
INVESTOR GUIDE



Raiffeisen

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Banque Raiffeisen has published this guide to provide you with clear, understandable information on the main forms of investment.

When making an investment decision, investors need to be fully aware of the investment product's characteristics, advantages and drawbacks and the related risks.

Any investment decision presupposes that the investor has a good knowledge of the characteristics of the investment product, its advantages and disadvantages and the associated risks. All investments involve risk.

Our advisors are on-hand to study your personal situation with you, to provide more detailed information on any product and **to help you find the solution that suits you best.**

*This guide should not be considered a form of investment advice in itself.
We have deliberately left the fiscal and legal aspects out of this publication.
The information in this guide is provided for information purposes only and may not be regarded as exhaustive or as an offer by Banque Raiffeisen; information and contractual data on profit units are published exclusively in the official documentation of Banque Raiffeisen.*

INVESTOR PROFILE

Before determining an investment policy or an investment guideline tailored to your needs and expectations, it is important to know your investor profile. To do this, it is necessary to ask yourself the right questions:

YOUR PERSONAL SITUATION

Your investor profile should match your personality, financial and family situation, investment experience and knowledge, and your investment objectives.

YOUR FINANCIAL SITUATION

- How much is your wealth worth?
- What proportion of that wealth do you want to invest?
- How much cash do you need to cover your day-to-day comfort?

YOUR NEEDS AND OBJECTIVES

Ask yourself about your short, medium and long-term projects.
The longer you invest, the greater the number and variety of investment possibilities.

You should also be aware that many investment instruments can alleviate your tax burden.

- What is your investment time frame?
- What return do you expect from your investment?
- When and how do you want to benefit from your assets?
- And, above all, what level of risk are you willing to take?

YOUR SUSTAINABILITY PREFERENCES

Your sustainability preferences can influence your investment decisions. You should therefore ask yourself the following questions:

- To what extent do you want to invest in ESG products and services?
- What proportion of your portfolio do you want to invest in ESG products and services?

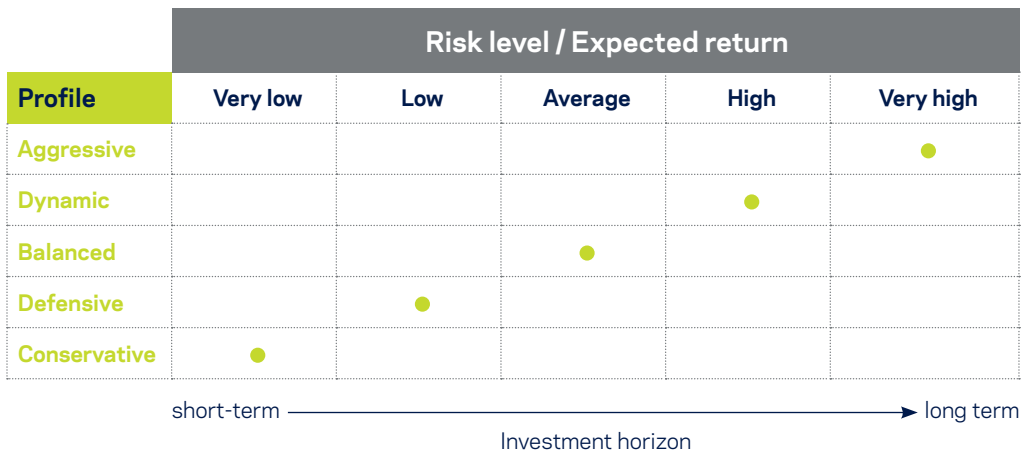
YOUR PROFILE

After a thorough assessment of your situation, your objectives and your needs, we will define the investment policy / investment guidelines that correspond to your investor profile together.

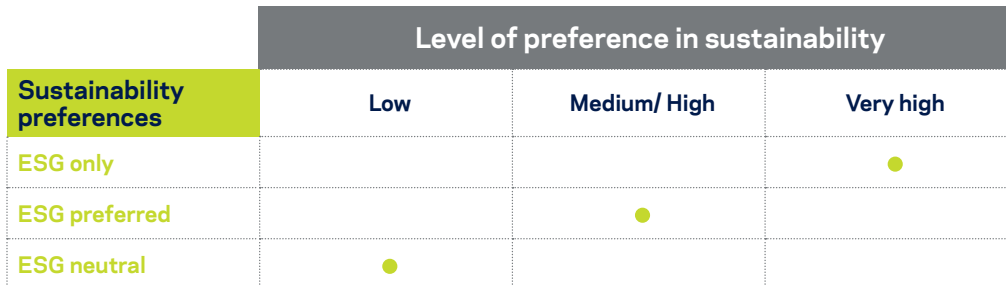
Thus, depending on the services offered by the Bank, your portfolio will be constituted according to :

- The duration of your investment
- Your return expectations
- Your risk appetite
- Your sustainability preferences.

Generally speaking, the level of risk and expected returns both vary depending on the selected investor profile.



In the case of a joint account, the Bank takes into account the highest sustainability preferences of the joint holders to determine the investor profile.



