

Certificates and warrants

Below you will find information about the characteristics of certificated and warrants, including information about return, risk and your responsibility as an investor.

General characteristics

CERTIFICATES AND WARRANTS

The typical products within this category are highly complex investment products with no capital protection. The products can have a risk related to the issuer of the product (issuer risk) and an element of derivatives that will give you an exposure towards other investments, e.g. the development in an equity index or a single equity. Compared to more simple and traditional products you should consider that this category of products has:

- A complex composition of both an issuer risk and elements of investment risk
- A return that is linked to the development within other asset classes, i.e. equities and commodities
- An element of leverage in many cases
- No capital protection - the product will have full downside, and, if leveraged, the speed of changes in the value of the product will be higher than the underlying investments
- A liquidity that can be quite different under different market conditions
- Special terms that may apply for the products

RETURN

The benefit of these products is that you, with a small amount invested, can obtain a rather significant exposure to the market; therefore, we are talking about leveraged products. A typical product in this category is a certificate that could be issued by Danske Bank and provide exposure to, for example, Novo Nordisk times three. In short, this means:

- You will have an issuer risk for Danske Bank (credit risk)
- You will have an investment risk on the equity of Novo Nordisk times three - if the price of Novo Nordisk increases or declines by 5%, the value of this product will increase or decline by 15% in the same direction - this is called a Bull certificate
- You also invest in Bear certificates - they will give you an exposure in the opposite direction of the underlying equity, in this example meaning: if Novo Nordisk declines by 5%, you will gain 15% on the Bear certificate

These examples are strongly simplified. Moreover, there are many different combinations of these products, so you have to be very careful when you choose between the products, especially in terms of the direction of the exposure and the level of leveraging.

RISK

The products within this category are affected by:

- The issuer risk - is the issuer able to pay back the product (credit/default risk)
- Investment risk - the risk of the underlying investments of the product, e.g. an equity
- The products are leveraged - the value of the products will change much faster than the underlying investments
- The value of a leveraged product is at risk of declining to zero if the underlying investments are experiencing large increases and/or declines in terms of their pricing in the market
- There may be a currency risk - if the products contain currency exposure

LIQUIDITY RISK

The liquidity risk of the products within this category can be very dynamic. Under normal market conditions, you will often see a quite good liquidity. However, in markets in crisis situations or just in volatile markets, you will often experience a poor liquidity. You should not expect a continuous pricing of the products. Furthermore, in certain periods, you will not have access to sell the products.

PRODUCT DOCUMENTATION

It is important that you, as an investor, seek thorough information about the characteristics of the products.

For products within this category, there will be additional product documentation available, e.g. brochures, fact sheets, prospectuses etc. It is highly important to request these documents and discuss the content with your adviser.

YOUR RESPONSIBILITY AS AN INVESTOR

To which extent products within this category are suitable for your portfolio will depend on your attitude to risk and the investment horizon in your investment profile. If there are any doubts as to whether a product is appropriate for your portfolio, you should seek additional information and advice or avoid investing in the product.
