



COMMERZBANK

## Product Group

# Investment Concepts and Balanced Funds

In this information sheet, Commerzbank provides information on the underlying characteristics as well as the opportunities and risks of the investment concepts and balanced funds product group.

### General characteristics and investment opportunities

This product group is characterised by the fact that different forms of investment - also called asset classes - such as equities and fixed income are combined under one product.

By purchasing shares, the investor participates in the equity capital of a company and becomes its shareholder. Among others, the shareholder is entitled to a dividend payment on the retained earnings. The share price is determined on a securities exchange by supply and demand from market participants.

In the case of fixed income securities - also known as bonds or debt obligations - the investor lends an amount to the issuer, e.g. a company, a bank or a country, and in return receives a debt obligation - denominated in euro or a foreign currency - which entitles the investor to repayment and interest. Bonds carry a fixed or variable interest rate.

The objective of an investment in this product group is to optimise your financial investments and to minimise individual risks. This is achieved through a broad diversification into different asset classes. In addition to equities and bonds - which are the core of the asset allocation - investments can also include money market securities from various sectors and regions, commodities, real estate, derivatives and other investments.

The different asset allocation combinations result in differing risk-reward profiles. Investors can benefit from capital appreciation and regular distributions with these investments.

### Typical product characteristics

Investment concepts are professionally managed asset management solutions offered in the form of an asset management mandate for a securities account or in the form of an investment fund. Investment concepts are managed in accordance with investment guidelines that aim, among other things, to achieve broad risk diversification.

A capital management company pools the money of many investors in a balanced fund (sometimes also called strategy fund, portfolio fund or multi-asset fund). The company invests these

funds in different asset classes according to a defined investment strategy and following the principle of risk diversification and manages them professionally. The fund management adjusts its allocation between the asset classes according to market conditions, thus establishing varying investment preferences.

### Material risks of the product group

By investing in investment concepts and balanced funds, investors benefit from return opportunities, but are also exposed to additional material risks. These include the following:

Interest rate and price risk - when interest rates rise, bond prices generally fall. A downgrade in the issuer's credit rating reduces the value of a security during its term. Asset prices are subject to unpredictable and often strong volatility on the capital markets. In addition to company-specific factors, political and general economic trends - the economic risk - are also key drivers of asset prices.

Risk of loss - The price of a fund unit depends on the price performance and the income generated by financial instruments held by the fund, such as securities and derivatives, and may therefore be subject to considerable fluctuations. When sold, the proceeds may be less than the value of the original capital invested.

Issuer risk, i.e. investors are exposed to a default risk on the part of the issuer of the held securities if there is no collateral or insufficient collateral in the event of realisation. Bonds are generally not covered by deposit insurance. Sustainability-related decisions relating to the environment, social aspects and corporate governance also impact on the credit quality.

Liquidity risk: During the term, the held securities may not be able to be sold, or only at a possibly much lower price.

Foreign currency risk - investment concepts or the fund as well as the assets held in them may be denominated in either euro or a foreign currency. If denominated in a foreign currency, investors are exposed to adverse changes in the exchange rate of the foreign currency.

Holders of investment fund units are subject to special risks, for example that unit redemption may be temporarily suspended due to insufficient fund liquidity, for example in the event that many investors wish to redeem their units at the same time, or that a fund may be liquidated in an orderly manner.

When funds experience liquidity shortages, fund management companies have certain options to address them. They may, for example, introduce redemption notice periods. This means investors would have to notify the fund company of their intention to redeem their fund units some time in advance.

The fund company may also impose redemption restrictions. For example, fund companies may choose not to meet redemption requests for a certain period of time, or only partially, if the number of redemption requests exceeds a certain threshold.

Furthermore, a fund company may allocate transaction costs arising from unit redemptions or unit issues based on the cost originators. These transaction costs may be included in the calculation of the net asset value of a fund, up to a predefined rate.

These options are intended to prevent fund companies from having to completely suspend unit redemptions, which would be even more detrimental to investors.

#### **Further information and costs**

For further details on these aspects and the product, please refer to the relevant sales prospectus and basic information sheet. In principle, inflation trends impact your investment performance. A resulting loss of purchasing power affects both the income generated and your capital invested. When acquiring, holding and eventually selling securities and derivatives, costs will impact returns. For further details, please refer to the respective cost information before entering into a securities transaction.

For further details on the characteristics and risks of the products, please refer to the brochure "Basic Information on Securities and Other Investments".