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PRACTICAL APPLICATION

RISK LEVEL					
VERY LOW RISK	LOW RISK	MEDIUM RISK	HIGH RISK	VERY HIGH RISK	
Conservative Investment profile (5)	Defensive Investment profile (4)	Balanced Investment profile (3)	Dynamic Investment profile (2)	Aggressive Investment profile (1)	
Typical investor's objective <ul style="list-style-type: none"> Looks for a return established in advance or close to the money market return Prefers products with guaranteed capital on maturity Avoids highly sophisticated products Prefers regular income 	Typical investor's objective <ul style="list-style-type: none"> Looks for a return that is basically safe and stable with low-level participation in financial market trends Accepts limited capital losses only when market trends are negative 	Typical investor's objective <ul style="list-style-type: none"> Accepts a non-stable income and knows that a significant part of their income will depend on financial market trends Still looks to place a share of their assets in stable investment instruments to limit capital losses when market trends are negative 	Typical investor's objective <ul style="list-style-type: none"> Accepts very fluctuating income in order to participate in financial-market trends Accept significant capital losses when there is a downturn in the market A well-informed investor, aware of the risks 	Typical investor's objective <ul style="list-style-type: none"> Accepts very fluctuating income in order to participate in market trends Accept considerable capital losses when there is a downturn in the market A well-informed investor, aware of the risks 	
LEVEL OF PERFORMANCE (RETURN) SOUGHT					
Limited performance					Maximum performance
INVESTMENT HORIZON					
1-3 years	3-5 years	5-7 years	7-10 years	> 10 years	
KNOWLEDGE REQUIRED					
Basic					Very significant
PRODUCT TYPES					
Current accounts, monetary instruments, bond instruments and equivalents, SICAV, precious metals	Current accounts, monetary instruments, bond instruments and equivalents, SICAV, precious metals, shares	Current accounts, monetary instruments, bond instruments and equivalents, SICAV, precious metals, shares	Mainly share-based instruments, bond instruments and equivalent, SICAV, precious metals, shares	Mainly share-based instruments, bond instruments and equivalents, SICAV, precious metals, shares	



R-CONSEIL & R-INVEST: MAXIMUM THRESHOLDS PER ASSET CLASS

	Investment policy Conservative	Investment policy Defensive	Investment policy Balanced	Investment policy Dynamic	Investment policy Agressive
Cash*	100%	100%	100%	100%	100%
Bonds*	80%	100%	100%	100%	100%
Shares*	0%	30%	50%	70%	100%
Structured products	20%	30%	50%	70%	100%
Alternatives*	20%	30%	50%	70%	100%
Other**	20%	30%	50%	70%	100%

R-MANAGEMENT: ELIGIBLE DIRECTIVES (more information on the R-GESTION flyer available on the internet)

Defensive		●	●	●	●
Balanced			●	●	●
Flexible			●	●	●
Sustainable			●	●	●
Dynamic				●	●
Agressive					●

R-PLANINVEST & R-PENSION: ELIGIBLE PRODUCTS

SRRI***	1	1-3	1-4	1-6	1-7
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*Also in the form of investment funds

**E.g. precious metals

*** Synthetic Risk and Reward Indicator (SRRI) ranging from 1 to 7, based on historical volatility. This indicator is mentioned in the Key Investor Information Document (KIID).

PRACTICAL APPLICATION - SUSTAINABILITY PREFERENCES

LEVEL OF SUSTAINABILITY PREFERENCES			
	Low sustainability preference ESG only	Medium / high preference for sustainability ESG preferred	Very high sustainability preference ESG neutral
	Objective of the investor type ▪ Sustainability is not a main concern, financial return is the primary objective	Objective of the investor type ▪ Sustainability plays a certain role when investing, but financial performance remains an important element	Objective of the investor type ▪ Sustainability plays a key role in investment, extra-financial performance is paramount
R-CONSEIL & R-INVEST : ELIGIBLE PRODUCTS*			
	No restrictions on products	The percentage of products considered ESG must increase or be maintained after each advice as long as the minimum proportion of ESG products sought by the client is not reached. Once the minimum proportion of ESG products has been reached, there are no further restrictions on the products.	Only products considered ESG
R-GESTION: ELIGIBLE DIRECTIVES (more information on the R-Gestion flyer available on the internet)			
Defensive	●	●	
Balanced	●	●	
Flexible	●		
Sustainable	●	●	●
Dynamic	●	●	
Agressive	●	●	
R-PLANINVEST : ELIGIBLE PRODUCTS*			
	No restrictions on products	At least one ESG product per investment plan	Only products considered ESG
R-PENSION			
	Customers' sustainability preferences will be taken into account as soon as the Bank has ESG products eligible for R-Pension		

* Products considered ESG are defined below under investment advice.

SUSTAINABILITY BASICS

SUSTAINABILITY AND ESG OBJECTIVES

The 17 Sustainable Development Goals (SDGs) were adopted by the 193 member countries of the United Nations in 2015. They are a global call to action to end poverty, protect the planet and ensure that all people live in peace and prosperity by 2030.

Each circle in the diagram below captures the SDGs across 3 Environmental, Social and Governance (ESG) perimeters.



Source : Monceret, A. (2019, Mai 29). DV Looks at ESG. Retrieved on Diligently : <https://diligently.azurewebsites.net/dv-looks-at-esg/>

At the end of 2019, the Regulation on sustainability-related disclosures in the financial services sector (“SFDR”) was adopted by the European Union. The Regulation takes an all-encompassing and evolving approach to sustainable development, requiring banks to publish information on discretionary management and the advice that they provide, in particular:

- the transparency of the **integration of sustainability risks** (Article 6);
- the transparency of the **promotion of environmental or social characteristics** (Article 8); and
- the transparency of **sustainable investments** (Article 9).

These obligations require the Bank to publish information on its website, in its pre-contractual documents and in the discretionary management report.

What is “**sustainable investment**”?

A sustainable investment is:

- an investment in an economic activity that contributes to an **environmental objective**, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or
- an investment in an economic activity that contributes to a **social objective**, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or
- an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good **governance practices**, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

WHAT IS A “SUSTAINABILITY RISK”?

