

Discovery Limited

Risk warnings for collective investment schemes

This document cannot disclose all the risks associated with the portfolios we make available to you. You should not invest in, or deal in any portfolio, unless you understand its nature, and the extent of your exposure to risk. You should also be satisfied that it is suitable for you, in the light of your circumstances and financial position. Different portfolios have varied levels of exposure to risks, and to different combinations of risks.

COLLECTIVE INVESTMENT SCHEMES (COMMONLY KNOWN AS 'PORTFOLIOS')

A collective investment scheme ("CIS") can be described as an investment vehicle that allows investors to pool their money into a portfolio, sharing in the risk and return of the portfolio in proportion to their participatory interest in the portfolio.

GENERAL (LONG ONLY PORTFOLIOS)

Collective Investment Schemes (Unit Trusts) are generally medium to long-term investments. The value of participatory interests (units) or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending (i.e. borrowing and lending of assets). The manager does not provide any guarantee, either with respect to the capital or the return of a portfolio. Any forecasts and/or commentary in this document are not guaranteed to occur. Different classes of participatory interests apply to these portfolios and are subject to different fees and charges. A schedule of all fees and charges, inclusive of VAT and maximum commissions, is available on request from us or from your financial adviser. Forward pricing is used.

DERIVATIVES

There is no assurance that a portfolio's use of a derivative strategy will succeed. A portfolio's management may employ a sophisticated risk management process, to oversee and manage derivative exposures within a portfolio, but the use of derivative instruments may involve risks different from, and, in certain cases, greater than, the risks presented by the securities from which they are derived.

EXPOSURE TO FOREIGN SECURITIES

Foreign securities within portfolios may have additional material risks, depending on the specific risks affecting that country, such as: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or



MONEY MARKET PORTFOLIOS

A money market portfolio is not a bank deposit account. A constant price (CNAV) is applied to a participatory interest. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument, and in most cases the return will merely have the effect of increasing or decreasing the daily yield, but in the case of abnormal losses, it can have the effect of reducing the capital value of the portfolio. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures, and in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed.

FUND OF FUNDS

A fund of funds is a portfolio that invests in portfolios of collective investment schemes (unit trusts) that levy their own charges, which could result in a higher fee structure for the fund of funds.

FEEDER FUNDS

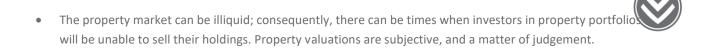
A feeder fund is a portfolio that invests in a single portfolio of a collective investment scheme, which levies its own charges and which could result in a higher fee structure for the feeder fund.

SECTOR/ASSET-SPECIFIC RISKS

This section lists some common risk factors relating to the geographical area, industry and/or asset type applicable to a particular investment product, particularly portfolios.

- Different portfolios carry varying levels of risk, depending on the geographical region and industry sector in which they invest. You should make yourself aware of these specific risks prior to investing.
- Targeted Absolute Return portfolios do not guarantee a positive return, and you could get back less than you invested, much like any other investment. Additionally, the underlying assets of these portfolios generally use complex hedging techniques, using derivative products.
- Smaller companies' (small-cap) shares can be more volatile and less liquid than larger company (large-cap) shares, so portfolios that include small-cap shares may carry more risk.
- Underlying investments in emerging markets are generally less well-regulated than other markets. There is an increased chance of political and economic instability, with less reliable custody, dealing and settlement arrangements. The market(s) can be less liquid. If a portfolio investing in markets is affected by currency exchange rates, the investment's value could either increase or decrease, in response to changes in those exchange rates. Therefore, these investments carry more risk.
- Portfolios that invest in a specific sector may carry more risk than those spread across several different sectors.
 In particular, gold, commodity, technology and other similarly focused portfolios may suffer, as the underlying stocks may be more volatile and less liquid.
- Due to their nature, specialist portfolios can be subject to specific sector risks. Investors should ensure they read all relevant information, to understand the nature of such investments, and the specific risks involved.
- Bonds issued by major governments and companies, will be more stable than those issued by emerging markets
 or smaller corporate issuers. If an issuer experiences financial difficulty, there may be a risk to some, or all, of
 the capital invested. Any historical or current yields quoted should not be considered reliable indicators of
 future performance.

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SHARES

Shares carry varying risks brought about by the performance of world markets, interest rates, taxes on income and capital, foreign exchange rates, liquidity (the ease with which a security can be traded on the market), and the financial performance of the issuing companies. The value of, or income from, shares can go down as well as up, and you may not get back the original amount you invested.

BONDS

Bonds are loans to a government or company. They are also known as debt investments, and cover the categories of Debt Securities and Fixed Income Investments. Generally, they will be more stable than share-based investments, but in some circumstances (particularly when interest rates are changing) they can be more volatile. Bonds issued by major governments and companies are generally more stable than those issued by emerging markets or corporate issuers, and if an issuer experiences financial difficulty, there may be a risk to some, or all, of the capital invested.

CURRENCY RISK

Investments denominated in a currency other than the currency of domicile, or ones that undertake transactions on foreign markets, which include the financial markets of developing countries (Emerging Markets), may expose you to greater risks caused by fluctuations in foreign exchange rates. This can adversely affect the value of your return and the value of your investment. Investments in emerging markets are exposed to additional risks, including accelerated inflation, exchange rate fluctuations, adverse repatriation laws and fiscal measures, and macroeconomic and political factors.

INVESTMENT MANAGER RISKS

This is the risk of loss from the poor performance of the portfolio managers in your portfolio, as well as by us, in the management of your portfolio.

LIQUIDITY RISK

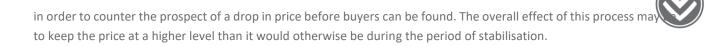
There may be difficulty in selling an investment, caused by various factors, including, but not limited to insolvency of the investment, adverse stock market conditions, selling restrictions placed on portfolios by their managers (sometimes referred to as gating, lockups, notice periods or suspension of redemptions).

In these circumstances you may not be able to sell such investments in a timely manner, and the value of those investments may fall significantly.

STABILISATION/ INITIAL PUBLIC OFFERINGS (IPOS)/NEW ISSUES

When securities are newly issued, the market price is sometimes artificially maintained by the issuer during the period when a new issue is to be sold to the public. This is known as stabilisation, and may affect, not only the price of the new issue, but also the price of other securities relating to it. Stabilisation is allowed, as long as a strict set of rules is followed,

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SUSPENSION 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.

CLEARING HOUSE PROTECTIONS

On many exchanges, the settlement of a transaction is 'guaranteed' by the exchange or clearing house. However, this guarantee may not protect you, if your investment manager, or another party, defaults on its obligations to the exchange.

INSOLVENCY

Your investment manager's insolvency or default, or that of any other brokers involved with your transaction, may lead to positions being liquidated or closed out, without your consent. In certain circumstances, you may not get back the actual assets that you lodged as collateral, and you may have to accept any available payments in cash. On request, your investment manager must provide an explanation of the extent to which it will accept liability for any insolvency of, or default by, other firms involved with your transactions.

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