

**Pelican Exchange Limited, Pelican Exchange Europe (CY) Ltd &  
London & Eastern LLP**

**DRAWDOWN LIMITS, SUBSCRIPTIONS &  
PERFORMANCE FEE CALCULATION  
(Including fee schedule)**

# Drawdown Limit, Drawdown Calculation, Subscription & Performance Fee Calculation

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## RISK WARNING

**Risk Warning:** Trading in leveraged Foreign Exchange (FX), CFDs and margin products carries a high level of risk to your capital, and is not suitable for all individuals. **Only speculate with money you can afford to lose. Investments may fall as well as rise and you may lose some, part or all of your original capital invested and also be liable for a balance where your broker account is in deficit.** Please ensure you fully understand the risks, and seek financial advice if necessary.

By accepting this agreement you are acknowledging that you understand that there are many strategies that can be used in trading FX, some of which have unlimited risk of loss and could result in you sustaining a total loss of all funds in your broker account and, further, that you are liable for any deficit in the account resulting therefrom.

It is recommended that independent financial advice is sought prior to any application. You therefore acknowledge that you have had the opportunity to discuss with your own independent financial advisers and understand the nature and risks of the strategy to be used in connection with transactions affected for your account.

## RISK AND DRAWDOWN LIMIT

You accept that the drawdown limits on the account (soft stop & hard stop) will be subject to a maximum of the percentage which you have entered in the Drawdown Settings screen of the app. The drawdown percentage is calculated with reference to the returns of your open and closed trades. If this soft stop level is reached no further positions will be entered into on your account. If a hard stop level is reached, no further trading will be undertaken on the account and all open positions will be closed.

You acknowledge and understand this risk and agree not to hold Pelican Exchange Limited, Pelican Exchange Europe (CY) Ltd & London & Eastern LLP liable for any losses on the account. The maximum drawdown figure is **not a guarantee**, but an indication of your risk appetite.

Please take your time to understand and **ACCEPT** the limitations to drawdowns:

1. The stop will only trigger once the level has been breached, which is determined by the profit of each trade, which in turn is determined by the price of each market. If a tick comes in where the price jumps, then this could result in the drawdown level being exceeded. This will be much more apparent on accounts with large position sizes and small balances. If you choose to set your trade size disproportionately large relative to your deposit then your target drawdown limit is likely to be exceeded;
2. The drawdown stops will only trigger a close-out sequence, the price that the trades close at will determine its ultimate position. If there are delays responding to our close-out request, final drawdown levels may be exceeded;
3. Third party trading platforms may operate a single threaded close out procedure, which means it can only complete 1 operation at a time. If there is a trade that is taking a long time to open or close, then the stops will not be calculated until that trade transaction is complete. Furthermore, if there are multiple trades to close in the sequence, they have to be done 1 by 1. This could cause a wide deviation to your drawdown level once the final trade is closed;
4. Prices may vary during close out and this may impact the behaviour of the close out feature and the level at which the close out trigger is executed;
5. If there are connection issues with an account, the stops will not be calculated until the account is connected again; and
6. Clients should be aware that positions held over the weekend could result in an immediate breach upon market open if the market has gapped. This could be significantly over the stop that they had set.

## DRAWDOWN CALCULATION

The drawdown level is calculated based upon the percentage return from each trade, including both open and closed positions as well as any charges associated with that trading activity including any commissions, swaps or charges associated with the investment management activity. Performance fee deductions are not included in the calculations.

The drawdown calculation is as follows: High Watermark - Latest Normalised Balance on close + floating PNL.

High Watermark = peak normalised balance.

Normalised Balance = Balance of the account factored down/up to 100 to begin with and then changes with normalised net profit

Normalised net profit = ((profit + commissions + swaps)/open equity) multiplied by normalised balance

Drawdown calculations are based on the open equity of each trade and their respective profit or loss. Unlike margin calculations, deposits and withdrawals are not considered as part of the overall calculation and only factor as part of subsequent trades' open equity levels. However, drawdown levels can be reset to 0% at any point if a user would like their current equity to be considered instead.

## LIABILITY

If London & Eastern LLP or your broker determines that a force majeure event exists (as defined by them in their discretion) or a situation that is outside normal market conditions exists, London & Eastern LLP or your broker will not be liable to you for any failure, hindrance or delay in performing their obligations or for taking or omitting to take any relevant action.

London & Eastern LLP or your broker will also not be liable for general trading/investment activities where you suffer losses.