A sustainability risk is an environmental, social or governance (ESG) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

This risk includes (without being limited to):

- **climate and environmental risks** (such as carbon footprint, managing natural resources, aligning with local and international goals and laws, the impacts of climate change on agriculture, and the effects of rising sea levels);
- **social risks** categorised as significant for the sector (such as topics relating to employee treatment and well-being, supply-chain management, the security of confidential data, serious human rights violations by governments, and the abuse of civil liberties);
- **governance risks** (such as business ethics, minority shareholders’ rights, the independence of boards of directors, shareholder structures, transactions between related parties, political stability, the economic, political and social framework, and government efficiency); and
- major controversies relating to sustainability and violations of international standards.

INVESTMENT ADVICE

WHAT IS THE PROCESS FOR INTEGRATING SUSTAINABILITY RISKS INTO INVESTMENT ADVICE (ARTICLE 6)?

Since August 2022, we have expanded the investor profile to take into account your sustainability preferences.

In the context of investment advice, your advisor is limited to selecting products from a list established by our specialists and validated by the Comité de Produits d’Investissement (« CPI »).

However, a distinction is made between ESG and non-ESG products. Today, the Bank considers a product to be ESG when it is recognised as such by a recognised entity and/or on the basis of its SFDR classification.

- ESG investment funds and ETFs (Exchange Traded Funds) :
 - Funds classified as «Article 9» (with a defined sustainability objective) under the SFDR regulation.
- **or**
- Funds classified as «article 8» (promoting ESG characteristics) in the sense of the SFDR regulation and having a label issued by LuxFlag (ESG, Environment) or Febelfin (Towards Sustainability).
- Bonds : Specific label for green and social bonds: ICMA Green Bond Principles / ICMA Social Bonds Principles.
- Structured products: The Bank has currently decided not to classify structured products as ESG.
- Equities: N/A (the Bank does not provide investment advice on equities)

Thus, we have a transparent process for classifying a product as ESG. These products are clearly highlighted on our selection lists, which your advisor uses as part of an investment advice, where you are informed about the ESG nature of the product.

EVALUATION OF THE IMPACT OF SUSTAINABILITY RISKS ON PRODUCT PERFORMANCE (ARTICLE 6)

We believe that the impact of sustainability risks on the performance of products designated as ESG is relatively low due to the sustainability risk mitigation approach of the institutions that issue the labels of investment products.

The impact of sustainability risks on the performance of products designated as non-ESG has not been analysed at this stage.

DISCRETIONARY MANAGEMENT

As regards discretionary management, we are advised by an external provider, while the selection of products is limited to investment funds.

PROCESS FOR INTEGRATING SUSTAINABILITY RISKS INTO DISCRETIONARY MANAGEMENT (ARTICLE 6)

Our external provider's selection team integrates sustainability risks by selecting investment funds that have solid sustainability-risk integration processes, which include monitoring controversial issues and sustainability indicators. All of our directives integrate these sustainability risks. The directive categorised under Article 6 is not predominantly composed of funds with a sustainable investment objective or that promote environmental or social criteria.

For this directive, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

EVALUATION OF THE IMPACT OF SUSTAINABILITY RISKS ON PRODUCT PERFORMANCE (ARTICLE 6)

The sustainability risks to which the discretionary management portfolio may be exposed are likely to have little impact on medium- and long-term investment performance, thanks to the sustainability-risk mitigation approach.

PROMOTION OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS (ARTICLE 8)

The majority of funds selected under the directives promoting environmental and social criteria must meet extremely strict standards. Our external provider's selection team takes this into account by integrating environmental, social and governance (ESG) considerations into the selection process for these financial products, thus guiding investments into investment funds that promote environmental or social characteristics or themselves have sustainable investment objectives.

CHOSEN APPROACH FOR RESPECTING THE ENVIRONMENTAL OR SOCIAL CHARACTERISTICS (ARTICLE 8)

The ESG criteria are an integral part of the selection process for investment funds. The financial products selected are the result of close collaboration between investment specialists and sustainability experts at our external provider. Through this process, neither financial performance nor sustainability performance are compromised.

How is adherence to these characteristics guaranteed?

When selecting investment funds, particular attention is paid to the traceability and transparency of the sustainability processes, for instance by documenting processes and drawing up ESG reports at the fund level. The concept of integrating sustainability risks, including controversial issues, must be a key component of the strategies of the investment funds selected.

To be selected as a product, the investment funds must exclude from their investments:

- companies involved in the controversial arms trade;
- companies that generate more than a specific percentage of their revenues from either arms and tobacco, or nuclear or coal-based energy (unless these companies can demonstrate that they have an exit strategy towards more sustainable energy sources).

Companies involved in gambling and the alcohol trade shall be scrutinised very closely.

In addition to these exclusion criteria, our external provider's team supports and appreciates proactive attempts by the fund managers to engage in dialogue with the companies involved in critical sectors. An additional requirement for the funds selected is that they invest in companies that comply with the UN Global Compact Principles.

Our external provider's selection team obtains information on ESG metrics from fund managers and third-party data suppliers. This information is compiled at the level of the directive to verify that the funds selected adhere to the ESG pillars (e.g. having E, S and G ratings or contributing to sustainable development causes). Furthermore, our external provider's team works alongside the fund managers in order to accept, implement and improve ESG themes and processes.

SUSTAINABLE INVESTMENTS (ARTICLE 9)

In accordance with the "Sustainable" directive, our external provider's selection team chooses investment funds with a strong ESG focus, thus prioritising investments in funds that have sustainable investment as an objective.

