

Investment profile

Overall asset allocation

Detailed
allocation

Portfolio

COMPLEX BONDS

The products within this category are typically different bond-based products. As opposed to traditional government and mortgage credit bonds, the products within this category differ with respect to one or more of factors, i.e.:

- Higher credit/default risk on the issuer
- The return may consist of several components - fixed/floating rate yields and capital gains or losses
- The bonds will not necessarily mature at par value
- The return may be affected by the development within other asset classes, i.e. equities and commodities
- Poorer liquidity than traditional bonds
- Extraordinary terms e.g. time of redemption and convertible elements

The typical products within this category are corporate bonds issued by companies (corporate/credit bonds) and structured bonds.

RETURN

Corporate/credit bonds in general offer a higher return than government and mortgage bonds, since the credit/default risk is higher. Even though the company can repay the principal at maturity, the bond may experience high volatility during its life time, if the company experiences financial difficulties or the market is struck by e.g. a financial crisis.

Investing in a structured bond you will often benefit from a level of expected return in combination with a full or partial capital protection. The return on a structured product is based on underlying assets such as e.g. equities, currencies or commodities.

RISK

The products within this category are affected by the usual overall factors affecting traditional bonds:

- The market rate of interest increases - this implies that the bond price decreases (Interest rate risk)
- The issuer is unable to pay interest/principal (Credit/Default risk)
- The currency in which the bond is denominated decreases compared to the reference currency of the portfolio - this implies that the bond value decreases (Currency risk)

For products in this category it is however often credit rating, extraordinary terms and for structured products the development in the underlying assets that have the largest impact on the pricing of the products.

Credit rating

The credit/default risk is typically assessed by rating agencies in order to indicate the quality of the individual bonds. Standard & Poor's, Moody's and Fitch are three independent agencies who make such credit ratings.

The rating, which is dynamic over time, consists of letter codes, which express the agency's rating of the company's ability to pay back its debts.

Bonds are generally divided into two primary categories. The "secure" bonds are referred to as "Investment Grade" bonds, and the "less secure" bonds are referred to as "Speculative Grade" or "High Yield" bonds.

Extraordinary terms and conditions

In line with their prospectuses, some products may change repayment terms during the term to maturity. Typically it will result in a longer term to maturity than initially indicated. Certain bond issues can be fully or partially written down or converted into equities, if the company faces financial difficulties.

For structured bonds the following applies as well

A structured bond will be affected by the underlying derivatives being an essential component of the product. The product can have exposure to other asset classes than regular bonds, i.e. equities or commodities. The product will be affected fully or partially by the development of the underlying assets.

LIQUIDITY RISK

Most of the products within this category are less liquid in the market than traditional bonds. You should not expect a continuous pricing of the products. In certain periods you will not have access to sell the products.

INVESTMENT FUNDS

If you invest in complex bonds via investment funds, you obtain the same characteristics as those associated with investing in similar individual complex bonds. However, you obtain a more efficient diversification and ongoing management of your investments.

PRODUCT DOCUMENTATION

It is important that you as investor seek thorough information about the characteristics of the products. For products within this category there will usually be additional product documentation available, e.g. brochures, fact sheets, prospectuses, etc. Please request these documents and discuss the content with your adviser.

YOUR RESPONSIBILITY AS INVESTOR

To which extent complex bonds are suitable for your portfolio will depend on your attitude to risk and your investment horizon in your investment profile. If there are any doubts as to whether a product is appropriate for your portfolio, you should seek additional information and advice or avoid investing in the product.