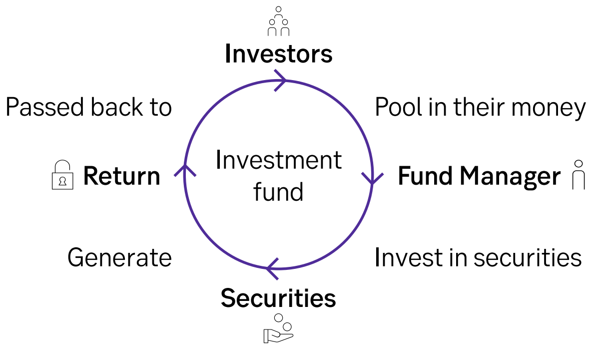
Investment Funds

General information

An investment fund is a pool of assets established for collective investment and generally with no maturity. An investment fund usually has numerous investors and the fund is managed by a management company.

Upon investing, it is essential to diversify risks. When investing in a fund, your assets are usually placed into many different asset classes, such as equities, bonds or alternative asset classes. It reduces the effect of a single investment in the asset pool.



Outcome of the fund depends on:
the manager and/or the management company
the fund's management strategy
regions and sectors in which investments are made
overall financial market situation

Complexity and classification

UCITS funds - "UCITS" or "undertakings for the collective investment in transferable securities" are investment funds regulated at European Union level. These funds are deemed to be strictly regulated (related to the fund's investment strategy and diversification of risks, etc). The legislative instrument covering these funds is Directive 2014/91/EU. Information regarding the fund is disclosed in the fund prospectus, conditions and Key Investor Information Document.

Non-UCITS funds - are all other funds for which Directive 2014/91/EU may not applied (deemed to be potentially less strictly regulated). In Europe Non-UCITS funds are usually called Alternative Investment Funds (AIF). This includes hedge funds, funds of hedge funds, venture capital and private equity funds and real estate funds.
Main differences between UCITS and Non-UCITS funds are:

	UCITS fund	Non-UCITS fund
Investor qualification and Investment criteria	None	Might be needed (e. g. certified "Professional investors" with a minimum subscription amount established)
NAV calculations	At least once every two weeks (usually being calculated daily)	At least monthly
Borrowing limitations	Limited to 10% of net assets on a temporary basis	No borrowing limitations
Leverage limit	Cannot exceed the fund's Net Asset Value	No leverage limit
Governing regulation	UCITS Directive	Alternative Investment Fund Managers Directive (AIFMD)
Investing to	Direct investments, for example stocks, bonds etc.	Can use derivatives, such as options, futures and other instruments linked to market indexes

The funds units' net asset value (NAV) is calculated (generally on a daily basis) by the management company. Non- UCITS funds NAV calculations usually are made less frequently (once a month). NAV is based on the price development of fund's financial instruments and it determines the price of fund units issuing and redemption. The Client does not know the exact price unit upon placing a purchase or sale order.

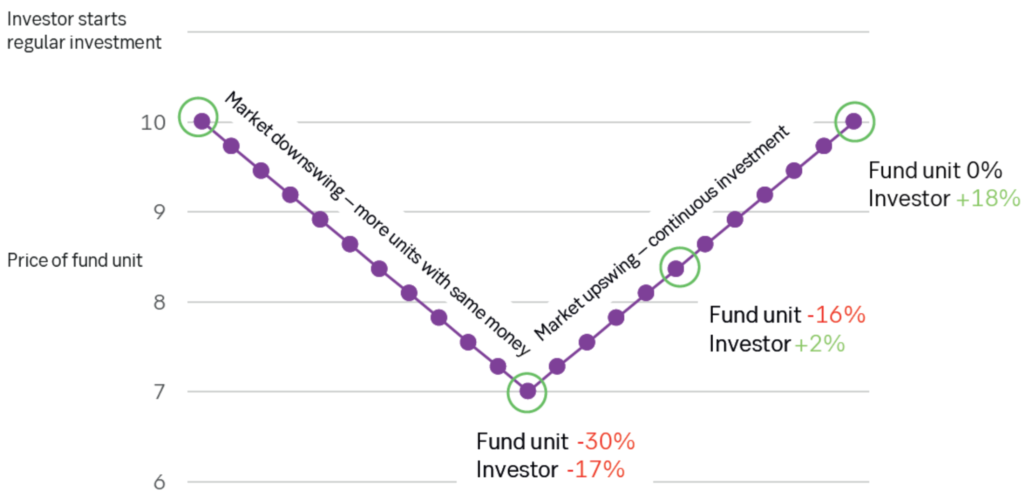
Complexity: UCITS units are treated non-complex instruments. All non-UCITS funds and structured UCITS units are treated as complex instruments. This is usually because of less strict rules of diversification, investment restrictions as well as other investment rules.