The distinguishing feature of these investment funds is their pursuit of unambiguous, sustainable objectives.

Typical examples are:

- green and social bonds forming part of the fixed income; and
- initiatives relating to thematic funds that invest in companies proposing solutions to environmental and social problems.

The sustainable directive primarily draws from funds that have a sustainable investment objective.

Although such an objective may not be specifically targeted, it forms part of the sustainable directive due to its strong alignment with the United Nations' Sustainable Development Goals (SDGs) and a carbon intensity well below the index.

BONDS

DEFINITIONS AND CHARACTERISTICS

A bond is a transferable security that takes the form of a loan to the issuer – a company (corporate bond) or a public body (government bond) – and therefore represents a medium- or long-term financial debt, and sometimes even a perpetual debt. A bond is a negotiable security and can be issued in two forms: registered or bearer. The principal is usually repaid on maturity.

COUPON

In return for the loan, the lender receives an interest payment from the borrower: this is the coupon. Coupons are paid periodically, on set dates. A bond may come with a fixed-rate coupon or a variable coupon.

YIELD TO MATURITY

Yield to maturity is the total return anticipated on a bond if the bond is held until the end of its lifetime. It is the return that the investor can expect to receive. Its calculation takes into account coupon interest rates, the bond's market price and the term to maturity.

ISSUE PRICE

The bond issue price may differ from its face value and can include an issue premium.

REDEMPTION PRICE

The redemption price is the value of the bond at the end of its lifetime (and may be equal, superior or inferior to the issue price). There may be a redemption premium, which is the difference between the redemption price and the issue price.

THE MAIN FORMS OF BOND:

- **Fixed-rate bonds**

Most loans are issued at a fixed rate, i.e. the bond comes with a fixed interest rate that remains the same throughout its lifetime. It gives rise to identical interest payments on predefined dates.

- **Floating rate notes**

Bonds that do not have a fixed-rate coupon; the coupon varies according to a short-term market reference rate, like LIBOR or EURIBOR.

- **Zero-coupon bonds**

Zero-coupon bonds do not generate interest payments throughout their lifetime. The issue price is lower than the redemption price, which is equal to 100%. The return on these bonds is the difference between the issue price and the redemption price.

- **Subordinated bonds**

In the event of liquidation or bankruptcy of the issuer, subordinated bonds will only be repaid to holders as a last resort, after repayment of the preferential and unsecured creditors.

- **Convertible bonds**

The holder of convertible bonds can, at certain times in the bonds' life, choose to convert the bonds into shares (which may allow the holder to benefit from an increase in share price) or to redeem the bond in cash (in the event of unfavourable performance of the underlying asset). In exchange for this conversion right, convertible bonds generally offer a lower coupon than conventional bonds.

- **Reverse convertible bonds**

Reverse convertible bonds are redeemable at the issuer's option, subject to the terms and conditions of the issue. The bondholder receives either 100% of the face value of the bond, or a defined number of shares on the issue date, based on the face value of the bond and the reference price of the underlying share. In both cases, the holder receives a guaranteed coupon. At maturity, if the price of the underlying share has fallen below its reference price, the bondholder risks being repaid in shares at a value potentially lower than the face value and thus losing part or all of their capital. This product does not therefore come with a capital guarantee. As a result, coupon payments are higher than the return on an ordinary bond.

ADVANTAGES

- With bonds, the income is known in advance and can be planned.
- As a general rule, bonds offer an attractive return for the level of risk.
- Bonds are accessible to a large number of investors due to low entry thresholds.

DISADVANTAGES

- Repayment of the principal is only guaranteed if the issuer remains solvent.
- The price of a bond fluctuates during its lifetime.
- The return on bonds is usually lower than that on other financial instruments, especially during periods of low interest rates.
- The lack of demand for a security on the secondary market can cause a liquidity problem, i. e. it can be difficult to sell the securities under optimal conditions.

RATINGS

The ratings assigned by specialist agencies (e.g. Standard & Poor's or Moody's) are used to assess an issuer's ability to repay the principal in full and pay interest on maturity (= an assessment of the issuer's creditworthiness with regard to a particular issue). The quality of a bond varies from AAA (good) to D (payment default). Please refer to the explanations on the different rating agencies for more details.

	S&P	Explanation
Investment Grade	AAA	A bond rated AAA has the highest possible credit rating. The issuer's capacity to meet its financial commitments is extremely strong.
	AA	A bond rated AA differs only slightly from a bond rated AAA; the quality of the bond is still very good. The issuer's capacity to meet its financial commitments is very strong.
	A	An A-rated bond is more susceptible to adverse economic circumstances than AA and AAA rated bonds. The issuer's capacity to meet its financial commitments remains strong.
	BBB	A BBB rated bond has adequate protection parameters. Nevertheless, the issuer's ability to meet its financial commitments is more subject to the impact of adverse economic changes.
Speculative Grade	BB	A BB-rated bond is considered a speculative investment and is relatively susceptible to cyclical fluctuations, making the issuer's capacity to meet its financial commitments more vulnerable.
	B	A B-rated bond is more sensitive to cyclical changes than bonds rated BB and BBB. The issuer's ability to meet its financial commitments is lower. There is less security than with bonds rated BB.
	CCC	A CCC-rated bond is susceptible to economic fluctuations and is dependent on favourable conditions to ensure the issuer's capacity to meet its financial obligations. In the event of adverse conditions, the issuer will probably not be in a position to honour its commitments
	CC	The holder of a CC-rated bond runs a high risk of non-payment by the issuer. A CC rating is assigned if default is quite likely.
	C	The holder of a C-rated bond runs a high risk of non-payment by the issuer. The probability of recovering the funds invested is lower than for bonds with a higher credit rating.
	D	The issuer of a D-rated bond is in default. It is no longer able to honour its financial commitments.

