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Investment Funds

This document contains information about the properties of investment funds and informs you about potential benefits and risks of this class of products. These principles can support you in your investment decisions. Please contact your Client Advisor if you would like further information or have any questions.

General Information

An **investment fund** is an asset that consists of deposits of many individual investors and is therefore referred to as "collective investments". The capital is invested in one or more investment areas. Investment decisions are made by the fund managers and must conform to a set investment strategy. Investment funds are usually unlisted. An exception are exchange-traded funds (ETF's), which are traded on an exchange.

Types of investment funds

Money market funds: These funds invest in different money market instruments or in short-term fixed-interest investments.

Bond funds: In this fund class, investments are made in bonds with fixed and variable interest rates.

Equity funds: Fund assets are invested in small, medium-sized, and large companies in a defined country, economic area, or sector.

Funds with alternative investments: These funds invest in alternative assets such as real estate, commodities, etc.

Strategic funds: With this fund class, a mixed investment in money market products, bonds, equities, or alternative investments is customary.

ETF's: ETF's (exchange-traded funds) are listed investment funds. ETF's are passively managed. The large majority involve index funds that, ideally, replicate an index. An indexed portfolio is characterized by low deviation in value development from the benchmark (tracking error) and cost-effective management.

Umbrella funds: An umbrella fund is an investment fund that itself invests in funds. The diversification of a financial investment is strengthened through the acquisition of shares in individual funds.

Potential benefits

Diversification with low capital: An investment portfolio is acquired through investment in a fund. This allows a diversified portfolio to be built up with small investment amounts.

Special assets: Investments in funds are treated as special assets. In the event the issuer's insolvency, capital invested in the fund does not form part of the bankruptcy assets.

Professional management: Professional fund managers handle the assets according to defined investment strategies. The investor profits from the capabilities and experience of the managers.

Access to markets and alternative strategies: Through funds, investment classes and markets can be covered that would otherwise be difficult for private investors to access.

High liquidity: Fund shares can be returned at net asset value to the fund company. Settlement usually takes three days.

Potential risks

Risk of loss: The net asset value of the fund may fall below the acquisition price. A partial loss may result for the investor. Due to the diversified portfolio, a total loss tends to be more unlikely.

Market risk: The value of the fund may decrease, since the prices of the underlying assets of the fund are subject to fluctuations in value.

Liquidity risk: The underlying assets of the fund may become illiquid. In such cases, the return of fund shares may be suspended for a certain time.

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Foreign currency risk: If the fund or the underlying assets of the fund are listed in a different currency from the local currency of the investor, there is a risk that fluctuations in the exchange rate will decrease the value of the investment from the investor's perspective. It is possible that the price gains of an investment result in a total loss for the investor due to exchange rate changes. Exchange rates can fluctuate substantially.