What is a mutual fund unit?

By buying mutual fund units, you become a member of a mutual fund, and you invest jointly with other investors. In mutual funds, specialists monitor the market, select and trade the securities. This means that, in order to invest via a mutual fund, you do not need extensive knowledge of the markets.

Mutual funds are an investment form offering a broad spectrum of investment strategies based on securities, including the use of derivative financial instruments. Mutual funds are subject to European legislation, under which this type of investment is called UCITS, which is the acronym for Undertakings for Collective Investment in Transferable Securities.

For which investors are mutual funds relevant?

A mutual fund is relevant for investors wanting a good diversification of their investments and specialists to manage their funds.

You should typically have an investment horizon of at least three years.

Opportunities offered by mutual funds
Mutual funds offer the opportunity that even with a small amount of capital you can spread the risk across many different securities. Therefore, your return will not to nearly the same extent be affected by an unfortunate development of an individual company as would have been the case had you invested in individual shares or bonds.

<table>
<tr><th colspan="2">MUTUAL FUND UNITS</th></tr>
<tr><td>Pros
Easy way to invest since specialists invest for you.
You do not need to spend very much time on your investments or have extensive experience to invest.
Since you invest jointly with other investors, you can obtain a diversification of your investments which would normally only be obtained by investing very large sums.
Mutual funds are subject to UCITS legislation, which has extensive focus on investor protection. This means that the individual funds have restrictions specifying the types of instruments in which investment can be made, requirements of risk diversification and information about risk level.</td><td>Cons
The risk, for instance, may vary greatly from one fund to the other. It is therefore necessary to assess each individual fund.
Mutual funds may alone investment in securities which meet the UCITS legislation. This means that there will be investment products in which the specialists cannot invest even though they assess the investment product to be appropriate.
You do not select the individual securities (e.g. shares and bonds), in which the fund invests.</td></tr>
</table>

What happens in practice?
To buy mutual fund units you must have the full purchase amount at your disposal in your account. The costs of running a mutual fund are paid by its investors, i.e. also by you. Costs are incurred, for instance in connection with entry and exit, administration and commission. The specific costs of a fund will typically appear from the website of the mutual fund. The value of the mutual fund unit is typically quoted several times a day.

Return
There are two types of funds: distributing and cumulative. The two fund types have different return profiles, as distributing funds can pay an annual dividend while cumulative funds cannot. Among other things, funds also differ in respect of the tax treatment.

Distributing fund
Your return consists of both a dividend paid annually and the performance of the fund. After a dividend payment, the price on the mutual fund unit falls since the value of the portfolio has fallen by exactly the dividend payment. Therefore, it is in principle of less importance to your return whether it is in the form of a dividend or a price return.

Cumulative fund
Cumulative funds do not pay dividend. Instead, the realised returns created in the underlying portfolio are reinvested. The results of the investments are thereby solely reflected in the price of the mutual fund unit.

About risk
You run the same market risk with a mutual fund unit as if you on your own had invested in the same securities, and in principle it is possible to lose the entire amount invested.

Mutual funds have investment strategies with low risk and investment strategies with very high risk. Different forms of risk include market risk, credit risk, foreign currency risk, transferability risk, etc. It is therefore important to look carefully at the risk of each individual fund.

The UCITS rules comprise provisions to limit, for instance, the credit risk, to ensure investment diversification and transferability, but this does not mean that there is no risk.

Mutual funds produce a document called Key Investor Information. In this document, you can find information about the risk of the individual fund and information about strategy, return, costs, etc. If you buy units in a mutual fund which invests in securities denominated in another currency (for instance USD) than your base currency (for instance GBP), you may assume a foreign currency risk.

According to the risk classification, mutual fund units are classified as 'amber'. *Read more about the risk classification of investment products at:*

trustednovusbank.gi/investmentinformation

What you should know before trading
We recommend that your investment profile is reviewed before you engage in transactions. Your relationship manager can help you with that. We also recommend that you contact your relationship manager if you have any questions in relation to anything in this fact sheet, or if, generally, you would like to have some points clarified.

If market conditions are unusual, for instance if the transferability of the underlying securities deteriorates, the transferability of the mutual fund units will deteriorate accordingly.

If you want to trade frequently, you should consider other instruments in respect of which costs of purchase and sale may be lower.

Danish mutual funds or investment associations are subject to supervision by the Danish Financial Supervisory Authority.

Tax
We do not give advice on the tax rules in connection with specific transactions.

If you wish to learn about the specific importance of the tax rules for you, we recommend that you consult your accountant.