Note: Ratings from AA to CCC may be supplemented by a plus or minus sign indicating a nuance within the rating class.

Source : Standard & Poor's

RISKS OF INVESTING IN BONDS

- **Interest rate risk**

If interest rates rise, the price of a fixed-rate bond decreases, which can result in a capital loss in the event of sale before maturity. Similarly, a decrease in interest rates increases the price of fixed-rate bonds. The impact of a change in interest rates on the price of the bond is mainly determined by the term to maturity: the longer the remaining term, the greater the price variation.

- **Temporary or permanent insolvency risk**

The temporary or permanent insolvency (of the issuer) may result in the non-payment of coupons. The issuer's bankruptcy may lead to a failure to repay the loan. Guarantees (e.g. from a State) reduce this risk.

- **Exchange rate risk**

Fluctuations in currency exchange rates increase the risk associated with foreign currency investments and may reduce returns when converted to local currencies. This risk can be mitigated by allocating investments in local currency bonds and foreign currency bonds.

- **Early repayment risk**

When the issuer of a bond includes an early repayment clause, the yield to maturity may differ from the expected yield if the bond issuer exercises its right to early repayment.

- **Inflation risk**

Currency depreciation reduces the investor's purchasing power with regard to the coupons received. In terms of purchasing power, the redemption amount at maturity does not match the amount invested at the time of issue.



SHARES

DEFINITIONS AND CHARACTERISTICS

A share is a title deed issued by a limited company that gives the holder a share in its capital. Shareholders are therefore involved in the company's development. They can vote at general meetings of shareholders, which means that, within the limits of their share of the capital, they are involved in decision-making. They are also entitled to a share of the profits distributed in the form of dividends. The shares of a listed company may be freely sold on the stock exchange.

Share prices are influenced by many factors: the company's performance, the future potential of the market in which it operates, the economic and political environment, the appreciation of financial market participants, etc. The vast majority of the shares are issued in bearer form, i. e. the owner is not registered in the company register and the shares are freely transferable. Registered shares are recorded in the registers of the issuing company, which has custody of them. As a result, they are more difficult to trade than bearer shares.

ADVANTAGES

- A shareholder receives remuneration in the form of a dividend paid annually, half-yearly or quarterly. The latter is not guaranteed and represents a portion of the profit distributed to shareholders.
- The investor may realise a capital gain in the event of positive company performance and a rise in the share price.
- A shareholder with voting rights may actively participate in the decisions taken at general meetings.
- In principle, the total return potential of a share, consisting of a dividend and a capital gain, is higher than that of a bond.

DISADVANTAGES

- A shareholder is exposed to the risk of share price fluctuations.
- Investment in shares does not provide a stable and/or guaranteed income; income varies according to company performance and its dividend policy.

RISKS OF INVESTING IN SHARES

- **Share price fluctuation risk (Volatility)**

We need to differentiate between systematic (non-diversifiable) and non-systematic (diversifiable) risk. Systematic risk is linked to the economic and political environment, such as interest rates and inflation. Non-systematic risk comes from the forces of supply and demand, psychological factors, investors' expectations, and the company's results and financial health. When a share is sold at a price lower than the purchase price, there is a capital loss.

- **Risk of losing all invested amounts in the event of bankruptcy**

In the event of a company's bankruptcy, shares can lose up to 100% of their value. Shareholders are always reimbursed last, after the issuer's creditors.

- **Risk of non-payment of dividend**

In the event of low profits or losses made by the issuing company, the dividend may be reduced or non-existent.

- **Market liquidity risk**

When demand for a share at the set price is low, the seller of a share may have to wait for a buyer to come forward. As a result, there is a risk that sales orders may either be executed at lower prices or not be executed immediately or entirely. The liquidity of a share varies according to the size of the company, the volume of shares traded freely on the markets (the 'free float'), and the markets on which the share is traded. Liquidity risk is generally limited for companies listed on the main indices of industrialised countries, but is higher for companies in emerging markets.

- **Currency risk**

The return on investments in foreign currency equities and the payment of their dividends may be influenced by the exchange rate at the time of conversion to local currency. Diversification of investments in different currencies may reduce this risk.

UNDERTAKINGS FOR COLLECTIVE INVESTMENT (UCI)

DEFINITIONS AND CHARACTERISTICS

A UCI is an organisation that collects capital from the public in order to invest it in assets (equities, bonds, etc.) in accordance with the investment strategy defined when the fund was set up and the legal framework imposed by its country of domicile.

There are different legal forms of UCI in Luxembourg:

- **Mutual funds**

The mutual fund differs has a different legal status to the SICAV. A mutual fund is the joint ownership of transferable securities; it issues units. It has no legal personality. Each unit holder has co-ownership rights in the fund's assets, proportional to the number of units held.

- **SICAV (Société d'Investissement à Capital Variable) / SICAF (Société d'Investissement à Capital Fixe)**

A SICAV is an open-ended collective investment scheme. It is a company whose objective is to pool the risks and benefits of an investment in transferable securities (shares, bonds, etc.), negotiable debt securities and other financial instruments authorised by the regulations and the SICAV's articles of association. SICAVs have their own legal personality. The Company has a Board of Directors and shareholders of the SICAV have voting rights at the annual general meeting.

A SICAV is often split into sub-funds that pursue well-defined investment policies or objectives. The sub-funds may differ in terms of the currencies, geographical areas or business sectors in which they invest. Investors may switch sub-funds (usually for little cost).

