

“Sutelktinio finansavimo platforma “Profitus”, UAB INVESTMENT RISKS

Investment in crowdfunding projects through a crowdfunding platform involves certain risks, just like any other investment. PROFITUS will make every effort to minimise the risks, which means that we will monitor changes in the environment, having identified potential risks, and will apply pre-defined risk management methods.

Risk related to lending to projects:

- General lending risk. The value of lending to real estate projects may vary, in the short term, depending on general economic situation, property rent and sale prices, and supply and demand fluctuations. PROFITUS will recommend medium- and long-term lending to RE projects so that the investor avoids the risk of short-term price fluctuations.
- Risk related to changes in economic situation and taxation system. Changes in the project-related economic indicators such as RE devaluation, decrease in the project owner's income, inflation and changes in RE taxation are possible. The platform operator will ensure ongoing monitoring and assessment of economic indicators in order to update operating plans of new projects as soon as possible as a response to the changing environment.
- Risk of project owner's default. Project owners and projects are assessed by means of a unique algorithm that sets very high requirements and covers a number of variables such as age, gender, earnings, source of income, educational attainment, presence/absence of criminal record and previous financial liabilities. Projects (financial, technical and general information) are comprehensively appraised by experts with many years' experience in the RE field. Each project is secured by a collateral; in the event of a default, increased interest rates and execution levied on the mortgaged asset are applied. For this purpose, detailed procedures have been formulated: Procedure for the Assessment of Project Owners' Reliability; Debt Recovery Procedure; and Dispute Resolution Procedure.
On appraisal of a project, project owner and collateral, a risk assessment is made by assigning one of four risk levels (the investor can see it at the project's information);
A – low risk;
B – moderate risk;
C – increased risk;
D – high risk.
- Liquidity risk. Risk of losses that is possible due to low liquidity – it can be complicated to sell an asset quickly and for a desired price. In order to minimise liquidity risk, our experts will monitor the RE market and plan critical paths.
- Risk of decrease in return on lease, vacancy or lower gain on property sale than planned. The risk of a decrease in the rental income received by a project owner in a situation with abundant supply of rented properties and reduced demand. In such a case, the investor's return on rent can decrease. The platform operator performs an ongoing analysis and assessment of economic indicators and other factors affecting rental income, with the project owner and the investor warned about possible developments.

- Term and higher costs of an RE project under development. The term of an RE project developed by its owner can be longer than planned, and the cost of the project may increase, which may result in overdue payments. The platform operator will use algorithms with high requirements for the appraisal of projects.

Risk related to financial instruments (transferable securities and instruments used for crowdfunding purposes):

- Liquidity risk (possibility of selling an instrument in the market). This risk may change over time. Restrictions may be applied to sale of such instruments during the term until maturity.
- Taxation risk related to any investment taxes (e. g., income tax applied to sale of instruments acquired by the investor) and amendments thereto. The client must independently evaluate all circumstances related to taxation of investments/return on investments, even if the taxation aspect is specifically covered by the information provided to the client.
- The main risk related to fixed-yield instruments may arise due to potential changes in the market price of a financial instrument, resulting from changes in market interest rates over the term until redemption, and the risk of the issuer's default.
- Default risk arises when a project owner is unable to pay interest at set intervals or repay the principal amount to the instrument holders when due. The default risk can arise if a project owner has many liabilities and insufficient cash flows. The higher the interest rate, the higher the investment risk. Furthermore, the longer the instrument term until redemption, the higher the risk that the client assumes. In the event of a project owner's default, the investor may lose the whole amount investment in the instruments.
- Currency risk. Currency risk may arise if the investor has invested in instruments denominated in a currency other than the investor's main currency. It is less risky for an investor without extensive experience to invest in his main currency.

Other information

Any investment bears a risk of losing the money invested, therefore, you have to understand that you are responsible for your decisions, and have to invest responsibly. You select the risk level and the investment project independently, therefore, PROFITUS as a technical intermediary does not assume liability for your losses.

Prior to investing on the platform, please assess your investment experience, knowledge and financial position, and familiarise yourself with potential risks. On logging in to the platform you will find the Investor's Questionnaire. We recommend that you complete it for self-assessment purposes.

By investing, you assume full risk for the investment including the risk of partial or full loss of the money invested.

Please be aware that insurance under the Republic of Lithuania Law on Insurance of Deposits and Liabilities to Investors does not apply to crowdfunding (*).

It is possible that you will not receive any return on your investment.

This is not a saving product, and we advise you to invest no more than 10 % of your net asset value in crowdfunding projects.

It is also possible that you will not be able to sell your investment instruments when desired. If you sell them, it is possible that it will be a loss-making sale.

If you have any questions regarding risks or preventive measures, please do not hesitate to contact PROFITUS by email support@profitus.lt.

(* Republic of Lithuania Law on Insurance of Deposits and Liabilities to Investors of 20 June 2002 No IX-975 (Articles 3, 20 and 26).