SCITECH
INVESTMENTS

GROWISE Portfolio Risk Charter

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Public document: Reference ETP for public reporting purposes. The specific identification of the instrument—including ticker, ISIN, series, class, listing venue, or applicable vehicle—may vary depending on the corresponding issuance and should be verified against the current official documentation.

Scope. This Risk Charter applies exclusively to the **GROWISE portfolio** as an investment strategy, **regardless of the ETP or vehicle through which the portfolio is accessed**. The definitions of mandate, instrument universe, risk limits, drawdown protocols, governance framework, and all other provisions contained in this Charter relate to the GROWISE strategy itself and not to any specific vehicle. Accordingly, they apply to any ETP implementing this strategy.

SciTech Investments also manages other **portfolios distinct from GROWISE**, each with its own mandate, instrument universe, and risk policies. None of the commitments, limits, protocols, or roles described in this document should be interpreted as applying to those other portfolios. Each portfolio managed by SciTech has its own Charter, its own Model Governance Process, and its own dedicated documentation.

1. Investment Mandate

GROWISE is a **systematic diversification and decorrelation product** designed to improve the risk-return profile of traditional portfolios through multi-asset, multi-directional, multi-strategy, and multi-timeframe exposure. It is **not** designed to serve as a fixed-income substitute, nor to deliver smoothed returns. Its structural role is to generate returns that are independent of market beta, with its own distinct volatility profile.

Regarding the allocation to the product within the overall portfolio. SciTech does not prescribe a single allocation percentage, as the optimal allocation depends on the objective function the client seeks to optimize and on the specific composition of the client's existing portfolio. For every metric a client seeks to improve—whether maximizing Sharpe ratio, maximizing absolute return, minimizing aggregate drawdown, or minimizing correlation with a specific benchmark—there exists a different point on the efficient frontier beyond which adding more GROWISE ceases to improve that metric or begins to deteriorate it.

SciTech provides analytical tools (SIGMA Lab) that allow this optimal allocation point to be determined on a case-by-case basis, according to the client's objective and starting portfolio composition.

2. Authorized Instrument Universe

GROWISE operates with **delta-one instruments as the general rule for directional signals**, with one documented and actively monitored exception (IBIT options). This structural restriction of the product is based on an explicit premise: **the assumption of directional equivalence between the execution instrument and its underlying asset is NOT considered automatic for any instrument that is not delta-one**. Any exception must be supported by specific market-segment microstructure conditions and remain under active monitoring.

Permitted without additional restrictions (delta-one): - Futures listed on regulated exchanges (CME, CBOT, ICE, Eurex) - Equities listed on regulated markets - Highly liquid ETFs tracking benchmark indices - Liquid leveraged ETFs tracking benchmark indices (e.g., SPXL, TQQQ), operated subject to the mutual-**exclusion rule between instruments linked to the same underlying asset described in Section 3.3** (a leveraged ETF and a futures contract on the same underlying asset may not be used simultaneously) - Spot FX transactions involving G10 currency pairs - Cash and cash equivalents rated AA or higher

Permitted for directional signals under microstructure monitoring (documented exception): - Monthly IBIT (Bitcoin ETF) options, traded on an occasional basis.
- These instruments are permitted for directional signals under conditions that structurally differentiate them from the problematic SPX options regime: (a) they are monthly contracts—there is no equivalent 0DTE segment; (b) the segment's microstructure does not exhibit documented realized-skew inversion; (c) transactions are occasional, not consecutive, and not executed in large quantities. These instruments remain under active monitoring of the segment's microstructure regime (see Section 4.2). If IBIT options develop significant 0DTE dominance or exhibit documented realized-skew inversion, the review and potential exclusion protocol will be activated.

Permitted only for occasional hedging: - Other options (excluding SPX options used for directional signals). Operational definition of hedging: occasional, non-consecutive transactions that are not executed in large numbers and are intended to protect the overall portfolio against specific risk scenarios.

Prohibited pending any future specific validation: - SPX options for the execution of directional signals in GROWISE — permanently prohibited. This decision is based on the structural regime shift in the segment since 2022 (0DTE dominance exceeding 50% of total volume, combined with a documented inversion of realized skew).