NET ASSET VALUE (NAV)

The Net Asset Value (NAV) is the issue or redemption price of a fund unit on a specific date. NAV is calculated by dividing the total net asset value of the fund by the number of units outstanding. The investor is entitled to subscribe to units or request redemption at the NAV. Fees and commissions paid by the fund are included in the NAV (indirect investor charge). NAV is calculated periodically (see the SICAV/SICAF sales prospectus and mutual fund management regulations).



DISTRIBUTION SICAV / CAPITALISATION SICAV

A distribution SICAV pays a dividend to the unit holder while a capitalisation SICAV reinvests all the income and capital gains earned, and the investor shares in the profits made thanks to an increase in NAV.

THE DIFFERENT TYPES OF FUNDS

- **Money-market funds**

A money-market fund mainly holds cash (currency) and short-term financial instruments such as term deposits, treasury certificates and short-term bonds.

- **Bond funds**

Bond funds invest in corporate bonds, government bonds and convertible bonds. A bond fund is sensitive to changes in interest rates. An increase in interest rates implies a decrease in the price of bonds and therefore a decrease in the value of the fund's units. However, the yield varies according to the quality of the bonds and their respective duration.

- **Equity funds**

An equity fund invests primarily in equities.

- (i) Value Equity Funds**

This type of fund invests in company securities when the current market price is lower than their intrinsic value, estimated on the basis of company fundamentals. These securities are therefore considered to be undervalued and a price increase is expected.

- (ii) Growth Equity Funds**

This type of fund invests in companies with above-average earnings growth potential.

- **Mixed funds**

A mixed fund divides its assets into different asset classes. Mixed funds can have different risk profiles:

- Funds that invest mainly in bonds and cash,
- Funds that seek a mix of different asset classes to limit exposure to market fluctuations,
- Funds that invest primarily in equities.

- **Flexible funds**

The composition of flexible funds can be adapted to the market situation.

- **Alternative investment funds**

An alternative investment fund raises capital from a number of investors to invest in alternative financial products (e. g. real estate, commodities, unlisted companies).

- **Fund of Funds**

A fund of funds does not invest directly in stocks or bonds but in a selection of funds.

ADVANTAGES

- UCIs reduce their risks by diversifying their investments across asset classes, regions and sectors.
- Thanks to the great diversity of mutual funds available on the market, each investor can find a solution that meets the desired investment strategy.
- Fund managers are experienced specialists who use their expertise to ensure the fund achieves the best possible performance.
- A fund invests in markets that are difficult for private investors to access.

DISADVANTAGES

- UCI units may only be traded at certain times. The investor is forced to respect those times and is thus limited in his scope of action.
- The investor does not have direct control over portfolio management, which may lead to differences with the investor's expectations.
- The management of a UCI is remunerated by a management fee, which is usually supplemented by an entry and exit fee.

RISKS OF INVESTING IN A UCI

- **Market risk**

UCIs are exposed to all the risks inherent to the financial assets (shares, bonds and other transferable securities) used in portfolio management.

- **Management risk**

The income generated by fund units depends, among other things, on the quality of fund managers' decisions. The client has no influence on the investment decisions and investment policy applied by the manager. Poor management decisions can lead to a drop in NAV.

- **Currency risk**

Some of the UCI's investment positions may be denominated in currencies other than the currency in which the units of the fund are issued. Fluctuations in exchange rates can therefore lead to a loss in value.

- **Liquidity risk**

Units may only be redeemed on the dates set out in each fund's prospectus. A fund may be quoted on a daily, weekly, monthly or other basis.

- **Risk related to the country of domicile**

The quality of prudential supervision and the legal framework may vary from one country to another.



EXCHANGE-TRADED FUNDS (ETFs)



DEFINITIONS AND CHARACTERISTICS

An ETF is an exchange-traded fund that replicates the performance of an underlying asset, such as a bond, index, commodity or basket of assets (e.g. an index fund). An ETF is not intended to outperform the market.

- **Physical ETFs**

Physical ETFs replicate the target indices by purchasing the underlying securities that make up the index. There are two forms of replication:

(i) Firstly, holding 90% or more of the index.

(ii) Secondly, holding a representative sample of the index.

- **Synthetic ETFs**

Synthetic ETFs track the performance of an index through derivatives. In this case, the intrinsic value of the ETF is not deducted from direct lines as in the case of physical ETFs but instead derives from a swap contract between the management company and a counterparty (often an investment bank). The counterparty is expected to provide the exact performance of the index that the ETF tracks.

ADVANTAGES

- ETFs replicate the performance of illiquid markets, for which direct investment is not possible or would generate high costs.
- ETFs allow for very broad diversification by allowing the investor to hedge an entire market instead of selecting individual securities.
- ETFs generally have lower fees than UCIs.

DISADVANTAGES

- No possibility of outperforming the reference index.
- ETFs do not provide a stable and/or guaranteed income; income varies according to the performance of the reference index.

RISKS OF INVESTING IN ETFS

- **Risk related to the index**

You should be familiar with the characteristics of the index in which you invest, i.e. its composition, the context of the country or countries involved, its liquidity, etc.

- **Counterparty risk**

Synthetic ETFs are subject to counterparty risk, i.e. the risk that the investment bank will no longer be able to honour the commitments set out in the swap agreement.

- **Tracking Error risk**

ETF performance may differ slightly from the performance of the reference assets.

- **Systematic risk**

An ETF is fully exposed to systematic risks (e.g. sector, country, geographic region, etc.).

