

The category "Shares, simple" includes listed shares admitted to trading on a regulated market (stock exchange) or a multilateral trading facility (MTF) which is domiciled in an EU/EEA country.

A share, also called a stock, is a stake in a company. When buying a share, you become co-owner of the company. Gains or losses on your investment in shares depend on the price movement, which is impacted by e.g.:

- The development of the companys earnings
- Investors' expectations for future earnings
- Supply of and demand for the share

The companys ability to make money depends on e.g. economic trends, competitors, overall market conditions as well as internal circumstances of the company.

1. Opportunities offered by shares

Shares are relevant for investors with positive expectations for performance in specific companies, industries or regions.

Share prices may fluctuate a lot, making them better suited for investors with a long investment horizon. If you invest with a short time horizon in the hopes of making a quick buck, you must be aware that this typically involves greater risk.

In order to buy shares, you must have the full purchase price at your disposal in your account.

Pros	Cons
There is no upper limit in terms of gains made on a share.	Shares typically involve greater risks than e.g. investment in bonds, and in the worst case you will lose your investment if the company that you have invested in goes bankrupt.
Shares that are traded on regulated markets (stock exchanges) are generally very liquid and easy to buy or sell.	Also, shares may be illiquid and therefore difficult to buy or sell.

2. Return

In the long term, the return on shares is generally expected to be higher than the return on bonds. The fluctuating return on a stock portfolio depends on the selection of shares, the number of different shares and the diversification across companies, industries and countries. There is typically a correlation between the risk and the size of return.

Historical returns say nothing about the expected future return.

The return on stocks is generated by increases/decreases in the share price plus any dividend payments.

A return may be unrealised. This is the case when you look at the current holding and compare it to the value of the portfolio at the beginning of the holding period or compared to the purchase price in the holding period. The unrealised return changes concurrently with the price development of the stock.

A realised return is the return which is locked in when you sell a stock. This means that a realised return cannot change after a stock has been sold.

Dividend is a portion of the companys profit, which is typically paid once a year. The company will typically hold an annual general meeting, at which shareholders will decide whether to pay dividends and/or determine the specific dividend ratio. When dividends have been paid, the share price will reduce by the equivalent amount as the dividend payment. This means that it basically makes no difference for your return before tax whether your return is generated by dividends or price increases/decreases.

3. About risk

Several risk factors must be considered when investing in shares.

- **Market risk:** The price of a share may increase or fall if market conditions change. It varies how much the price of a certain stock fluctuates. Numerous factors affect the share price. For instance:
 - The economic situation / state of the market
 - Developments in the listed company and/or the industry
 - The overall price trend in the stock market
 - Political and psychological factors
- **Time horizon:** Investment in shares should be made with a longer time horizon.
- **Default risk:** A listed company may go bankrupt, in which case you may lose the entire value of your investments in the companys stock.
- **Currency risk:** If you buy a stock denominated in a foreign currency (e.g. USD), you assume a currency risk. If the dollar price drops, the value of your US stock investment will drop, as measured in Danish kroner. Conversely, if the Dollar price increases, the value of your stock investment will increase, as measured in Danish kroner.
- **Risk diversification:** If you only buy shares in one specific company, your investment is more sensitive to the price performance of that company than if you spread your investment across various companies (diversification). This is because through diversification you hold a smaller proportion of your total investment in each individual company. We therefore recommend that you spread your investments across numerous companies. Diversifying your stock investments on various sectors and geographic areas will typically also help reduce the risk.
- **Liquidity:** Most shares are fairly marketable (liquid), i.e. easy to buy and sell. However, investors should be aware that typically small shares may at times be hard to sell (illiquid) and that this risk is often increased by market unrest. In order to sell a share, there must be a buyer in the market who is willing to buy the amount of shares offered. The difference between buy and sell prices (price spread) of illiquid shares is typically larger compared to liquid shares. A larger price spread means that the return on the share will be lower than that on a liquid share with a smaller price spread.
- **Special features of financial shares:** If you own shares or bonds issued by a bank, a mortgage credit institution or a stockbroker, the securities are so-called unsecured securities that are subject to the EU Bank Recovery and Resolution Directive (in Denmark, the BRRD Directive has mainly been implemented by way of the act on the recovery and resolution of certain financial enterprises (Lov om restrukturering og afvikling af visse finansielle virksomheder)). This means that Finansiell Stabilitet, the Danish resolution authority, may write down the principal on shares or bonds issued by a bank, a mortgage credit institution or a stockbroker. Finansiell Stabilitet may also convert the debt instruments in question into new share capital in the issuer.
- **Sustainability risk:** Sustainability risk means an environmental, social or corporate governance event or condition that, if it occurs, may cause an actual or potential significant negative impact on the value of a companys share.

