The information contained in the following is to be viewed in the context of the information provided on simple investment funds as well as on investing in general.

Complex investment funds differ from the simple investment funds in the sense that they are not subject to the same strict requirements regarding risk diversification, liquidity and transparency. Complex investment funds often have a wider investment universe and numerous methods for investing. This means that you will have access to markets and strategies that are usually hard to come by.

Complex investment funds include:
- UCITS investment funds that use financial techniques, such as leverage, short selling or complex investment strategies
- European investment funds governed by the AIF regulations (Alternative Investment Funds)
- Investment funds issued outside the EU that are not governed by European regulations

Just like simple investment funds, complex investment funds can be either actively or passively managed, track specific indices or invest in special markets, such as emerging markets.

Complex investment funds allow you to invest in asset classes and pursue strategies that are outside the scope of simple investment funds, including property investment, unlisted shares, derivatives, leverage and short selling.

The common denominator is their complexity and the fact that they require either experience in the product or thorough preparation.

1. Target group

Complex investment funds are primarily recommended for professional investors or experienced retail investors. They may be relevant for you, if you live up to all of the following criteria:
- You want to leave your investments to be handled by a professional fund manager
- You want to have access to advanced strategies and markets that you would otherwise not be able to access
- You have adequate experience and knowledge to understand and handle higher risk and a higher degree of complexity
- You have an investment horizon of at least 3 years - and preferably longer

2. Pros and cons

Pros	Cons
Provides access to markets and strategies that are usually out of your reach.	The strategies are often complex and not easily comprehended. The level of information may be lower than that for simple investment funds.
Enables investments in alternative assets, such as properties, hedge funds or commodities, which helps diversify the risk.	Fewer requirements for positioning and diversification of the portfolio may result in substantially higher risk.
Even small amounts provide access to a wider portfolio and investment diversification.	Some assets may not be easy to buy or sell, which also makes the investment fund itself difficult to trade.
Allows you to pursue strategies that aim to yield a positive return in falling markets or utilise specific anomalies in the markets.	If the investment fund uses leverage and short selling, this may increase the risk of sustaining losses.

3. Returns

The return is dependent on the investment funds strategy and may be difficult to compare to a single benchmark return.
- **Price performance and dividends:** Your return consists of price movements and dividend payouts, if any, less costs related to fund management.

There are two types of investment funds: Distribution funds (pay dividends) and accumulation funds. The tax treatment of the two types is not the same.
- **Distribution funds:** Typically pay annual dividends. The price falls accordingly when dividend payout is made.
- **Accumulation funds:** The return is accumulated within the investment fund, which is reflected in the price performance

Leverage may exacerbate the performance, in terms of gains as well as losses. If the underlying assets are traded outside a stock exchange, the investment funds value may not be quoted accurately.

4. Risk

It is vital to understand the investment strategy and risk of the specific investment fund.

Investment funds governed by European law prepares the documents called "Prospectus", "KID" or "Investor information". Non-European investment funds will typically have something similar. These documents provide information about the strategy of the specific investment fund and detailed information about risk, return, costs, etc. Make sure you always read and understand these documents before entering a potential investment.

There are numerous risk factors to take into account before investing in complex investment funds, including:

Investment strategy

The risk is dependent on the investment fund's composition. Complex investment funds can be difficult to comprehend, as the strategies often involve a wide range of instruments, such as

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shares, bonds, commodities, derivatives, other investment funds and alternative assets. Methods such as leverage, short selling and securities lending may increase the risk. The investment fund is required to define its investment scope and exposure limits upon registration, hereby also reflecting the inherent risk if you choose to invest.

Market risk
Prices of the underlying assets may move higher or lower, hereby affecting the investment fund's value. Fewer requirements for diversification in complex investment funds may result in larger fluctuations.

Currency risk
If the investment fund or its assets are denominated in a foreign currency, exchange rate fluctuations will impact the value.

Counterparty risk
Some complex investment funds engage in securities lending, causing a risk that the borrower may fail to return the securities at the end of the loan period.

Liquidity risk
At certain times, the assets may be difficult to sell. Even with investments made in cash equivalents, exceptional market conditions may arise. This may make it difficult to determine the correct valuation of the investment fund.

Leverage risk
Some complex investment funds have the option to take up loans. This means the fund invests more than they actually own. This may lead to greater gains as well as greater losses.

Leverage ratio 2 means that if the investment fund's capital is index 100, it will be able to invest 200 instead of 100.

Short selling
Some investment funds speculate in making money on an upcoming price decline. This strategy can be particularly risky, especially when used in combination with leverage. This type of investment is often referred to as hedge transactions.

Sustainability risk
Environmental, social or governance issues may have a negative impact on the value of your investments. The risk is believed to be higher in investment funds based on corporate issues and lower in investment funds based on sovereign issues. Investment funds based on issues made from Emerging Markets are assumed to entail higher sustainability risks than issues in developed markets.

5. Special circumstances

In complex investment funds, you should always make sure you read and understand the investment fund's investment strategy and terms and conditions, in addition to the fund's underlying construction, before making an investment. For this reason, complex investment funds are recommended for professional investors or experienced and well-informed retail investors.

- **Open-ended funds:** The capital in these are expanded or reduced on an ongoing basis. If the investment fund is marketed towards retail investors, ask/bid prices must be published at least every two weeks, and redemption must be available at least once a month.
- **Closed-ended funds:** These do not involve ongoing issues or redemption. Thus, the market price may deviate substantially from the net asset value, especially during times of turbulence. The price is determined by supply and demand.
- **Danish investment funds:** The largest group of investment funds in Denmark is capital associations, as defined under the terms of the AIF regulations. These investment associations allow you to pool your investments along with others to pursue a joint strategy, just like a mutual fund. The AIF regulations also include other types of Danish investment funds, such as property investment funds.
- **Non-European investment funds:** These are generally not subject to EU regulation, meaning they do not provide the same level of investor protection. This does not necessarily make them particularly risky, but means that you should thoroughly study your rights and any obligations arising from investments made in that particular investment fund. Prices may deviate significantly from the net asset value, and market turbulence may enhance this deviation.
- **Synthetic investment funds:** Instead of buying the underlying securities/assets, as you do with physical funds, synthetic investment funds invest in financial contracts (so-called derivatives). These entail an additional counterparty risk relative to physical funds.

6. Useful information

Taxation
Tax rules differ based on how you make your investment - e.g. as a private individual, via pension savings or a share savings account.

We can only offer general advice on taxation. For specific tax advice, we recommend that you consult an auditor.

Costs and expenses
Investing via investment funds involves costs and expenses, such as:
- **Brokerage fee:** Paid to the bank in connection with buying/selling
- **Currency fee:** When trading foreign investment funds
- **Custody fee:** For safe-keeping the investment certificates
- **Administrative expenses:** Deducted from the investment funds' value
- **Potential extra costs and expenses in the investment fund:** For instance, associated with leverage (borrowing costs)

If the bank collaborates with the investment fund that you invest in, you will be informed about the quantity of the agency commission that the bank receives in connection with your investment.

Whether you execute a trade yourself, or you go through a relationship manager, we will inform you about the total costs of the transaction as well as the cost of holding the certificate.

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