

4. Medium risk product



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Product brochure

Predominantly bond mixed funds

Product description

A set of assets in joint ownership created by issuing investment fund shares and operated by an investment fund manager, managed by the investment fund manager under a general mandate from investors, in their interest. The security representing the investor's share in an investment fund is called an investment fund share. An investment fund share is an instrument enabling investors to invest their savings in a simple, safe and cost-effective manner in different markets, while sharing risks. Investors receive a share of the yield proportionate to their investment.

A predominantly bond mixed fund invests the majority of its assets into interest-bearing instruments. Besides bonds, it invests in shares and other risky instruments for up to 30%, in accordance with its defined investment policy. This objective is to achieve a higher yield compared to the average yield of bonds alongside moderate additional risk. In order to mitigate risk, the fund diversifies this capital among the different bond and stock market regions and segments. Mixed funds often operate in the form of a fund of funds, where the fund manager invests directly in investment fund shares — typically those with dedicated share, bond, commodity market etc. instrument exposure — rather than directly in bond or stock market investments.

When is it recommended?

- If you are looking for a medium and long-term investment vehicle with a higher yield than government securities, and are willing to take on additional liquidity risk alongside share price risk.

Product risk

1. VERY LOW	2. LOW	3. MODERATE	4. MEDIUM	5. INCREASED	6. HIGH	7. EXTREMELY
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4. Medium-risk product: This category includes financial instruments (e.g. predominantly bond mixed funds, Raiffeisen interest-bearing bonds, structured corporate bonds etc.) which characteristically do not guarantee a return of the invested capital, but except in the event of extraordinary market events, shifts in security price are moderate compared to other (non-capital-guaranteed) securities. Based on historical data, the possible loss calculated for a one-year period is highly unlikely to exceed 35% of the capital invested. (To assess possible losses, the Bank determines the risk classification of a product using VaR calculation based on historical data, at a 99% confidence level, for a one-year investment horizon.)

Key risk factors

Exchange rate risk	The securities making up the basic portfolio may be denominated in different currencies, so the value of these securities expressed in a foreign currency may, when converted into the settlement currency, change depending on the exchange rate fluctuations between the given currencies.
Share price risk	The share price risk is the risk that the portfolio comprising the shares loses some of its value due to adverse stock market developments. Stock markets are characterised by frequent and sharp price fluctuations, but reflect the economy's performance in the long run. As the proportion of shares (or instruments ensuring share exposure) in a predominantly bond mixed fund is maximum 30%, this type of risk is limited.
Interest rate risk	Interest rate risk arises from the fact that a change in market yields influences the market value of interest-sensitive securities. Expected market yields can increase as a result of accelerating inflation, budget overspending, a central bank rate hike or government over-indebtedness, among others. A decrease in market yields can result from a slowdown in inflation, shrinking debts or monetary policy easing (a rate cut). The longer the term of a fixed-interest instrument is, the more sensitive its price is to changes in yields. As bonds (or instruments ensuring bond exposure) are predominant in a predominantly bond mixed fund, this type of risk is substantial.
Liquidity risk	Selling the elements of the portfolio — particularly longer-maturity or no maturity securities — or investing the fund's financial assets may become difficult from time to time, or only be feasible at a low price. This is because the liquidity of securities markets becomes insufficient from time to time due to a relatively small number of participants and ample supply in securities. In addition, the price of securities may be strongly shaped by highly volatile market supply and demand, which may impact the price of investment fund shares through the fund's net asset value. This type of risk is moderate in the case of predominantly bond mixed funds.

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Scenarios*

- Example 1 Let's assume that on 13 September 2016 you decide to invest HUF 3,000,000 in a predominantly bond mixed fund, and thus purchase 1,699,054 investment fund shares at a price of HUF 1.765688 each. If on 24 February 2020 you decide to redeem your investment fund shares at a price of HUF 2.025493 each, you will incur a loss of HUF 441,442 on your investment $([HUF\ 2.025493 - HUF\ 1.765688\ HUF] \times 1,699,054\ units)$.
- Example 2 Let's assume that on 2 February 2016 you decide to invest HUF 1,500,000 in a predominantly bond mixed fund, and thus purchase 1,173,608 investment fund shares at a price of HUF 1.278110 each. If on 15 April 2017 you decide to redeem your investment fund shares at a price of HUF 1.277980 each, you will incur a loss of HUF 153 on your investment $([HUF\ 1.277980 - HUF\ 1.278110\ HUF] \times 1,173,608\ units)$.

***PLEASE NOTE: The examples presented in this document do not show every possible outcome. For easier understanding the examples are simple and do not include any fees, commissions or taxes. They are insufficient to form the basis for an investment decision.**

Practical information

- Information for customers: <https://www.raiffeisen.hu/maganszemely/megtakaritas-befektetes/befektetesi-tajekoztato>
- Product-related descriptions and interpretations: <https://www.raiffeisen.hu/treasury-utikalauz>
- Information on investment products: <https://www.raiffeisen.hu/maganszemely/megtakaritas-befektetes/befektetesi-tajekoztato>
- Product-related fees and charges: <https://www.raiffeisen.hu/hasznos/kondiciok>
- Taxation of investments: <http://www.nav.gov.hu/>
- Institutional protection: <http://www.oba.hu/> and <http://www.bva.hu/>
- Changes in the prices of financial instruments issued by Raiffeisen Bank Zrt.: <https://www.raiffeisen.hu/hasznos/arfolyamok>
- Changes in the prices of key products: <http://bet.hu/> (Hungarian stock exchange), <http://akk.hu/> (Hungarian government securities), <http://www.mnb.hu/> (exchange rates)
- In the case of investment funds, no EHM (standardised rate of return on securities) is calculated.

Other information

- Depending on the nature of the given product, investments are exposed to various risks, including the possible loss of the capital invested. No reliable conclusions can be drawn from historical data or information regarding future returns, changes or performance.
- The risk of a financial instrument made up of more than one component may exceed the sum of the risks of the individual components.
- Conversion between different currencies may affect the result achievable.
- Any tax consequence related to an investment product may only be assessed on the basis of the Customer's individual conditions, and may change in the future as a function of changes in legislation.
- This document is intended for information purposes, and should not be construed as an offer to buy or sell any investment product or service or as investment or tax advice by Raiffeisen Bank Zrt. Consequently, before making an investment decision, please consider the appropriateness of the investment in light of your own goals, needs, financial position and the risks involved.