Discretionary portfolio management
Information sheet

Financial instruments are all types of instruments that are intended to be traded on securities markets. They can be divided into complex and non-complex instruments. Before you trade in a financial instrument, we are required to make sure whether you have sufficient knowledge and experience to understand the nature of and risks involved in trading in financial instruments. You have shown an interest in our discretionary portfolio management service. Below you will find some information about the instruments that may be included as investments in this service.

Introduction
Discretionary portfolio management is a service in which you entrust the management of your capital to SEB's discretionary portfolio managers, who make all the investment decisions on your behalf. Since the investment decisions focus on long-term returns, and investments may be made in instruments that are not available for daily trading, this service is best suited to those investing for the long term.

How discretionary portfolio management works
Discretionary portfolio management starts with SEB collecting necessary financial information about you and, based on your needs, assess which investment strategy that may be suitable. An investment strategy and risk profile agreement is then signed, with both parties signing Agreement on Discretionary Portfolio Management.

The risk profile determines the long-term distribution between lower risk asset classes (interest-bearing investments and alternative investments) and those with higher risk (Swedish and global equity investments). The various parts of the portfolio are combined to interact well from the perspectives of return and risk. For example, a higher risk in the fixed income part of the portfolio can be combined with a more defensive focus in the part of the portfolio that holds alternative investments. The total risk of the portfolio is determined by how the various sub-portfolios are structured and how they interact with each other.

The level of risk you choose for your discretionary portfolio management determines the return you can expect. Low risk can be expected to produce a lower return, while higher risk creates an expectation of a higher return. However, high risk is never a guarantee of a high return. The return on a discretionary portfolio is primarily determined by the performance of the financial market. We use the following tools with the aim to further improve the return:

1. The distribution of the allocation between asset classes
2. The timing of the various investments
3. The selection of investments within each asset class

The long-term allocation between the asset classes is fixed in the investment agreement, along with the extent to which the short-term allocation may deviate from the long-term one. We will keep you regularly informed about the allocation and the performance of your discretionary portfolio.

The investment process
We have a structured investment process for discretionary portfolio management, based on our market view. The recommended allocation is based on our overall financial forecasts, and then adapted to the risk level for the relevant management assignment. Specific securities are selected based on research made by our fund analysis department (SEB Manager Research) and further analysis by the portfolio managers. With discretionary portfolio management, our portfolio managers can choose funds managed by SEB as well as numerous other fund providers. We continuously track our investment decisions and reconcile them against relevant benchmark indices.

Implementation of investment decisions
SEB offers a variety of investment strategies with varying objectives. Each strategy is available in multiple risk profiles to suit customers with different risk appetite.

When one of our portfolio managers initiates a change in a strategy, this change is implemented at the same time in all customer portfolios following that particular strategy. SEB's risk department follows up on the portfolios on a daily basis to ensure that the discretionary portfolios are following the selected strategy.

Important terms
Swedish equity investments
Within Swedish equity investments, the holdings may comprise directly owned shares or equity funds. Some Swedish funds may be able to invest a small part of the fund's capital outside of Sweden. However, we have chosen to classify these funds as Swedish ones.

Global equity investments
Within global equity investments, the holdings are made up of equity funds. The aim is to create a diversified portfolio including various types of management styles and exposure to a variety of regions and industries that correspond to our market view.

Fixed income investments
A fixed income investment is a security (bond) in which an investor loans money to an entity for a defined period of time in exchange for a variable or fixed interest rate. The issuer has to repay the nominal amount on the maturity date. Bonds are issued by municipalities, governments and corporates to raise money. The interest payment on fixed income securities is based on the creditworthiness of the borrower and the current market rates. In general, bonds with longer date maturities and with a lower credit rating pay a higher rate, because they are considered riskier. Fixed income investors often have a higher claim than shareholders in case of bankruptcy or default, making the investment often less risky than equity.

