

# Exchange Traded Funds (ETFs)

Below you will find information about the characteristics of Exchange Traded Funds, including information about return and risk

## General characteristics

### EXCHANGE TRADED FUNDS (ETFS)

The products within this category are funds referred to as ETFs, i.e. funds that are traded on different exchanges around the world. Funds within this category are funds that do not meet the European regulation of funds, UCITS; therefore, they have a lower degree of diversification and information compared to UCITS funds.

### WHAT IS AN ETF?

An ETF is a fund with assets that are invested in and/or linked to various financial instruments, e.g. equities and/or bonds. The investors that invest in the fund own a share of the fund. A fund manager makes the investment decisions in the fund; therefore, investors will benefit from professional investment expertise, even with only a small investment in the fund.

ETFs are considered complex products that often have an extensive and complex product documentation. Legally, ETFs can be built around several types of frameworks. Some are funds in a legal sense, but others could be equity constructions, and there are also examples of ETFs that, legally, are considered structured products.

### INVESTING IN ETFs

If you invest in EFTs, your investment will have the same characteristics and risks as those associated with the underlying investments in the ETF. However, for certain ETFs, there could also be additional risks in terms of derivative exposures and issuers. Typically, ETFs are chosen as investment objects because they can offer quite cheap exposures to, for example, equity indexes compared to more classic funds.

### RETURN

Return expectations will be dependent on the investments of the fund. When selecting a fund it is worth remembering that expected return and risk go hand in hand. Greater possible return means greater risk. Furthermore, past fund performance is no guarantee of future returns.

### RISKS

Fund investment is always subject to risk, regarding both the return on the capital and the value of the capital. Funds are subject to the same market risks and value fluctuations as direct investments in individual securities.

The level of risk depends on what type of assets the ETF holds and/or the construction of the ETF. Generally, risk is lowest in fixed income ETFs and highest in equity ETFs with narrow investment universes, e.g. emerging market areas.

The main risks associated with an investment fund are described in the fund's information documents.



ETFs do not have same regulations as classic funds; hence, their diversification and liquidity can be poor.

An ETF is subject to currency risk when it invests in investment instruments not denominated in the currency of the ETF (for example, an ETF denominated in euros invests in a security denominated in a currency other than euros). A decrease in the value of a currency in which an investment instrument is denominated will have a negative impact on the value of the fund and, conversely, an increase in the currency value will have a positive impact on the fund value.

#### LIQUIDITY RISK

Liquidity risk for an ETF is linked to whether there are offered bid/offer prices in the market, similar to the risk of equity trading.

If no one quotes prices in the market, you will not be able to trade the ETFs. Therefore, you should not expect a continuous pricing of the ETFs. Moreover, in certain periods, you are at risk of not having access to sell the ETFs.

#### FEES

Fees are charged for the services you receive through the ETF and management of the ETF. The fees vary from ETF to ETF, and additional information on them is available in the specific ETF's information document.

#### YOUR RESPONSIBILITY AS AN INVESTOR

To which extent ETFs 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.