1. Very low risk product

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Product brochure

Money market and the liquidity fund

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.

Liquidity funds are the least risky type of investment funds. They primarily keep their assets in short-term bank deposits, and to smaller extent in discount Treasury bills and other government securities. The average maturity of the investments typically does not exceed three months. Liquidity funds are characterised by the low fluctuation in their yields, and may in some cases feature a capital and yield guarantee.

The money market fund's objective is to achieve yields in excess of the yields on short term bank deposits or government securities. Besides bank deposits, the money market fund holds a higher proportion of short maturity discount Treasury bills, central bank bonds and other government securities, and the average residual maturity typically does not exceed one year. The fund manager determines the ratio and average maturity of interest-bearing assets in function of its future interest expectations. Money market funds are characterised by moderate fluctuation in their yields.

When is it recommended?

- If you are looking for a short-term investment vehicle with a yield equal to yields on deposits (liquidity fund) or exceeding them (money market fund), and are willing to take on additional interest rate risk.

Product risk

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

1. Very low-risk product: This category includes financial instruments (e.g. Discounted Treasury Bills, Interest-bearing Treasury Bills, etc.) that typically provide a predetermined return at maturity in addition to the capital invested. Their risk lies mainly in the potential counterparty default risk and – if they are sold before maturity – the volatility of market interest rates. Based on historical data, the possible loss calculated for a one-year period is highly unlikely to exceed 5% 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 making up the basic portfolio may be denominated in different currencies, so the value of these securities expressed in a foreign currency may, when converted into the settlement currency, change depending on the exchange rate fluctuations between the given currencies.
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 money market and the liquidity funds typically invest in interest-bearing instruments with short maturities — of less than one year on average —, this type of risk is moderate in the case of money market funds and low in the case of liquidity funds. If the investment is associated with a capital and a yield guarantee, the fund's risk is even lower. However, the fund's performance may fall short of the yields on short-term deposits and government securities during certain periods.
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 money market funds and low in the case of liquidity funds.

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Scenarios*

Example 1	Let's assume that on 3 December 2016 you decide to invest HUF 10,000,000 in a liquidity fund, and thus purchase 8,989,920 investment fund shares at a price of HUF 1.112357 each. If on 12 February 2017 you decide to redeem your investment fund shares at a price of HUF 1.112979 each, you will realise a profit of HUF 5,592 on your investment ([HUF 1.112979 - HUF 1.112357 HUF] x 8,989,920 units).
Example 2	Let's assume that on 3 February 2016 you decide to invest HUF 1,000,000 in a money market fund, and thus purchase 634,231 investment fund shares at a price of HUF 1.576713 each. If on 24 February 2017 you decide to redeem your investment fund shares at a price of HUF 1.493628 each, you will incur a loss of HUF 52,695 on your investment ([HUF 1.493628 - HUF 1.576713 HUF] x 634,231 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.