Environmental disasters that impact a company's actions, regulatory requirements to companies that do not conduct sustainable behaviour, a company's breach of labour rights or managerial neglect are examples of events or circumstances that may potentially have a negative impact on the share value.

Sustainability risks of investments in shares from Emerging Markets are believed to entail higher sustainability risks than issues in developed markets. Emerging markets are typically defined as countries that develop from developing economies towards becoming industrialised economies.

It is generally recommended to:

- Invest in a portfolio of stocks, i.e. several stocks, in order to reduce the risk of price fluctuation on the overall holding.
- To invest in a stock portfolio along with other types of securities, e.g. bonds.

An alternative to stock investment is investing in stocks by means of a mutual fund, meaning you diversify your investment on numerous stocks. You will achieve this diversification even by placing an investment for a small amount.

4. What you should know before trading

What is the difference between a stock and a bond?

Investment in shares will typically entail a bigger risk than investment in bonds. When buying a bond, you lend money to a company, a mortgage credit institution or a state.

When buying a share, you buy a stake in a company. When buying a bond, you will receive payments in the form of interest and instalments on the loan. When buying a share, you are basically not guaranteed any return. If a company goes bankrupt, bondholders will be first in line to get their portion of whatever value is left in the company, whereas shareholders will be last in line.

Tax

We offer general advice on tax issues. The tax rules differ depending on whether you trade as a private individual, as a personally owned enterprise, as a company or if you invest your retirement money.

If you want to know more about the consequences of the tax rules that are specific for you, we recommend that you consult an accountant.

Expenses

Costs are incurred in connection with the purchase and sale of shares (brokerage fee). The brokerage fee is calculated as a percentage of the market value of your trade. When trading foreign shares, a currency exchange fee will be charged. In

connection with certain foreign shares, a stock exchange fee or turnover tax may be charged. In addition to trading costs, a custody account charge will apply. The relevant costs are stated on the Bank's website.

Whether you trade via self-service or through adviser, we will inform you about the total costs of the transaction as well as the costs for holding the security.

5. Other events

Rights issues: When a company wants to raise new capital, this can be done via an issue of shares.

In connection with an issue of shares, existing shareholders will typically be offered the opportunity to buy additional new shares at a pre-determined price. The offering price will often be lower than the current market price of the share.

The right to buy a pre-determined number of shares at a specific price is called a rights issue. The holder of the rights may often opt to sell the rights, if the shareholder does not want to take up the option to buy new shares. The rights are only valid for a limited period of time. After this time, the rights will have no value. If you have invested in a stock (the company) that issues new shares, you will automatically be informed about this by the bank. The bank will specify the conditions of the rights issue.

Stock splits & reverse stock splits

A stock split is a split of a stock into several smaller chunks. For instance, a stock can be split into 10, meaning the face value of the stock will be 1/10 of the original value, and so the shareholders will have 10x the number of shares. A company often chooses to split its stock in order to boost the stock's liquidity. This can make the stock more attractive for more investors who may not have wanted/had the opportunity to invest in a stock at such a high price. The company's market capitalisation does not change. In the above example, the new shares will basically be worth 1/10 of the pre-split price, whereas the total value of the shares will be the same before and after the stock split.

A reverse stock split means that a company reduces the number of shares outstanding. After a reverse stock split, the stock price will be higher, but the market capitalisation will be the same before and after the reverse stock split. The incentive for a reverse stock split may be that a stock is trading at a very low price, which can be unfavourable for shareholders.

Recommendation

We recommend that you contact your adviser if you have any questions in relation to the above text - or if you would like to have some points clarified.