This prohibition applies specifically to this portfolio and will not be lifted due to a regime change or subsequent validation; the segment itself is permanently excluded from GROWISE's universe of instruments for directional signal execution. - Non-standardized OTC derivative products - Structured notes - Spot crypto-assets - Emerging markets denominated in non-convertible local currencies.

Any addition to the Unrestricted Permitted Instruments list requires: - Explicit identification of the instrument's PnL profile (delta, vega, theta, gamma, charm, vanna, spot-vol correlation), together with documentation specifying which components are non-trivial. - If the instrument is not delta-one, documented technical justification demonstrating under which market-regime conditions its PnL can reasonably be considered a substitute for that of the underlying asset. - Analysis of the prevailing microstructure regime of the market segment in which the instrument is traded. - A minimum of five years of out-of-sample historical validation using data from the specific instrument itself (not from the underlying asset). - Stress testing covering both the instrument's own volatility regime and the microstructure regime of the market segment in which it trades. - Ex-ante definition of quantitative exclusion criteria to be triggered if the segment's regime changes. - Documented approval by the Risk Officer. - A limited-sizing observation period prior to full incorporation into the portfolio.

3. Risk Limits at the Trade Level

3.1 Limits by Instrument Category

Metric	Futures	Equities & ETFs	Other Instruments
Maximum Risk per Trade	1.5% of AUM	1.0% of AUM (excluding gap events)	1.5% of AUM
Maximum Concentration per Individual Instrument	20% of AUM	10% of AUM	20% of AUM

The effective position size is determined by whichever of the two limits is more conservative: the risk-per-trade limit or the concentration cap. In particular, when the concentration cap becomes the binding constraint—typically when the stop loss is relatively tight compared to the entry price—the effective risk of the trade is automatically reduced below the risk-per-trade limit, in proportion to the corresponding position size adjustment. This is a structural property of the position-sizing formula and does not require separate monitoring.

Caveat — Gap Risk. Price movements that occur between market close and the subsequent market open, without any opportunity for stop-loss execution, cannot be controlled through prior position sizing. SciTech acknowledges this limitation as an inherent characteristic of the instrument. **Illustrative example:** if an individual position represents 10% of GROWISE's AUM and the underlying stock opens with a –50% gap at the next market open, the impact on the portfolio will be approximately –5% (plus or minus the simultaneous performance of the portfolio's other positions), regardless of how tightly the stop loss had been defined ex ante.

This is an inherent risk of investing in individual equities and cannot be eliminated through position sizing—neither by SciTech nor by any other asset manager operating with the same type of instrument. Risk management is therefore based on two principles: (a) **Diversification across positions.** Gap events tend to be company-specific (idiosyncratic) rather than systemic, making diversification the primary mitigation mechanism. (b) **No discretionary monitoring of corporate events** (earnings releases, stock splits, extraordinary dividends, etc.). This is a deliberate methodological decision: introducing discretionary reactions to specific events would compromise the algorithmic discipline of the system. The statistical impact of gap risk on long-term performance is already embedded in the system's historical results across nearly 19 years of operation. It is therefore an observable and quantified property of the product, not an undocumented risk.

3.2 Sub-Strategy and Aggregate Portfolio Limits

Metric	Limit
Maximum concentration per sub-strategy	35% of AUM
Gross leverage	4× (measured as notional exposure relative to AUM)
Net leverage	2×

3.3 Structural Constraints Hard-Coded into the System

In addition to the quantitative limits described above, the system operates with hard-coded architectural constraints that make certain failure modes commonly observed in less disciplined algorithmic systems structurally impossible. These controls are not monitoring mechanisms (which would require observation and human intervention);

they are hard constraints embedded in the system and enforced at the moment each trade decision is made.

- **Limited concurrency per sub-portfolio.** No sub-portfolio may hold more than a fixed number of simultaneous open positions (typically $n - 2$ per direction and timeframe), regardless of how many signals are generated by the systems composing it. By design, this eliminates overaccumulation resulting from correlated signals within the same sub-portfolio.

