

## 4. Investment funds

### I. Austrian investment funds

#### General

Certificates of participation in Austrian investment funds (investment fund certificates) are securities which evidence joint ownership in an investment fund. Investment funds invest the funds provided by investors in accordance with the principle of risk diversification. The three basic types of investment funds are bond funds, stock funds as well as mixed funds, investing both in bonds and stocks. Funds may invest in domestic and/or foreign securities.

The range of investment of domestic investment funds includes not only securities but also money market instruments, liquid financial investments, derivative products and investment fund shares. Investment funds may invest in foreign and domestic securities.

Moreover, funds are subdivided into investment funds (which pay dividends), growth funds (which do not pay dividends), and "funds of funds". Unlike investment funds, growth funds do not pay out dividends but rather reinvest them in the fund. Funds of funds invest in other domestic and/or foreign funds. Guaranty funds are subject to a binding commitment by a guarantor commissioned by the fund with respect to distributions of dividends for a certain period, repayment of principal, or performance.

#### Return

The return on investment fund certificates is composed of the annual distributions (provided they are not distributing and non-accumulative funds) and the trend in the value of the certificates. It cannot be established in advance. The trend in value depends on the investment policy specified in the fund terms, as well as the market trends of the individual securities held by the fund. Depending on the composition of a fund's portfolio, the relevant risk warning notices for bonds, stocks or warrants must be taken into account.

#### Price/rating risk

Investment fund certificates can normally be returned at any time at the repurchase price. Under exceptional circumstances, the repurchase of certificates can be temporarily suspended until the sale of fund assets and the receipt of sales proceeds. Your investment adviser will be pleased to inform you about any fees charged and the execution date of your buy and sell orders. The term of an investment fund depends on the fund conditions and is usually unlimited. Please keep in mind that investment fund certificates, unlike bonds, are not normally redeemed and, consequently, do not carry a fixed redemption price. The risk of investment fund certificates depends, as already mentioned, on the fund's stated investment objectives and the market trends. **A loss cannot be ruled out.** Although investment fund certificates can normally be returned at any time, they are instruments designed for investments over a prolonged period of time.

Like stocks, funds can be traded on exchanges. The prices that arise on the exchange in question may differ from the redemption price. In that regard please see the information on risks related to stocks.

#### Tax considerations

The fiscal treatment of investment fund distributions varies according to the type of investment fund.

### II. Foreign investment companies

Foreign investment companies are governed by separate legal provisions, which may substantially differ from those applicable in Austria. In particular, stipulations on supervision are often less severe than in Austria.

Outside Austria, there are also closed-end funds and funds ruled by corporate law, whose prices are regulated by supply and demand rather than the intrinsic value of the fund, which is roughly comparable to the establishment of stock prices.

Regardless of their legal form, the dividends and return distributed by foreign investment companies (e.g. non-distributing funds), the earnings equivalent to distribution payments are subject to other fiscal stipulations.

### III. Exchange Traded Funds

Exchange Traded Funds (ETFs) are fund shares that are traded like equities on a stock exchange. An ETF generally forms a basket of securities (e.g., a basket of stocks) that reflects the composition of an index, i.e. that tracks the index in one certificate by means of the securities contained in the index and their current weighting, so that ETFs are often referred to as "index stocks".

#### Return

The return depends on the price trend of the underlying securities in the securities basket.

#### Risk

The risk depends on the underlying securities in the security basket.