PARADIGM
CAPITAL

Investment Risk Disclosure

The following is a summary of the risks of investing. Most clients of Paradigm Capital are institutional or sophisticated investors, and already know of these risks and make their own investment decisions. However, out of an abundance of caution Paradigm has provided this list below as a reminder. Please note that this list is not exhaustive, and has been provided as an indication of the factors that can affect the value of your investments.

Equity Risk

Investors in equity securities may be exposed to a high level of risk because the prices of equity securities can rise and fall significantly in a short period of time. This could arise due to the fortunes of the companies that issue them or with general stock market or economic conditions. This can include primary new issues, secondary offerings and securities trading on secondary marketplaces.

Short Selling Risk

Short selling strategies can provide an investor with an opportunity to manage volatility and enhance performance in declining or volatile markets. Short selling securities involves risk because there is no assurance that securities will sufficiently decline in value during the period of the short sale to offset the interest paid by the investor and make a profit for the investor. Securities sold short may instead increase in value. The investor may also experience difficulties repurchasing and returning the borrowed securities. The borrowing agent from whom the investor has borrowed securities may go bankrupt and the investor may lose the collateral it has deposited with the borrowing agent.

Credit Risk

A fixed income security, like a bond, is essentially a promise to pay interest and repay a specified amount at a later time. The probability that the issuer of the fixed income security will fail to honour that promise is called credit risk. Credit rating agencies give investors an idea of how much of a credit risk an issuer represents. If a company or government has a high credit rating, the credit risk tends to be low. A lower credit rating means more credit risk.

Interest Rate Risk

A change in general interest rates is one of the biggest factors affecting fixed-income securities. A bond for example, pays interest based on the level of interest rates prevailing when the bond is issued. Generally, if interest rates fall, the values of the bond rises. This is because the interest rate on the existing bond will be higher than the rate on newer bonds. On the other hand, when general interest rates rise, the price of existing bonds is expected to drop because they pay less than newer bonds.

Inflation Risk

The risk of decline in the purchasing power of your savings due to a general rise in prices.

Foreign Currency Risk
Investing in securities that are priced in foreign currencies involves foreign currency risk. Securities that are priced in foreign currencies can lose value when the Canadian dollar rises against the foreign currency. As well, foreign governments may impose currency exchange restrictions, which could limit the ability to buy and sell certain foreign investments and could reduce the value of the foreign securities that are held by investors.

Foreign Market Risk
Foreign investments involve additional risks because financial markets outside of Canada and the U.S. may be less liquid and companies may be less regulated and have lower standards of accounting and financial reporting. In some countries, an established stock market and legal system that adequately protects the rights of investors may be lacking. Foreign investments can also be affected by social, political, or economic instability. Foreign governments may impose investment restrictions.

Liquidity Risk
Liquidity refers to the speed and ease with which an asset can be sold and converted into cash. Most securities can be sold easily and at a fair price. In highly volatile markets, certain securities may become less liquid, which means they cannot be sold as quickly or easily. Some securities may be illiquid because of legal restrictions, the nature of the investment, or certain other features such as guarantees or a lack of buyers interested in the particular security or market. Difficulty in selling securities may result in a loss or reduced return for a Client.

Borrowing Risk
The use of leverage may not be suitable for all investors. Using borrowed money to finance the purchase of securities involves greater risk than using cash resources only. If an investor borrows money to purchase securities, the investor's responsibility to repay the loan and pay interest as required by the terms of the loan remains the same even if the value of the securities purchased declines.

Derivatives Risk
A derivative is a type of investment whose value is derived from the performance of other investments or from the movement of interest rates, exchange rates or market indices. The Advisor will only recommend derivatives as permitted by securities regulations. The Advisor may recommend derivatives to help offset losses that other investments held by a portfolio might suffer because of changes in stock prices, commodity prices or interest or exchange rates. This is referred to as hedging.

Some common risks of hedging with or investing in derivatives are:

there is no guarantee that the derivative will be bought or sold at the right time to make a profit or limit a loss, nor that the other party to the contract will meet its obligations. Additionally, if the other party goes bankrupt, the investor could lose any deposits made or assets pledged in favour of the other party under the contract;

there is no guarantee that a hedging strategy will always work, as the elements that determine the value of a derivative may change in a manner that is contrary to the intent of the hedge;

hedging will not always offset a drop in the value of a security and hedging can prevent the portfolio from making a gain it otherwise may have made; and

the portfolio may not be able to create an effective hedge against an expected change in a market if most other people expect the same change.

Exchange Traded Fund Risk
Exchange-traded funds ("ETFs") are securities that closely resemble index funds, but can be bought and sold like common stocks:

an ETF may fail to accurately track the market segment or index that underlies its investment objective;

an ETF may not be "actively" managed. Such ETFs would not necessarily sell a security because the security's issuer was in financial trouble, unless the security is removed from the applicable index being replicated. As a result, the performance of an ETF may be lower than the performance of an actively managed fund;

some ETFs employ leverage, which can magnify the risk of the underlying market segment or index;

the market price of an ETF units may trade at a discount to its net asset value;

an active trading market for an ETF's units may not develop or be maintained; and

there is no assurance that the requirements of the exchange necessary to maintain the listing of an ETF will continue to be met or remain unchanged.