SEB

Investment Funds
Information sheet

Financial instruments are all types of instruments that are intended to be traded on the securities market. They can be divided into complex and non-complex instruments. Before you trade in a financial instrument, we are required to ascertain whether you have sufficient knowledge and experience to understand the properties and risks involved in trading in financial instruments. Below is some information about the most important qualities and risks associated with a type of instrument in which you have shown an interest. If you do not have sufficient knowledge and experience, we recommend that you do not trade in this instrument.

How funds work

An investment fund (fund) is a portfolio that invests in various types of financial instruments, such as equities, fixed income instruments or other funds. The portfolio is jointly owned by everyone who invests savings in the fund – known as the shareholders. In a unit-linked insurance the insurance company is the owner of the fund units linked to each individual insurance.

There are funds investing in many different markets and with different levels of risk. Each fund has its own rules regarding how and where the fund can invest. The investment universe of a fund is described in the fact sheet and in the fund prospectus. The shareholders assign to a fund manager to manage and trade on behalf of the fund. It is up to the fund manager to decide which specific securities the fund will invest in within the framework of the investment universe.

The goal of a fund is generally to create as high a return as possible for shareholders, taking into account the risk level of the fund. The return on a fund consists of the market value of financial instruments in which the fund has invested, plus any equity and interest rate dividends (coupons). The return is also affected by changes in interest rates and the costs incurred for the fund.

Funds can be grouped into investment funds (UCITS funds) and Alternative Investment Funds (AIF). Investment funds have more constrained investment rules as well as more stringent requirements regarding risk than Alternative Investment Funds do. This material describes the characteristics and risks of Investment Fund.

Savings in Investment Funds

Fund savings are open to everyone and are suitable for most people. Before buying a fund, you must determine the risk you are prepared to take with your savings and how long you want to save for. You should also take your other investments into account. Funds are particularly suitable for monthly savings because you spread the risk by buying shares at different times. This also enables you to save a smaller amount each month, rather than paying in a lump sum occasionally.

Trading in funds

A common way of saving in funds is via a fund account, a deposit account, or another kind of investment/savings account called an investeringssparkonto (ISK). You can also invest in funds as part of your pension saving and endowment insurance.

The value of a fund's shares is called the net asset value (NAV). If the fund's assets increase in value, the net asset value also increases Prices per share for most of the funds that you can trade in via SEB are determined each business day. However, some funds have a different cycle. The funds' performance is listed in the price list "fondkurslistan.

Fund categories

Funds can be divided into various categories based on the types of financial instruments in which they invest.

Equity funds invest in equities. This category includes many different investment themes including funds that focus on individual countries such as Swedish funds or sectors such as technology funds. Broad-based equity funds, such as global funds, invest in many different countries and sectors. Equity funds are best suited for long-term investments.

Fixed income funds invest in fixed income instrument with different terms, such as bonds and treasury bills. Money-market funds (short-term fixed income funds) invest in fixed income instruments with shorter terms, while bond funds (long-term fixed income funds) invest in fixed income instruments with longer terms. Fixed income funds are suited for both short and long-term investments.

Balanced funds invest in several different asset classes, such as equities, fixed income instruments and other funds. Investment distribution among asset classes may in different balanced fund to the next.

Index funds aim to track the price movement and composition of a specific index. The index may for example consist of equities or fixed income instruments.

Funds of funds, known as "fondandelsfonder" in Swedish, invest only in other funds. Funds of funds can be regarded as an alternative to making your own investments in several different funds.

Hedge funds have less stringent investment rules than traditional funds. They more often employ derivatives with the aim of increasing or decreasing the fund's risk. The objective is to produce a return regardless of whether the markets go up or down. Although the goal of many hedge funds is to guard against unexpected changes in value, a hedge fund can have high risk in order, for example, for the fund to have leverage.