## CLOSE OPEN POSITIONS

In some circumstances, London & Eastern LLP may be unable, after using all reasonable efforts, to acquire, substitute, maintain, unwind or dispose of any underlying instrument it may consider necessary to hedge or protect your exposure to the market and other risks arising from an open position. In such circumstances, London & Eastern LLP may close that open position at the contract price, which may mean a loss to you.

## SUBSCRIPTION FEE CALCULATION

A subscription fee is deducted monthly in arrears and is charged directly to your broker account. The amount to be charged is indicated on the App before you commence copying a specific signal.

## PERFORMANCE FEE CALCULATION AND WATERMARK

The performance fee is deducted monthly in arrears on the basis of the extent to which total aggregate profit that month has been achieved, subject to a high watermark.

The watermark is based on the highest end of month value that a client account has achieved. The watermark is reset at the start of each calendar month. If profit has been achieved in the previous month, then the gain minus the performance fee will become the new watermark. If a loss has been achieved in the previous month, then the watermark will remain at the previous watermark level. This will apply until such time as the losses have been recouped.

The watermark is adjusted to ensure that any losses from a previous month(s) are taken into account before any fee is deducted. Below we show two examples: (the figures quoted are purely an example to show the calculation method used and are not indicative of performance achievable).

This example is based on a 30% monthly performance fee and is **for illustration purposes only**. This illustration does not therefore represent live or past strategy performance:

Month	Initial	Profit	New Balance	Fee	Net Gain	A/C Balance	Watermark
1	£250,000	£10,000	£260,000	£3,000	£7,000	£257,000	£257,000
2	£257,000	£34,000	£291,000	£10,200	£23,800	£280,800	£280,800
3	£280,800	£0	£280,800	£0	£0	£280,800	£280,800
4	£280,800	£28,000	£308,800	£8,400	£19,600	£300,400	£300,400
5	£300,400	£34,000	£334,400	£10,200	£23,800	£324,200	£324,200
6	£324,200	-£23,000	£301,200	£0	-£23,000	£301,200	£324,200
7	£301,200	£40,000	£341,200	£5,100	£34,900	£336,100	£336,100
8	£336,100	£39,000	£375,100	£11,700	£27,300	£363,400	£363,400
9	£363,400	-£31,000	£332,400	£0	-£31,000	£332,400	£363,400
10	£332,400	£10,000	£342,400	£0	-£21,000	£342,400	£363,400
11	£342,400	£23,000	£365,400	£600	£1,400	£364,800	£364,800
12	£364,800	£18,000	£382,800	£5,400	£12,600	£377,400	£377,400

In month 10, a profit was made for the month of £10,000, but as there was a loss on the previous month (9) of £31,000 then the £10,000 profit is paid back on the loss leaving a deficit of £21,000. No performance fee is paid as the account is below the watermark. In month 11 a profit of £23,000 was made. As £21,000 was to be recouped first this left £2,000 as a gain and a performance fee is then charged of £600 only. A new watermark is then set.

## OPENING AND CLOSING YOUR ACCOUNT

Subject to the LPOA being executed, and subject to the broker account being opened and you funding it, London & Eastern LLP will act in accordance with your instructions and the LPOA. Furthermore, any profit made by the end of the first month, howsoever long, will incur a performance fee and any losses will be recorded as per the calculation above.

If you close your account, London & Eastern LLP will first calculate any performance fees owed up until the point of closure and then the broker will send you the balance. If your account incurred an overall loss up until the point of closure, the broker will send you only the balance on the account.

## CONFIRMATION

I confirm that

- I have read the DRAWDOWN LIMIT, SUBSCRIPTION & PERFORMANCE FEE CALCULATION detailed above and accept the risks associated and calculation methods with the managed account.
- I have had an opportunity to discuss this with an independent financial adviser and any other adviser that I feel appropriate.
- I agree to the terms set out in the Signal Authorisation Terms along with the specific terms and conditions set out by the execution broker.
- I confirm that neither Pelican nor any partner execution broker will be liable for any Losses (as defined in the General Terms), costs, damages, liabilities or expenses suffered relating to those Terms or any other Terms or any trading activities undertaken for using the service(s), except where caused directly by the wilful default or fraud by us or our employees, agents or subcontractors. For the avoidance of doubt, no followed member, signal provider or mentor is or shall be deemed to be an employee, agent or subcontractor of us.
- I am aware and understand that any charge (e.g. subscription or performance fee) applied to my account may trigger a margin call and therefore the close out of open trades.
- I have read and agree to the Terms and Conditions in the Pelican General Terms (<https://pelicantrading.io/generalterms>) and Pelican Exchange Europe (CY) Ltd <https://docs.pelicantrading.io/items/generaltermseu.docx.pdf>