

## Investment Fund

Investment funds are among the most popular financial products. Thanks to their extremely wide range of offered products, every investor can find the investment fund that best suits his/her individual needs. They are typically available in small quantities, making them easily accessible to private investors.

### 1. To whom are investment funds recommended?

- Those who entrust their investment decisions to **highly qualified professionals** because they do not have sufficient time and/or expertise to monitor their investments;
- Those who prefer **flexible investment options**. The range of products offered by investment funds offers excellent solutions for the short, medium and long term;
- Those who want to achieve a **favourable return** without tying up, as a well-chosen investment fund gives the customer immediate access to their investment;
- Those looking for **personalised investment opportunities**, as the wide range of products available means that everyone can find the fund that is optimal for them;
- Those who **find security important**. The investment activities of fund managers are governed by law and are subject to ongoing supervision by the fund custodian and the NBH;
- Those who **want to optimise their interest tax liabilities**, as units can be purchased in either a long-term investment account (Long-Term Investment Account) or a pension savings account (NYESZ-R) subject to the legal conditions of the relevant account type.

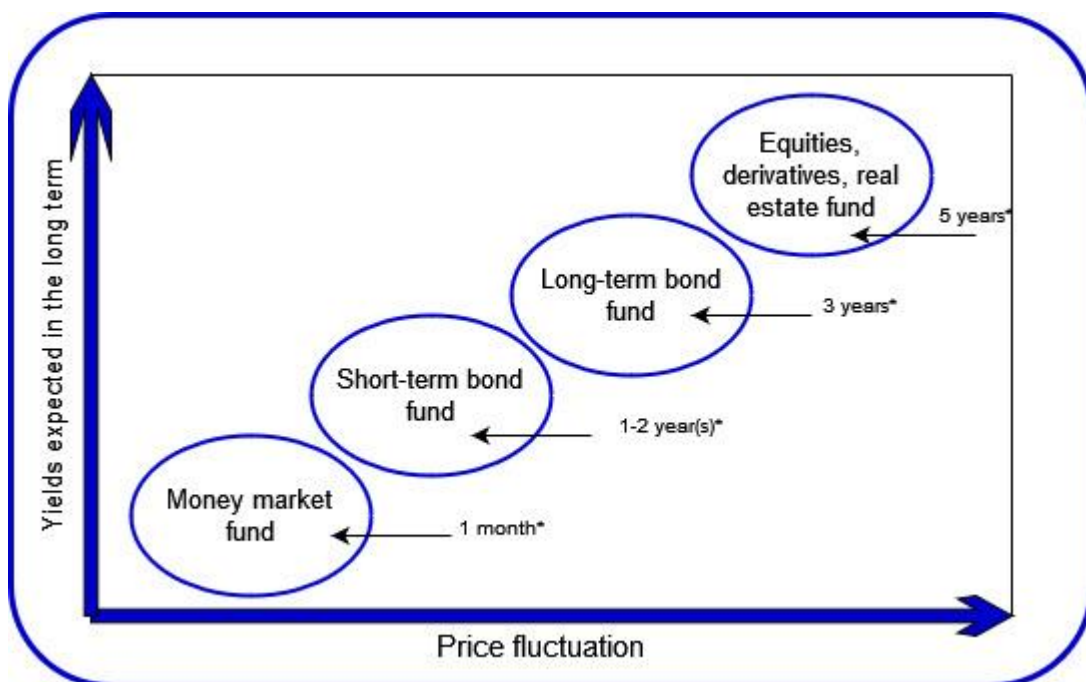
### 2. Definitions

<b>Investment Fund</b>	A pool of assets with legal personality that pools investors' money and thus takes advantage of the resulting capital scale, investing it in a cost-effective and diversified way.
<b>Investment units:</b>	Securities issued by an investment fund which represents the investor's share in that fund.
<b>Net asset value</b>	The market value of the instruments in the portfolio of an investment fund less all costs and liabilities of the fund.
<b>Net asset value per unit</b>	The net asset value divided by the number of traded units gives the net asset value per unit, which is equal to the unit price.
<b>Investment policy</b>	The set of rules of an investment fund that define the fund's investment objective, principles, guidelines on the composition of investments (e.g. how many shares, bonds a portfolio may contain) etc. The investment policy of an investment fund is set out in the Prospectus and Management Regulations.

### 3. Investment funds can be categorised according to various criteria, such as:

- by liquidity: open-end or closed-end funds
- by investment policy: the investment policy determines what the fund invests in. (e.g. real estate, index-linked funds, derivative funds, capital and return guarantee funds, etc.)
- by type of investor: public or closed-end funds
- by maturity: fixed or open-end funds
- by capital protection: funds with or without capital guarantee

### Fund categories of investment funds according to return and risk:



\* Typically the shortest investment horizon is recommended, however, there may be variations within each fund category due to the specialities of the investment policy. Please refer to the relevant fund's Featured Investor Information document for the recommended investment horizon.