Within fixed income, we may invest in a broad suite of fixed income securities, both Swedish and foreign. The majority of the holdings are invested in funds, but other financial instruments may also be brought into play. Investments may be made in government bonds, mortgage bonds, treasury bills or corporate bonds with varying levels of risk. The portfolio's interest rate risk and credit risk vary over time depending on the manager's market outlook during different phases of the economic cycle.

Complex fixed income instruments may be found in certain discretionary portfolios. A complex fixed income instrument is characterised by one or more of the following:

- The instrument may be structured in such a way that it is difficult to understand the risk and the expected return.
- The actual return may differ from the expected return due to lower or unpaid interest payments (coupon payments).
- The term of the instrument may be uncertain; the instrument may be redeemed early or the maturity may be extended.
- Public prices are not always readily.
- It may be difficult to buy or sell the investment during the term of the investment.
- Price movements may be substantial depending on the specific terms of the instrument.

Alternative investments
Within alternative investments, holdings may consist of hedge funds with varying management styles and other alternative investments, such as commodity investments.

Hedge funds are often classified as alternative investment funds because they may be regulated than regular securities funds (UCITS). The objective is to produce a return regardless of whether the share or interest markets go up or down. Hedge funds employ derivatives more often than traditional funds with the aim of increasing or decreasing the fund's risk. Hedge funds vary widely in terms of how risky they are. Hedge funds may also have a longer trading cycle than, say, equity funds, and it may take several months to sell a holding.

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Discretionary portfolio management fees and costs

See the price list for the relevant service.

Fund Investment Service

If you have a unit-linked insurance you can obtain help with the investment through our Fund Investment Service, which is a type of discretionary portfolio management.

The service means that SEB's fund trustee handle the saving in funds under your insurance, based on the portfolio and risk level which you have selected. The entire holding under the insurance is connected to a single portfolio, and you can change portfolio or end the service at any time, at no charge. You pay a fee for the service.

Things to remember:

- The historical return of a financial instrument is not a guarantee of future return. The value of financial instruments can rise or fall, and it is not certain that you will get back all the capital you have invested.
- In order to trade in these instruments, you must familiarise yourself with the terms and conditions that apply to trading in financial instruments. The contracts that apply depend on the instrument you are trading in.
- Certain instruments require you to be liable to make payments in future. It is important that you are prepared to comply with your undertaking.
- Always ask for supplementary marketing material or further information with more details about the financial service you are interested in.

Check your experience

How much experience do you have of discretionary portfolio management?

☐ No experience
☐ Less than one year
☐ 1 to 5 years
☐ More than 5 years

Check your knowledge

1. Who decides on the investment strategy and risk level in the case of discretionary portfolio management?

A) ☐ The customer
B) ☐ SEB's discretionary portfolio managers
C) ☐ The financial market

2. Who makes the specific investment decisions?

A) ☐ The customer
B) ☐ SEB's discretionary portfolio managers
C) ☐ The financial market

3. What are the main factors that affect the return on a discretionary portfolio?

A) ☐ The customer
B) ☐ SEB's discretionary portfolio managers
C) ☐ The financial market

4. What characterises a Swedish/global equity investment?

A) ☐ Equity investments are often high risk
B) ☐ Equity investments are often low risk
C) ☐ Equity/shares are suitable for customers with a short investment horizon

5. What characterises an interest-bearing investment?

A) ☐ It may be associated with both credit risk and interest rate risk
B) ☐ Treasury bills are just as high risk as corporate bonds
C) ☐ Interest-bearing investments can never decline in value

6. What characterises an alternative investment?

A) ☐ It can take a long time to sell an alternative investment
B) ☐ It always takes a day to sell an alternative investment
C) ☐ Alternative investments always perform just like shares

7. What does our Fund Investment Service involve?

A) ☐ You select the funds on your own
B) ☐ SEB's trustees handle the savings in funds in your insurance
C) ☐ You can make one choice of funds per year

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