

Benefits of Trading CBS Warrants

There are many benefits associated with investing in Warrants, including (but not limited to):

- a) **Limitation of Loss.** The maximum loss a person suffers with Warrants is **ONLY** the initial amount paid for the Warrant. There is **NO** possibility of the Holder losing more than their initial investment in the purchase of a CBS Trading Warrant. There are no margin calls or the possibility of losing extra funds whilst trading Warrants, unlike CFDs, Futures, Options and other derivatives. Additionally, a client is unable to pre-sell a CBS Warrant, and is consequentially unable to be liable for losses incurred when selling premium, as happens when selling options. A CBS Warrant must be bought and then closed at a later date.
- b) **Leverage or Gearing.** Leveraging or Gearing is the potential to make profits exceeding the outlay required to purchase the Warrants in the first place. Please read a) above regarding further losses.
- c) **Protecting your Portfolio.** Short Warrants allow an investor to lock-in a price that will profit from a downward move in the underlying market. This is called Hedging. Hedging reduces the risk of a current holding in an underlying market. The Hedging of an existing equity portfolio is the most common form of Hedging, whereby the client will purchase Short Index Warrants. When the underlying share market rises the client's overall portfolio increases in value, while they will lose the amount they spent on a warrant. However if the underlying market drops dramatically and the overall portfolio loses value, the warrant's price will increase. Because the leverage involved in trading warrants magnifies the profits of such a move the warrant will return a much greater proportion of funds than is outlaid and thus offset some of the lost value in the underlying equity portfolio.

This is a common trading strategy amongst fund managers, CTA's and professional traders.

- d) **Speculation.** Unlike buying the actual commodity, security, currency etc, where the investor expects the price to rise, Warrants allow investors to speculate on whether the underlying asset price will increase or decrease in value.