Value

Value of the investment fund depends on the other underlying assets in which the fund has invested. **It can change during the investment period and can be higher or lower** compared to the amount initially invested depending on the prevailing market conditions.

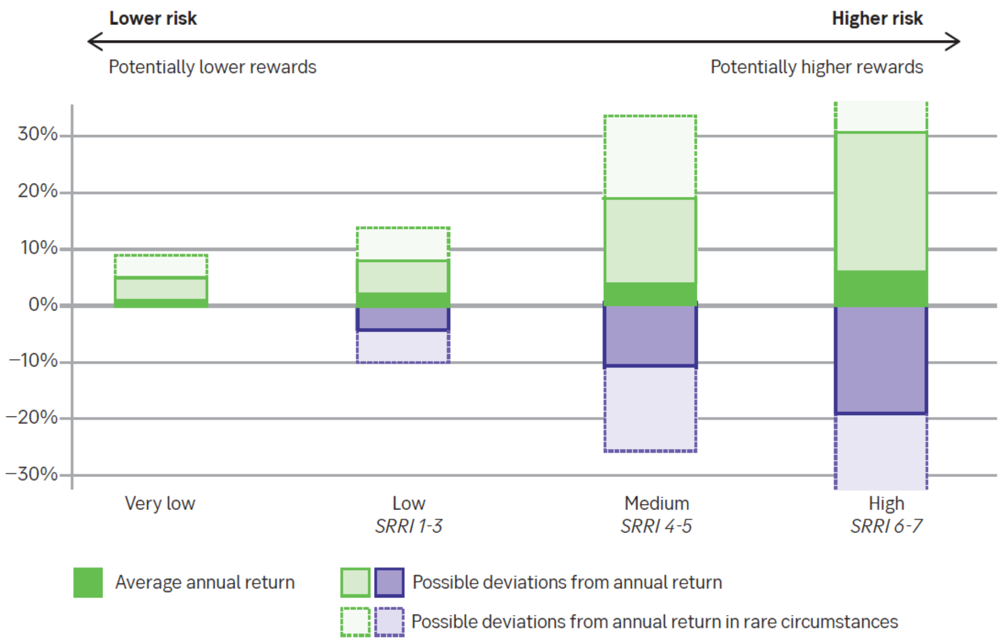
Investment fund's past performance is not a reliable indicator of future performance (if the return on investments is positive at some point, there is no guarantee that it will remain such also in future), but it can help to assess the fund units' price volatility over time.

Investing on a **regular basis** (averaging) on the eve of a downswing gives a better probability to climb back into green than in case of lump sum investment. By investing on a regular basis it is possible to capture both market up- and downswing.



Risks

Investment funds do not guarantee a rate of return. The return and risk are closely tied. The higher is the possible return, the bigger is the risk of losing substantial part of initial investment. Financial markets are interlinked and the performance of such fund which invests in one country may be affected by the situation on a stock or bond market in the other country.



Synthetic Risk and Reward Indicator (SRRI) *- SRRI is a key feature of the Key Investor Information Document (KIID) of UCITS funds, SRRI is a measure of the overall risk and reward profile of a fund. Funds are categorized on a scale from 1 to 7, with 1 being lowest risk and 7 being highest risk. Typically, the SRRI is derived from the volatility of past returns over a 5-year period or since inception of fund if this period is shorter.*

Currency risk. In the case of investments denominated in a foreign currency there is a risk that the client suffers losses on such investments due to unfavorable changes in the exchange rates of various currencies.

Issuer risk refers to the possibility that the value of the instrument may significantly fall or lose value due to deficiencies in the activity of the management company.

Liquidity risk. In general, the holders of investment fund units usually have the right to demand according to the rules of particular fund. In certain cases, the redemption of the fund units may be temporarily suspended. For example, if the fund has invested in illiquid financial instruments, it is difficult to realise these and accordingly, the fund is unable to redeem them from the investors. Redemption of funds units is suspended also upon liquidation proceedings of the fund.

Taxation and fees applied

Taxes can be applied for activity of investing. An investment account allows Estonian tax residents to postpone the taxation of return on investments. The tax treatment depends on the individual circumstances of each client and may be subject to change in the future. Clients should independently evaluate all circumstances related to taxes on investments or their return.

Possible fees applied:

- Issue and redemption fee
- Transaction fee
- Safekeeping fee (not applicable to SEB funds)

There might be some other fees applied (for example management fee or some other fees disclosed in fund's prospectus) that are not paid directly as they are included in the funds' price.

More detailed information about the fees is provided in SEB's price list.