STRUCTURED PRODUCTS

DEFINITIONS AND CHARACTERISTICS

Structured products generally combine derivatives such as options with more traditional assets such as stocks or bonds, either to reduce or eliminate the risk associated with certain financial instruments or to improve investment returns.

A structured product often consists of a 'low-risk and return' component, e.g. a bond product, and a 'higher-risk and return' component (a derivative, a share, an index, currencies or commodities) to improve performance.

The price of a structured product is defined by the value of its underlying assets.

ADVANTAGES

- Structured products can be tailored to the needs of individual investors (e.g. income structure, product mix, etc.).
- Structured products can provide access to generally less accessible asset classes (e. g. gold or oil).
- Portfolio diversification is facilitated without the investor having to buy all components of the reference index.
- A structured product can achieve a positive performance even if markets do not move or are on a downward trend.

DISADVANTAGES

- The disadvantages associated with structured products are product-specific and are generally detailed in the Key Information Document (KID) of the product in question. You should therefore consult this document before investing in the structured product or seek relevant advice from an advisor
- The complexity of structured products makes it more difficult to understand them.



RISKS OF INVESTING IN STRUCTURED PRODUCTS

A structured product is subject to the same risks as the various financial instruments that make up the product.

- **Issuer risk**

The entire investment may be lost in the event of default by the issuer. The issuer generally guarantees a fair value price and the liquidity of the product.

- **Market risk**

Investors in structured products are subject to the market risk of the underlying assets that make up the product.

- **Currency risk**

Any transaction in a foreign currency is subject to exchange rate risk when converted to local currency.

- **Liquidity risk**

High volatility of the underlying asset may mean that the price obtained in the event of a sale differs from the real value of the product.

- **Early repayment risk**

When the product is created, the issuer can define the possibility of an early redemption, i.e. a 'call'. The issuer therefore reserves the right to redeem the product in question early.

DERIVATIVES

DEFINITIONS AND CHARACTERISTICS

Broadly speaking, in return for the payment of a premium, a financial derivative makes it possible to position oneself to buy or sell an asset at a certain price, within a certain period of time or at a predetermined term. It is a contract between two parties, the buyer and seller.

The value of a derivative thus depends on changes in the price of its underlying asset. This may be a share, an exchange rate, a commodity, a bond or an index.

Derivatives were originally designed to protect companies against price fluctuations, e.g. the prices of raw materials used in their production, but can also be used for speculative or arbitrage purposes. Derivatives are reserved for knowledgeable investors with experience and knowledge of the subject.

▪ Options

A distinction is made between call and put options. In both cases, there is a firm commitment between two parties whereby the purchaser of the option has the right – but not the obligation – to buy (call) or sell (put) a financial asset within a certain period of time or on a date known in advance at a predetermined price (strike).

There are 2 types of option:

(i) American-style options are exercisable at any time until their expiry.

(ii) European-style options are exercisable only on the expiry date.

The holder of a call option buys the underlying asset and the holder of a put option sells the underlying asset.

- **Warrants**

A warrant is a negotiable stock exchange security which confers the right to buy (call) or sell (put) a fixed quantity of securities (known as underlying products) at a price fixed in advance (strike price = price at which the right attached to the warrant may be exercised) and for a fixed period of time, and this in return for the payment of a premium (= call/put warrant price) calculated on the basis of the purchase price and the trading quantity.

Once the expiry date has passed, the right attached to the warrant loses all its value. A warrant is subject to a leverage effect that increases as the remaining life period decreases. In other words, if the price of the underlying interest falls, the value of the warrant decreases disproportionately.

- **Subscription warrants**

A subscription warrant is an instrument (standalone or attached to a share or bond) entitling its holder to subscribe for a share or bond at a predetermined price and until a specified date. The issuance of warrants is linked to the creation of new securities. The price generally fluctuates with a high leverage effect depending on the price of the underlying asset.

- **Futures**

A futures contract is an exchange-traded futures contract that unconditionally commits both parties to buy or sell the financial product to which it relates, at a price and on a date fixed in advance.

ADVANTAGES

- A derivative is used to hedge against the risk of price fluctuations in the underlying product. This underlying product may be an interest rate, an exchange rate, commodity, etc.
- Because of the leverage effect inherent in derivatives, these instruments can generate very high returns.
- A derivative allows arbitrage, which consists of buying and selling a similar or identical product simultaneously in different markets or in different forms. An investor can thus make a capital gain through price differences due to market inefficiency.

DISADVANTAGES

- Derivatives are closely linked to an underlying product and are therefore subject to the same risks as the underlying product. The volatility related to the underlying product affects the performance of the derivative.
- Due to the leverage effect inherent to derivatives, even minor variations in the price of the underlying product can lead to significant losses.
- When the market moves in the wrong direction, the investor's losses can far exceed the initial investment.
- The complexity of derivatives can lead to uncertainty when quantifying risks.

MAIN RISKS OF INVESTING IN DERIVATIVES

The following explanations about derivatives and their inherent risks are not exhaustive.

- **Counterparty default risk**

The holder is exposed to counterparty default risk if the counterparty is no longer able to meet its obligations to the investor. Depending on changes in the price of the underlying product, the counterparty may be obliged to make available the difference between the market price of the underlying asset and the strike price set in the contract (margin calls).

- **Partial or total loss risk**

Due to the leverage effect inherent to derivatives, even minor variations in the price of the underlying product can lead to significant losses.

- **Liquidity risk**

This occurs when the derivative is settled before maturity. The difference between the selling price and the purchase price can increase significantly, which impacts the liquidity of the product.

- **Market risk**

The investor may suffer capital losses as a result of adverse market developments. A large number of variables such as the risk-free interest rate, volatility, economic situation, etc. can influence the value of the investment.

