

Hedging Policy

INTRODUCTION

This document explains the methodologies used to manage market risk and counterparty credit risk by AETOS Capital Group Pty Ltd (“AETOS”, “we”, “us”, “our”). This policy has been developed having regard to ASIC Regulatory Guide 227 – Over-the-Counter Contracts for difference.

COUNTERPARTY AND MARKET RISK

You deal with us as a counterparty to every transaction you enter into on our trading platform. You will have an exposure to us in relation to each transaction if we are not ready, willing or able to meet our obligations. For example, if AETOS were to become insolvent, you will not be able to rely on AETOS’s ability to meet its counterparty obligations to you to settle the relevant contract. Though we consider this an unlikely event, we may be unable to meet our obligations to you, and you will become an unsecured creditor to us if it happens.

In accordance with our market risk policy, AETOS manages its market risk by internally offsetting client trades with each other. In this way, AETOS limits the overall market risk exposure created through its client positions and facilitates instant trade execution. As a result, AETOS may have net positions and residual exposure to market risk.

To manage this, AETOS operates under a market risk policy that defines acceptable exposure thresholds for different asset classes. When residual exposure reaches these predetermined limits, AETOS may elect to hedge externally to reduce market risk. External hedging is not conducted on a strict one-for-one basis. Instead, AETOS assesses its net position holistically and determines the scale of external hedging based on prevailing market conditions, liquidity, and the risk profile of the asset class and flow. This may result in partial or full hedging of the net exposure, depending on the circumstances at the time.

AETOS currently executes all external hedging transactions with its parent company, AETOS Capital Group Holdings Limited (“AETOS Group”). When we do so, you are indirectly exposed to the risk of default by our hedging counterparty. In this case, it is our parent company, AETOS Group.

AETOS Group also centrally monitors its exposure and may hedge the aggregated risk with external liquidity providers where necessary, as part of its group-wide risk management approach.

Our market risk is managed through an automatic system which continually monitors our net exposure, market changes, and performs real-time stress testing across different volatility and liquidity scenarios. In our stress tests, we take into account the risks associated with the underlying financial markets that our clients trade on, and the

markets we consider correlated. AETOS Group manages its risk in a similar way, leveraging advanced risk systems and factoring in its own counterparty credit exposures when hedging externally.

CREDIT RISK MITIGATION

Under ASIC regulatory regime, we are responsible to protect ourselves and our clients from any sudden changes in the solvency and financial stress of our counterparties. AETOS maintains an internal policy to manage its counterparty credit risk. The credit risk policy mitigates the credit risk by setting out a risk-assessed limit for an appointed counterparty. The third-party counterparty includes the financial institutions where we hold funds to. The credit risk policy and procedures are reviewed at least on an annual basis or whenever there is a change to our business operation or regulatory requirement, and subject to the Board of directors' approval whenever a change is made to existing procedures.

MINIMUM CRITERIA FOR ACCEPTING HEDGING COUNTERPARTY

AETOS operates with the below hedging counterparty:

- AETOS Capital Group Holdings Limited

If at any time AETOS engages additional hedging counterparties, it will seek to ensure that hedging counterparties meet at least three of the following criteria:

- (a) are appropriately licensed and regulated by an independent body in the relevant jurisdiction;
- (b) have strong financial and compliance (including risk management) resources;
- (c) have been independently rated by a ratings house (e.g. Standard & Poor's); and
- (d) have a proven track record in relation to OTC products.

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