Danske Bank

Other complex investment products

Below you will find information about the characteristics of other complex investment products, including information about return, risk and investments via investment funds.

General characteristics

OTHER COMPLEX INVESTMENT PRODUCTS

The products within this category may vary in terms of the content of the products. The typical products are equities traded outside regulated markets or equity-like products. However, the products could also contain bonds or fixed income strategies as well as commodities. Compared to investments in more traditional investment products, these products differ in, for example, the following ways by being:

- Equities traded outside regulated markets, with a lower degree of information and statistics
- Funds which do not meet the European rules (UCITS) regulating the diversification of risk, for example
- Products with poorer liquidity than the more traditional investment products

RETURN

Equity investments can provide a higher return than bond investments, for example. The return on equity investments is made up of dividend and changes to the share price (capital gain/loss). The price development of the share (capital gain/loss) is usually the element that has the most significant impact on the return.

The value of equities generally fluctuates more than the value of bonds. Nonetheless, some investors prefer equities to bonds, because they expect a higher return on equities over time.

RISK

When you invest in equities, there are risks involved that could affect the value of your investment:

- Company-specific risks – conditions and factors relevant to the specific company in question
- Sector-specific risks – developments related to the sector in which the company is operating
- Market risks – developments in the financial markets, which may be triggered by macroeconomic or political factors as well as investors' current appetite for equity investments

In a worst-case scenario, the above risks may, individually or in combination, cause the invested amount to be lost.

To minimize the risk of equity investments, it is important that you diversify your investments by investing in different companies, sectors and regions.

By diversifying your investments, you can reduce your risk and obtain a more stable development of your portfolio. In this way, you minimize the company-specific and sector-specific risks. However, your portfolio will still be exposed to the overall market risk.

You can invest in global or domestic equities. In addition to the exposure to price changes, investments in global equities in other currencies than your base currency are also associated with a currency risk, which can affect the overall return significantly.

LIQUIDITY RISK

Most of the products within this category have a poorer liquidity in the market than traditional investment products. Therefore, you cannot expect a continuous pricing of the products in the market; 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 usually be additional product documentation available, e.g. a Key Investor Document, brochures, fact sheets, prospectuses etc. Please request these documents and discuss the content with your adviser.

YOUR RESPONSIBILITY AS AN INVESTOR

To which extent complex investment products are suitable for your portfolio will depend on your attitude to risk and the investment horizon indicated by 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.

Investments via investment funds

INVESTING IN OTHER COMPLEX PRODUCTS VIA INVESTMENT FUNDS

If you invest in complex products, e.g. unlisted equities, via investment funds, these products will have the same characteristics and risks as those associated with investing in similar individual complex products. However, you will obtain a more efficient diversification and ongoing management of your investments.

WHAT IS AN INVESTMENT FUND?

A mutual fund, or fund, is an investment instrument where the assets are invested in various financial instruments, e.g. equities and/or bonds. The investors that invest in the fund own a share of the fund proportionate to the amount of their investment. A fund management company takes care of the administration of the fund and its assets in accordance with the fund's regulations.

A portfolio manager appointed by the fund management company makes the investment decisions in the fund; therefore, investors will benefit from professional investment expertise, even with only a small investment in the fund.

RETURN

Return expectations will depend 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 returns means greater risk. 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 fund holds. Generally, risk is lowest in money market funds and highest in equity funds with narrow investment universes, e.g. emerging market areas.

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

A fund must diversify its risks by investing in accordance with its regulations – meaning that other investments can compensate for losses caused by more poorly performing investments.

A fund is subject to currency risk when it invests in investment instruments not denominated in the fund's currency (for example, a fund 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 regards the possibility to have your investment in the fund redeemed and transformed into cash. Generally, fund redemptions will be carried out on the banking day following the submission of a redemption order.

A fund must have sufficient cash assets. If a fund's cash assets are insufficient to pay for the redemptions of fund unit holders, the fund management company must sell off assets invested into cash. A mutual fund's liquidity risk refers to the risk of a situation arising where the assets in which a fund invests cannot be liquidated according to a desired timetable and/or at a reasonable price. Furthermore, it will have an effect on the fund unit value if the fund's investments have to be liquidated at an inopportune time.

FEES

Fees are charged for the services you receive through funds and the professional management of your assets. There are usually one-off fees when buying (subscription fee) and selling (redemption fee) fund units as well as an ongoing annual management fee as a percentage of the entire fund's value.

The fees vary from fund to fund, and additional information is available in the fund's key investor information document and the price list for mutual funds.

More information about the funds and the funds' official documentation is available at their homepage.