothetical investment portfolio of the same Components from which no such fees and/or costs are deducted.

If the Index represents a leveraged exposure to the Components, the impact of the fees and/or costs will be magnified accordingly.

Due to market conditions (such as Index disruption), the Index Calculation Agent may determine to increase the costs that are deducted from the Index. Any such increase must be determined in accordance with the policies and procedures of the Index Calculation Agent, including under the supervision of the Oversight Committee, but without any specific limitation on the amount and duration of such increase. It is likely that the performance of the Index will be adversely affected by any such increase in costs.

Index disruption

Upon the occurrence of certain events as specified in the relevant Index manual, the Index Administrator or the Index Calculation Agent (as applicable) may take the following action: (i) postpone the day on which a calculation or publication is due to take place; (ii) suspend the calculation, publication and dissemination of the Index; (iii) make a modification or change to the Index (including an increase in the fees and costs); (iv) discontinue and cancel the Index; or (v) exercise discretion in the calculation of the Index Level as set out in the Index manual. Unless otherwise stated, the Index Administrator has no obligation to inform any person of the result of any such action taken.

Back-testing and historical data

Any past performance of the Index provided for the period prior to the Index Live Date is calculated from a back-test simulation using historical data for the Components. Historical and back-test data may be based on assumptions, historical estimates, simulated analyses and hypothetical circumstances to estimate how the Index would have performed prior to the Index Live Date. Past performance is not an indication of future performance and the actual performance of the Index may diverge considerably from historical performance. There can be no guarantee or assurance that the Index or its Components will perform consistently with the available data.

Where there is limited historical data for an Index or its Components, an investment linked to the Index may involve greater risk than an investment linked to an Index with a proven track record.

Back-test data is provided for illustrative purposes only and is not indicative of future performance.

Simulated or past performance may not capture all possible scenarios (including but not limited to negative performances, drawdowns, increases in volatility etc.) which could arise in future.

Liquidity risk

In normal market conditions the Components of the Indices are liquid and aim to provide regular liquidity to investors. However, a number of factors can significantly affect the liquidity and the ability of investors to liquidate their investments compared to normal market conditions. Such factors include, amongst others, market disruption, extraordinary events, political factors, disruptions or limitation of the trading activities on trading venues and exchanges and unforeseen systemic disruptions of the financial system.

Conflicts of interest

Discretion

The Index Calculation Agent may exercise a degree of discretion or expert judgement in making certain determinations and calculations, for example in connection with the occurrence of disruptions and adjustments. Discretion will be exercised in a commercially reasonable manner, but it may have an adverse effect on the Index.

In making determinations or using expert judgment, the Index Calculation Agent will not take into account the interests of any investors in financial products linked to the Index and will not consider the effect its determinations or expert judgement may have on the value of any such investment. All determinations shall be at the Index Calculation Agent's sole discretion and shall be conclusive for all purposes and shall bind all investors in any investments linked to the Index.

Macquarie may act as the Index Calculation Agent in respect of one or more Components of an Index and accordingly, may exercise direction or expert judgment in making certain determinations or calculations with respect to any such Component. The exercise by the Index Calculation Agent of any such discretion or expert judgement with respect to a Component may have an adverse effect on the Index. In performing its role as index calculation agent of a Component, the Index Calculation Agent will not take into account any impact that its determinations will have on the Index.

Neither Index Calculation Agent nor the Index Administrator owes any fiduciary duties with respect to an Index or a Component.

Hedging

Macquarie may hedge its obligations under investments linked to the Index, including by trading the Components or other instruments linked thereto. Such hedging activity could affect the value of the Components and therefore the Index Level.

Investors have no rights in any of Macquarie's hedge positions. Macquarie's hedging activity may generate revenues that are not passed onto investors in financial products linked to an Index.

Macquarie will effect its hedging activities without consideration of whether these may negatively affect the value of any investment linked to the Index.