- **Tax risk**

Derivatives may be subject to higher taxation than other financial products. Tax legislation varies according to the country of residence.

- **Exchange rate risk**

Any transaction in a foreign currency is subject to exchange rate risk when converted to local currency. This mainly concerns foreign exchange forwards and transactions involving foreign currencies. The prices of these forward contracts are influenced by exchange rates and interest rates in the various currencies at a certain point in the future.

PROFIT UNITS

DEFINITION AND CHARACTERISTICS

Profit Units issued by Banque Raiffeisen are securities which do not form part of its share capital. While they are similar to equity securities due to the rights they confer (e.g. voting rights on certain subjects at shareholder meetings), they also have similar characteristics to debt securities. The Profit Units are perpetual and generally non-redeemable. If the Bank becomes insolvent or is wound up, the redemption of the Profit Units is subject to the prior repayment of the Bank's other debts, which shows their similarities with subordinated debt.

VARIABLE REMUNERATION

The rate of distribution cannot exceed the arithmetic average of the key interest rate for deposit facilities published by the European Central Bank over the last three calendar years preceding the date of the relevant decision of the board of directors, increased by an amount of 4 % (the "**Distribution Rate**"). This payment may only be distributed if (i) there are distributable profits and (ii) the Bank's Board of Directors decides to make such a distribution.

ISSUE PRICE AND PRICE FLUCTUATIONS

The issue price and nominal value of a Profit Unit is €25. This value is set by the Bank's articles of association. The minimum amount that may be subscribed for is €1,000, equivalent to 40 Profit Units. The amount subscribed for must be paid in full at the time of subscription. The Profit Units are not listed and are not therefore subject to the uncertainties of the financial markets.

If a trigger event occurs (i.e. the Bank's equity falls below a certain threshold, namely 5.125% of Common Equity Tier 1 - CET1), the Bank shall be required to irrevocably reduce the nominal value of the Profit Units.

TRANSFER AND REDEMPTION

The Profit Units are non-transferable except where inherited, are also perpetual and are generally non-redeemable. Unlike the Bank's shares, the Profit Units may be redeemed early only at the Bank's discretion five years after their issue, subject, inter alia, to the CSSF's prior approval. The CSSF's prior approval is not guaranteed. The Bank reserves the right to redeem all the Profit Units under certain conditions, including in the event of a change in tax legislation.

VOTING RIGHTS

Holders of the Profit Units have the right to attend the bank's shareholder meetings. However, they are only authorised to vote when the rights attached to the Profit Units they hold are affected by the resolution of the shareholder meeting. In such circumstances, each Profit Unit represents one vote.

BENEFITS

- Holders can contribute to the growth of the Bank and to the development of the regional economy;
- The value of the Profit Units is fixed and independent of the financial markets. However, their value may be reduced if a trigger event occurs;
- The profit Units can contribute to diversification of the investor's portfolio in a way that is specific to cooperative banks;
- Potentially interesting remuneration. This is calculated based on the ECB's average reference rate applicable to deposit facilities during the last three calendar years, increased by a maximum margin of 4%;
- Minimum outlay of 1,000 euros;
- No transaction fees or custody charges.

DRAWBACKS

- There is no maturity date and the Profit Units are in principle perpetual; no redemption is possible for the first 5 years. Redemption is subject to strict conditions, without guarantee and at the Bank's discretion;
- The investor must meet certain criteria defined by the Bank;
- The Profit Units are non-transferable except in the event of death;
- No guaranteed returns.

RISKS LINKED TO INVESTING IN PROFIT UNITS

- **Risk of partial or total capital loss (insolvency risk) and subordination ranking**

- A trigger event may cause the nominal value to fall to zero. This reduced value will be the “redeemable” value if the Bank becomes insolvent or is wound up;
- Holders of the Profit Units will receive repayment before holders of the Bank’s shares but after the Bank’s other creditors. Holders of the Profit Units rank below the Bank’s other creditors.

- **Risk that returns are not guaranteed**

- The return on the Profit Units is subject to the existence of distributable profits, a decision by the Bank’s Board of Directors to make such a distribution, compliance with applicable regulatory requirements and the non-cancellation of that distribution as a result of a discretionary decision by the Bank’s Board of Directors to this effect, or the absence of mandatory cancellation of the distribution for regulatory reasons.

- **Liquidity risk**

- The Profit Units are non-transferable except where inherited and are not redeemable at the request of holders.

- **Early redemption risk**

- Early redemption is possible at the Bank’s discretion, five years after the issue, subject, inter alia, to the CSSF’s prior approval.

For more information, go to www.raiffeisen.lu.

PRECIOUS METALS

These are physical or banked products (e.g. gold or silver) that can be traded on the secondary market. Return on investment is based on the evolution of their price.

ADVANTAGES

- Precious metals can provide more diversification for an investor's portfolio.
- Precious metals can be used as a hedge against inflation or market uncertainty.
- Precious metals are tangible.

DISADVANTAGES

- The physical holding of precious metals can be risky (theft, fire, storage, etc.).
- Precious metals are subject to price fluctuations, so the value of the investment can vary significantly.
- Precious metals do not provide a steady return.

RISKS OF INVESTING IN STRUCTURED PRECIOUS METALS

▪ Price fluctuation risk

Precious metals are subject to market fluctuations. The decisions of producers, consumers, precious metals traders and investors as well as geopolitical uncertainties strongly influence supply and demand.



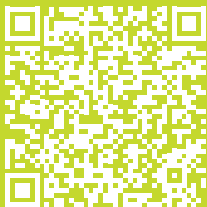


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