Simple equities

Below you will find information about the characteristics of simple equities, including information about return, risk and investments via investment funds.

General characteristics

SIMPLE EQUITIES

When you buy equities, you invest in a company. The share provides you with certain rights, such as dividends and voting rights at the annual general meeting. The price you pay depends on supply and demand and reflects the market's current expectations for the future of the company.

Simple equities are traded on regulated markets, which ensures a high level of information about the products and statistics on trading.

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 higher returns on equities over time.

RISKS

When you invest in equities, there are risks involved that will 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

Simple equities are typically highly liquid and continuously priced in the market. In the event that a company experiences financial difficulties, or the market is struck by a financial crisis, for example, shares may be difficult to sell.

YOUR RESPONSIBILITY AS AN INVESTOR

You should only invest directly in individual equities if you are interested in and have the time necessary to monitor the development of the companies. Your attitude to risk and investment horizon determine the proportion of your investments to be allocated to equity investments.

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.

Investments via investment funds

INVESTING IN EQUITIES VIA INVESTMENT FUNDS

If you invest in equities via investment funds, these equities will have the same characteristics and risks as those associated with investing in similar individual equities. 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 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.

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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.