- **Dynamic risk budgeting at the sub-portfolio level.** Risk capital is allocated dynamically across active simultaneous positions rather than arithmetically on a per-trade basis. When a second signal enters a sub-portfolio, position sizing is recalibrated to keep aggregate risk within the predefined limit. The combined risk of all simultaneous positions within a sub-portfolio can never exceed that sub-portfolio's assigned risk budget.

- **Explicitly coded priority rules.** When multiple signals are triggered simultaneously and exceed the capacity of the sub-portfolio, selection among them is determined by rules hard-coded into the system—not by order of arrival (FIFO) and not by human intervention.

- **Automatic kill switch.** Once the aggregate risk budget of a sub-portfolio has been reached, the system automatically stops opening new positions until capacity is released through the closure of existing positions.

- **Mutual exclusion across instruments linked to the same underlying asset.** Each economic underlying (e.g., S&P 500, Bitcoin, gold) may be traded through only one instrument within the portfolio. If S&P 500 exposure is implemented through futures (ES), it cannot simultaneously be implemented through a leveraged ETF (SPXL), and vice versa. This exclusion eliminates, by design, hidden concentration through multiple instruments tracking the same underlying asset, as well as the risk of compounded implicit leverage (for example, futures with contractual leverage combined with leveraged ETFs on the same index).

The operational consequence is that failure modes arising from overaccumulation, hidden concentration across sub-strategies, subjective prioritization, or duplicated exposure to the same underlying through different instruments are structurally impossible, rather than merely unlikely or subject to monitoring.

4. Drawdown Protocols

4.1 Automatic Reduction by Drawdown Level

Drawdown from ATH	Action
–10%	Internal review of exposures; no automatic changes
–20%	Automatic reduction of risk-per-trade to 75% of the current limit
–30%	Automatic reduction of risk-per-trade to 50%; partial closure of positions with higher tail risk
–40%	Automatic reduction to 25%; review of instruments in use by the Risk Officer

The protocols are executed without human discretion regarding the decision to reduce exposure; discretionary decisions to increase exposure again require specific supporting documentation.

4.2 Monitoring of Realized Directional Equivalence

For any portfolio instrument with non-trivial Greeks (occasional hedging options and IBIT options), our systems maintain continuous monitoring of the instrument's realized directional equivalence. For each closed trade, the following are compared:

- Realized P&L of the executed instrument
- Theoretical delta-adjusted P&L of the corresponding underlying asset
- Gap between the two (the instrument's structural drag)

When the aggregate structural drag over a rolling four-week window exceeds documented thresholds (to be calibrated specifically for each market segment), a review of the instrument's regime is triggered. This mechanism is a specific control designed to capture microstructure dislocations that are not visible through traditional directional controls.

5. New Instrument Protocol

No instrument may be added to the portfolio without completing the following documented checklist:

1. Justification from the Trading Lead regarding the role the instrument fulfills within the strategy.
2. Historical validation using the instrument's own data, not the underlying asset's data, with a minimum of five years of out-of-sample history.
3. Stress test covering the worst volatility regime experienced by the instrument within its available historical record.
4. Analysis of implementation costs (slippage, bid-ask spread, financing costs) under adverse market conditions.
5. Signed approval from the Risk Officer.
6. Six-month testing period with maximum sizing limited to 5% of AUM.
7. Post-period review comparing realized metrics against expectations.

Any deviation from this protocol, once identified, will be formally communicated to the distribution channel within no more than 30 days.

6. Transparency Commitments

Frequency	Report
Weekly	NAV of the reference ETP (LS040 / ISIN XS2564083413) published on Wiener Börse
Monthly	Regime report: 4-week rolling volatility, allocations by instrument, and directional exposure
Quarterly	CIO Letter including performance analysis, strategy behavior, and relevant events
Annual	External audit of results
Ad-hoc	Any material event (drawdown greater than –15% in a single week, changes to the instrument list, or modifications to risk limits) will be communicated to the distribution channel within no more than 5 business days

7. Governance

GROWISE is an algorithmic product. Trading decisions are made by systems; humans do not select trades. For this reason, governance does not replicate the typical structure of a discretionary fund (a Risk Committee reviewing trading decisions),

but instead focuses on the areas where human decisions actually have material impact: **instrument selection, sizing/risk-per-trade, system-version deployments, system retirements, and validation of model assumptions**.