Sustainable and ethical funds prioritise human rights, labour conditions, ethics and/or the environment. Equity, fixed income and balanced funds can all be sustainable and/or ethical. For example, the fund manager may exclude companies within a certain industry, or include companies that actively work to improve the environment.

Exchange traded funds (ETF) are normally index funds that track the price movement of a specific index. Exchange traded funds are traded on a stock exchange in real time like equities.

Risk

Investing in funds always carries a risk. In other words, the investment may both rise and fall in value over time. As fluctuations increase, so does the risk of losing money – but the chance of obtaining a higher return also increases.

Different fund categories have varying levels of risk, but the risk may differ even within the same category. In general, funds are regarded as a less risky investment than individual equities; because a fund contains many holdings (an investment fund is required by law to have at least 16 holdings). A fund usually invests in many more holdings than that.

Equity funds are generally higher risk than, for example, fixed income funds. In general, broader-based funds that spread risk across different regions and industries are lower risk than more niche funds. Funds that invest in more established markets, such as North America and Europe, are regarded as lower risk than funds investing in emerging markets. Balanced funds have lower risk than equity funds, but generally higher risk than fixed income funds.

Funds are classified in terms of risk using a seven-point scale, where 1 represents the lowest risk and 7 the highest. However, class 1 does not mean the fund is risk-free. Most funds' position on the risk scale is determined by how the value has varied over the past five years. For certain types of funds, the risk class can be determined based on the maximum risk permitted by the fund provisions.. Since the risk scale applies to the whole of the European Union, it is easy to compare funds across countries in Europe.

SEB has divided the risk scale and fund assortment as follows:

- Funds in levels 1–3 are classified as low risk funds
- Funds in levels 4–5 are classified as medium risk funds
- Funds in levels 6–7 are classified as high risk funds. In these funds the value can fluctuate substantially over time.

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Funds may also be subject to specific risks that are not reflected in the risk class but which still affect the value of the fund. Examples of these include exchange rate risk, which arises if a fund invests in foreign currencies or liquidity risk, which may arise if the fund's assets are difficult to sell at a particular time. Investing in funds may also involve operational risks: the risk of losses due to factors such as system crashes, human error or external events. The fact sheet for the fund outlines specific risks that are associated with a particular fund.

Fees and charges

A fund's fee depends, among other things, on its investment focus and how actively it is managed. In general, we can say that equity funds are more expensive than fixed income funds, and actively managed funds are more expensive than index funds.

The management fee is charged to the fond every day, and is expressed as an annual percentage the management fee covers for example the fund company's costs of management, administration and the cost of holding of financial instruments in deposits with the bank (the depositary).

The annual fee is a standardised measure produced to permit comparison of costs for funds across Europe. The annual fee includes the management fee as well as also other costs charged to the fund for factors such as marketing and distribution. The annual fee generally refers to costs for the preceding calendar year.

A performance-based fee is a special fee which is charged if the return on the fund exceeds certain predefined criteria. This type of fee is often used in hedge funds or other actively managed funds.

The total cost is the overall cost of your fund savings. This also includes commission that the fund pays when buying and selling financial instruments in the fund.

More information

Past performance does not guarantee future performance. The value of investment funds and other financial instruments may rise as well as fall and there is no guarantee you will recover your original investment.

Each fund has unique characteristics that affect the return of the fund. Thus it's important for you to familiarise yourself with terms and conditions of the specific fund in which you wish to invest.

The market report for funds contains specific information about each fund in the form of fact sheets, product sheets, sustainability profiles and annual reports. The prospectus for our Luxembourg funds and information brochures containing fund prospectus for our Swedish funds are also found here.

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.
- Check the information on the statement and other reporting relating to your holdings, and inform us immediately of any errors.
- Regularly monitor changes in the value of your holdings and positions.
- You are responsible for taking any action necessary to reduce the risk of losses.
- Always ask for supplementary marketing material or further information with more details about the financial instrument you are interested in.

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