Trading activities

Macquarie is engaged in a range of activities that could affect the Index Level or the level or value (as applicable) of any Component. Macquarie may engage in trading the Components or other instruments linked to the Components of the Index for its own account or for other customers. Such activity may adversely affect the Index Level. Macquarie may receive substantial returns from its trading activities, including in circumstances where the value of an investor's investment relating to the Index declines.

Information

Macquarie may have access to information relating to a Component, investments linked thereto and the Index, in each case which it is not obliged to use for the benefit of any person investing in any financial products linked to the Index. Macquarie may publish research or express opinions or provide recommendations that are inconsistent with investing in products linked to the Index and which could negatively affect the performance of the Index.

Internal Marks and Internal Models

If indicated in the relevant Index manual that the Index references certain input data generated by Macquarie, rather than being sourced from regulated markets or exchanges or being based exclusively on executable quotes ("**Internal Marks**") or if indicated in the relevant Index manual, the Index uses internal models ("**Internal Models**") to generate levels or prices used as inputs for certain parts of the calculation of the Index then Macquarie may not, and is not required to, consider the Index either in its calculation of such Internal Marks or Internal Models or policies related thereto (including any changes to such calculations or models). Macquarie shall have no liability for any effect that any Internal Marks or Internal Models (including, in each case, any changes thereto) may have on an Index.

Commodity Indices

If any of the Components is a Commodity Index, then investor should be familiar with investments in commodity markets, financial instruments and indices in general.

Commodity markets can be highly volatile. In addition to being affected by general economic and market factors, commodity markets can be affected by various other factors, including (without limitation): (1) weather; (2) governmental, agricultural, commercial and trade programmes and policies introduced to influence commodity prices; (3) global political and economic events; and (4) changes in interest rates, commodity markets are also subject to temporary distortions or other disruptions caused by various factors including (a) changes in supply and demand; (b) any potential lack of liquidity in the market; (c) the participation of speculators; and (d) government regulation and intervention.

As the performance of commodities can be highly volatile, any rules-based algorithm using historical performance or behaviour of commodity prices may be negatively impacted by unexpected or unpredictable commodity price behaviour.

US Withholding Tax on Dividend Equivalent Payments for Non-US Holders

The United States Treasury Department has issued regulations under which amounts paid or deemed paid on certain financial instruments ("**Section 871(m) financial instruments**") that are treated as attributable to US source dividends are treated as "dividend equivalent" payments (wholly or partially, depending on the circumstances) and are subject to US withholding tax at a rate of 30% (or a lower rate under an applicable treaty, subject to the third paragraph below) when paid to non-US persons and non-US entities.

In respect of any investment linked to an Index that is a Section 871(m) financial instrument and for which no exception from these regulations applies (an "**Affected Index Linked Investment**"), any "dividend equivalent" payment received under such Affected Index Linked Investment will be subject to such withholding tax. The counterparty to, or issuer of, any Affected Index Linked Investment will be required to withhold such taxes on any dividend equivalents paid on any Component during the term of such Affected Index Linked Investment (regardless of whether or not a notional withholding tax is applied to such dividends in accordance with the relevant Index manual). Any such withholding will reduce the performance of the Affected Index Linked Investment, possibly materially so.

Where a Component of an Index gives rise to a dividend equivalent payment, the Index Calculation Agent will assume a withholding tax rate of 30% in calculating the Index Level, regardless of whether any lower rate may be applicable to any investor of an Affected Index Linked Investment under a treaty. Further, if the actual withholding tax required to be paid to the Internal Revenue Service of the Unites States (the "**IRS**") on any dividend equivalent is lower than the assumed notional tax rate of 30%, then Macquarie may accrue a benefit from its hedges on the difference that will not be passed onto investors.

Prior to making any investment, all investors in an Affected Index Linked Investment will be required to make certifications as to their US tax status in order for a determination to be made on what withholding tax will need to be paid to the IRS.

These products are subject to complex US tax rules. Investors in Affected Index Linked Investments should consult their own tax advisors.