The Difference from the Governance of Discretionary Trading Desks

This characteristic has an important implication for the nature of risk governance. In discretionary systems—or trading desks where humans can interfere with execution decisions—the role of a traditional Risk Officer is structurally necessary: there is a risk that a trader may manipulate controls, conceal positions, exceed limits through subjective interference, or be influenced by hierarchical pressures or internal politics. Paradigmatic cases of this type of failure—from Barings to Société Générale—are documented as failures of human control, not failures of methodology.

In an algorithmic system where decisions regarding risk per position, sizing, portfolio allocation percentage, aggregate risk budget, and the number of simultaneous positions are coded and operate without human interference, **those failure modes are architecturally impossible**.

It is not that a Risk Officer would detect them—it is that they cannot occur. The structural constraints described in Section 3.3 are the concrete implementation of this principle.

For this reason, risk governance at SciTech is structurally focused on the areas where human decisions do have material impact: meta-algorithmic decisions. The roles described below are designed according to that logic.

Roles

Automated Monitoring Systems (Currently in Place): - Continuous monitoring of risk limits at the trade, sub-portfolio, and aggregate portfolio levels. - Automatic execution of the drawdown protocols described in Section 4.1. - Enforcement of the structural constraints described in Section 3.3 (maximum concurrency per sub-portfolio, dynamic risk budgeting, automatic kill switch, and mutual exclusivity of instruments linked to the same underlying asset). - Validation of Charter compliance for every trade, without human discretion.

Risk Officer (Internal): - Additional layer of human oversight over the automated systems. - Independent from the Trading team. - Reports directly to the CEO. - Operational responsibilities: review of automated-system logs, execution of the realized-versus-theoretical directional-equivalence monitoring protocol (Section 4.2), periodic validation of Charter compliance, supervision of material events, and review triggers. - Has veto authority over any proposal that would increase portfolio risk.

Trading Lead (Internal): - Responsible for operating the systems and proposing meta-algorithmic changes. - Does not have unilateral authority over the quantitative limits established in the Charter.

Model Governance Process

It is not a committee with a fixed meeting schedule, but rather a **documented approval process** that is activated whenever a meta-algorithmic change is proposed. Any modification in any of the following categories requires completion of the process before being deployed into production:

Category	Examples	Required Approval
New Instrument Addition	New asset class, new execution vehicle	Risk Officer + Trading Lead. **If the instrument is not delta-one: explicit documentation that the directional-equivalence hypothesis is NOT assumed to be automatic, plus analysis of the segment's microstructure regime and predefined quantitative criteria for exclusion in the event of a regime change.**
Modification of Risk-per-Trade	Increase in sizing at the system level or aggregate portfolio level	Risk Officer + Trading Lead
System Version Deployment	Change to production code	Risk Officer + Trading Lead
System Retirement	Deactivation of an operational system	Risk Officer + Trading Lead

Directional Equivalence Hypothesis — Formal Criterion

Following the Q1 2026 episode, the assumption that an instrument with non-trivial Greeks preserves the return distribution of its underlying asset is explicitly documented as **NOT automatic**. For any non-delta-one instrument proposed for inclusion in the portfolio, the validation process must provide affirmative answers, supported by documented evidence, to the following questions:

1. What is the current microstructure of the market in which this instrument is traded? (Participation of short-dated flows, realized versus implied skew, aggregate GEX, institutional positioning.)
2. Are there documented signs of a regime change in that microstructure over the past 24 months?
3. Under what quantifiable conditions (objective thresholds) would directional equivalence with the underlying asset cease to hold?
4. What continuous monitoring protocol would detect such changes ex ante?

Scientific validation of the model is necessary but not sufficient. The stability of the instrument segment's microstructure regime is an independent requirement that must be continuously monitored and may invalidate directional equivalence even if the underlying model itself remains correct.

8. Charter Amendments

Any modification to the quantitative limits set forth in this document (Section 3) requires: - Approval by the Risk Officer. - Communication to the distribution channel at least 30 days prior to the effective date of the change. - Documented justification available to clients upon request.

This document is available in its current version at [URL] and will be maintained as an auditable reference. All previous versions remain archived and accessible.

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