Products with mixed assets

Below you will find information about the characteristics of producats with mixed assets, including information about return, risk and investments via investment funds.

General characteristics

PRODUCTS WITH MIXED ASSETS

This category consist of products with mixed assets. These products come in many different variations. This document helps you understand the basics of investing in products that contain different types of investment asset classes. You will not necessarily have access to all types of products within this category. Your actual access to products will depend on, for example, your investment profile, the invested amount, other agreements with the bank, and what type of customer you are.

This means that, through our self-service systems, you can have access to funds that invest in mixed asset classes, and if you invest very large amounts through our advisers, we can choose to offer highly individualized portfolio products as well.

When you buy a product with different types of assets, you buy a mix of different securities. The typical products consist of a mix of equities, bonds and other suitable assets (alternatives) to ensure that the products match your investment profile.

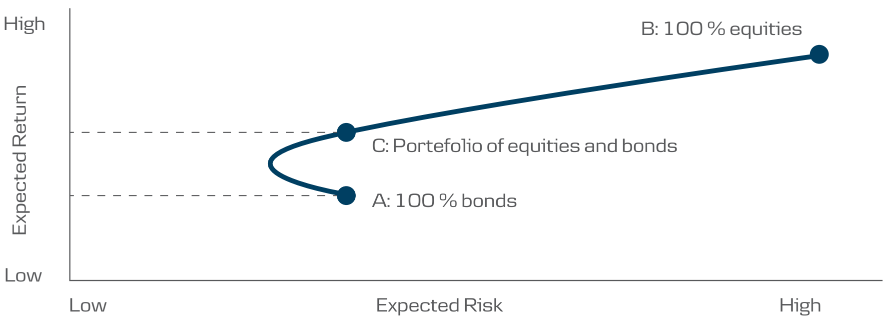
Moreover, most products with mixed assets will have an embedded monitoring of the investments making sure that investments are in line with agreed strategies/investment policies.

A number of products with different types of assets also make some use of so-called alternative investments as part of their investment universe. Alternative investments are, for example, hedge funds, unlisted equities (also referred to as private equities) and/or commodity investments. These alternatives are typically used to improve the portfolios' risk/return characteristics and constitute a smaller portion of the total investment.

RETURN

You can obtain a higher return with the same level of risk by combining different types of equities, bonds and other assets. This is done by investing in a portfolio consisting of mixed assets.

The graph shows that in point C the investor obtains a higher expected return than in point A at the same level of risk.



Another goal of some clients is to obtain a more stable return. This can also be obtained by investing in mixed assets. The explanation is that the value of different types of securities generally increases and decreases at different points in time.

The return is to be evaluated from an overall portfolio perspective as opposed to separate evaluations of the returns on the individual securities in the portfolio. Equity returns show greater fluctuation than bond returns. When some investors, nonetheless, prefer equities to bonds, they do so because they expect a higher return on equities over time.

RISK

The aggregated risk of a portfolio is the combined risk of all assets of the portfolio.

As is the case with other investments, investing in a product with different types of assets also entails the risk of loss.

Bond investments entail three overall types of risk:

- The market rate of interest increases – this leads to a decrease in the bond price (interest rate risk)
- The issuer is unable to pay interest/the principal (credit/default risk)
- The currency in which the bond is denominated decreases relative to the reference currency of the portfolio – this leads to a decrease in the bond value (currency risk)

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

- 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.

The risks associated with alternative investments are often made up of the risk elements mentioned and associated with either equities, bonds or a mix of these asset classes.

Typically investments in products with mixed assets will include both global and domestic securities.

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.

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LIQUIDITY RISK

Products with mixed assets are generally liquid and continuously priced in the market. In the event that a company or an issuer of a specific security experiences financial difficulties, or the market is struck by, for example, a financial crisis, the securities in the products may be difficult to sell.

In addition, there may be a term of notice on some products in this category, e.g. one month. This means that you may experience that it will take some time to leave your product.

YOUR RESPONSIBILITY AS AN INVESTOR

Your choice of product should be based on your attitude to risk and the investment horizon indicated by your investment profile. In the event that you experience a lack of clarity as to the composition of your portfolio or elements of it, it is important that you request additional information.

Danske Bank

Investments via investment funds

INVESTING IN PRODUCTS WITH MIXED ASSETS VIA INVESTMENT FUNDS

It is very common that investment funds are used as portfolio products. One way to do this is to use funds that invests in the relevant investments, or in portfolio products where you as an investor own a number of different funds – in both cases, the underlying investments could be a suitable solution that matches your investment profile. When you invest in funds, your investments will have the same characteristics as those associated with investing in similar individual securities as the ones that the fund are invested into. However, you will obtain a more efficient diversification and ongoing management of your investments. Funds within this category will be funds that meet the European regulation of funds, UCITS, which ensures adequate diversification and liquidity.

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

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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.