5. Increased risk product

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Product brochure

Derivatives funds

Product description

A set of assets in joint ownership created by issuing investment fund shares and operated by an investment fund manager, managed by the investment fund manager under a general mandate from investors, in their interest. The security representing the investor's share in an investment fund is called an investment fund share. An investment fund share is an instrument enabling investors to invest their savings in a simple, safe and cost-effective manner in different markets, while sharing risks. Investors receive a share of the yield proportionate to their investment.

The derivatives fund invests the accumulated capital through derivative financial products. The underlying instrument of a derivative financial product may vary from a broad range (including, beyond foreign currency, interest and stock markets, commodities or other exotic products, or even specific events). Derivative products may be options, futures transactions or other structured products. Generally, they are characterised by leveraging, meaning that the derivative product multiplies the performance of the underlying product both positively and negatively: a 1% change in the underlying product results in a several percentage point shift in the value of the underlying product. The risk carried by the derivatives fund therefore depends strongly on its investment policy and changes in the price of the underlying products. Absolute yield target funds are a unique category. These funds also generally use derivative instruments to implement their investment strategy, but the risks undertaken varies across a broad spectrum.

When is it recommended?

- Ilf you are looking for a long-term investment vehicle with a higher yield than government securities, and are willing to take the risk associated with the underlying product in return.

Product risk

1. VERY LOW	2. LOW	3. MODERATE	4. MEDIUM	5. INCREASED	6. HIGH	7. EXTREMELY

5. Increased-risk product: This category includes financial instruments (such as shares or derivative funds) that characteristically carry substantial risk, featuring a price that may fluctuate significantly even in the short run, but investors are generally shielded from losing the entire value of their capital investment unless some extraordinary market event occurs. Based on historical data, the possible loss calculated for a one-year period is highly unlikely to exceed 65% of the capital invested. (To assess possible losses, the Bank determines the risk classification of a product using VaR calculation based on historical data, at a 99% confidence level, for a one-year investment horizon.)

Key risk factors

Exchange rate risk	The securities included in the basic portfolio may be denominated in different currencies, and as a result, the value of these securities expressed in a currency may, when converted into the settlement currency, change depending on the exchange rate fluctuations between the given currencies.
Exchange rate risk of derivative instruments	The market price of options, future and various other derivative investment instruments may fluctuate far more than changes in the underlying product (stock market index, foreign currency, etc.). Therefore the price of the investment fund shares may exhibit significant fluctuations.
Share price risk	Share price risk is the risk that the portfolio comprising the shares loses some of its value due to adverse stock market developments. Stock markets are characterised by frequent and sharp price fluctuations, but reflect the economy's performance in the long run. As the proportion of shares (or instruments ensuring share exposure) in a derivatives fund depends on the fund's investment policy, this type of risk may be significant.
Counterparty risk	Nonstandardised derivative transactions concluded outside the framework of stock market transactions that are included in the portfolio carry the risk of any change in the solvency of the issuer of the option or other derivative instrument, and they are unable to meet to their contractual payment obligations towards the fund.
Interest rate risk	Interest rate risk arises from the fact that a change in market yields influences the market value of interest-sensitive securities. Expected market yields can increase as a result of accelerating inflation, budget overspending, a central bank rate hike or government over-indebtedness, among others. A decrease in market yields can result from a slowdown in inflation, shrinking debts or monetary policy easing (a rate cut). The longer the term of a fixed-interest instrument is, the more sensitive its price is to changes in yields. As the proportion of derivative instruments may be a significant in a derivatives fund, this type of risk is substantial.
Liquidity risk	Selling the elements of the portfolio — particularly longer-maturity or no maturity securities — or investing the

fund's financial assets may become difficult from time to time, or only be feasible at a low price. This is because the liquidity of securities markets becomes insufficient from time to time due to a relatively small number of participants and ample supply in securities. In addition, the price of securities may be strongly shaped by highly volatile market supply and demand, which may impact the price of investment fund shares through the fund's net asset value. This type of risk is moderate in the case of derivatives funds.

Scenarios*

Example 1 — Let's assume that on 13 September 2016 you decide to invest HUF 750,000 in a derivatives fund, and thus purchase 979,511 investment fund shares at a price of HUF 0.765688 each. If on 24 February 2020 you decide to redeem your investment fund shares at a price of HUF 1.105314 each, you will realise a profit of HUF 332,667 on your investment ([HUF 1.105314 - HUF 0.765688 HUF] x 979,511 units).

Example 2 — Let's assume that on 1 February 2016 you decide to invest HUF 1,500,000 in a derivatives fund, and thus purchase 1,312,901 investment fund shares at a price of HUF 1.142508 each. If on 17 March 2017 you decide to redeem your investment fund shares at a price of HUF 1.022566 each, you will incur a loss of HUF 157,412 on your investment ([HUF 1.022566 - HUF 1.142508 HUF] x 1,312,901 units).

PLEASE NOTE: The examples presented in this document do not show every possible outcome. For easier understanding the examples are simple and do not include any fees, commissions or taxes. They are insufficient to form the basis for an investment decision.

Practical information

- Information for customers: https://www.raiffeisen.hu/maganszemely/megtakaritas-befektetes/befektetesi-tajekoztato
- Product-related descriptions and interpretations: https://www.raiffeisen.hu/treasury-utikalauz
- Information on investment products: https://www.raiffeisen.hu/maganszemely/megtakaritas-befektetes/befektetesi-tajekoztato
- Product-related fees and charges: https://www.raiffeisen.hu/hasznos/kondiciok
- Taxation of investments: http://www.nav.gov.hu/
- Institutional protection: http://www.oba.hu/ and http://www.bva.hu/
- Changes in the prices of financial instruments issued by Raiffeisen Bank Zrt.: https://www.raiffeisen.hu/hasznos/arfolyamok
- Changes in the prices of key products: http://bet.hu/ (Hungarian stock exchange), http://akk.hu/ (Hungarian government securities), http://www.mnb.hu/ (exchange rates)
- In the case of investment funds, no EHM (standardised rate of return on securities) is calculated.

Other information

- Depending on the nature of the given product, investments are exposed to various risks, including the possible loss of the capital invested. No reliable conclusions can be drawn from historical data or information regarding future returns, changes or performance.
- The risk of a financial instrument made up of more than one component may exceed the sum of the risks of the individual components.
- Conversion between different currencies may affect the result achievable.
- Any tax consequence related to an investment product may only be assessed on the basis of the Customer's individual conditions, and may change in the future as a function of changes in legislation.
- This document is intended for information purposes, and should not be construed as an offer to buy or sell any investment product or service or as investment or tax advice by Raiffeisen Bank Zrt. Consequently, before making an investment decision, please consider the appropriateness of the investment in light of your own goals, needs, financial position and the risks involved.