#### 4. Risk factors:

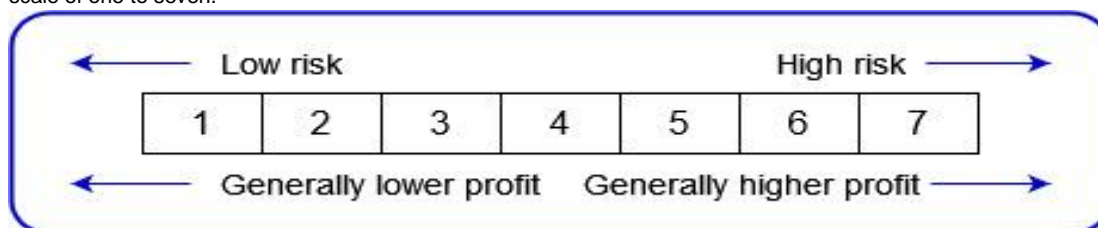
- **risk arising from the political, economic and regulatory environment:** the prices of units may be significantly affected by the effects of the political and economic environment. Such factors include: inflation, the regulatory environment, tax changes, etc.
- **interest rate risk:** this is relevant if the fund's portfolio is dominated by government bonds and bank deposits. A fall or rise in interest rates have an opposite effect on the return, which will be reflected in the price of the fund's assets and hence in the net asset value of the fund.
- **operational risk:** fund managers' activities are carried out by qualified professionals, in compliance with legal and supervisory recommendations. Notwithstanding this, there may be external factors, internal personnel or system-level problems that could affect the fund's performance.
- **credit risk:** in the case of bank deposits and debt securities, the possible bankruptcy or insolvency of financial institutions or issuers could, in extreme cases, lead to a significant fall or even total devaluation of the value of the fund's assets.
- **the risk of not knowing the value of the assets per unit:** when placing an order, whether to buy or sell, the settlement price at which the order will be executed is not known in respect of each fund.
- **valuation risk:** the valuation rules for funds are set by law, but the price of some securities in the fund may be older due to a lack of turnover, which may lead to an undervaluation or overvaluation of the fund's assets, which may also affect the fund's net asset value.
- **liquidity risk**
  - one of the main characteristics of an open-end investment fund is that units may be redeemed on any trading day, which requires adequate liquidity. In extreme cases, large redemptions may necessitate a compulsory sale of the fund's assets, which could result in losses.
  - in the case of a closed-end fund, liquidity is limited. Redemptions during the maturity period may also affect the price of the unit, which may be deeply below the actual value of the fund, depending on the evolution of supply and demand.

- **risk arising from the fluctuation of exchange rates:** in the event that the currency of the fund's assets and its revenue is different from the fund's denomination, the value and return of the fund may be affected by movements in the exchange rate of the currency.
- **loss of capital:** in each case you should keep your investment intentions in mind before selecting a fund. A poorly chosen fixed-term or open-end fund with an investment horizon that is not suited to the customer's needs may result in a loss if redeemed prematurely.

## 5. Important information

- The general economic principle that **higher returns come with higher risk** is also true for investment funds. The risk of a fund is primarily determined by the risk of the fund's assets and the ratio of assets to each other.

The chart in the Featured Investor Information below is intended to illustrate the risk rating of a fund as a function of the realizable return on a scale of one to seven.



- The **past return, performance** of an investment fund is no guarantee for its future performance.
- Before making your investment decision, please find out which financial asset classes the fund you are considering to buy is composed of, as **the performance of a fund depends on the performance and returns of the assets it contains**. Accordingly, the return of an equity fund predominantly reflects the returns of the equity market.
- Expenses incurred in managing the fund (e.g. fund management fees, custodian fees, success fees, auditor fees, etc.) are deducted in the calculation of the net asset value. The investor will have to pay charges directly incurred during trading, which may be a fixed amount or a percentage rate. For certain investment funds, a penalty may be charged in the event of early redemption. For more information on each investment fund, please refer to the trader's Fee Schedule and the Fund's Prospectus and Management Regulations in effect from time to time.
- **Settlement date:** Day T (relevant date) or Day T+n settlement period during which the value of the units purchased is credited in the case of a purchase and the value of the units sold in the case of a redemption, according to the direction of the transaction. Before you place an order, it is advisable to find out the exact cut-off time for the submission of orders for the investment fund on the relevant day. The settlement time of orders placed after this time is extended by one trading day. This information is set out in the Trader's Fee Schedule and the Fund's Prospectus and Management Regulations in effect from time to time.
- Whether or not an investment fund is **capital guaranteed** or capital and return guaranteed is determined by the investment policy of the fund. If capital and/or return guarantee is promised, you should seek information in any case on the time horizon after which the fund's investment policy provides the guarantee before buying the fund.
- In the case of exchange traded funds, redemption of units is usually not at the net asset value per unit on the day. Typically, these prices are deeply **below the real price**, given that these funds are usually closed-end and therefore lack sufficient liquidity. The price of exchange-traded fund units evolves based on the supply and demand on the stock exchange, which can be well below the net asset value per unit.

## 6. Other

Detailed information on the individual investment funds, their operation, performance, investment policy, portfolio composition and costs incurred is available in the following documents: Prospectus and Management Regulations, Featured Investor Information, Annual Report, Half-Yearly Report, Monthly Portfolio Report, Accounting Report.

## 7. Tax information

The yield earned on units and the income earned on redemption or transfer is **interest income** within the meaning of Article 65 of the Personal Income Tax Act. In Hungary, from 1 January 2016 interest income earned is subject to a 15% tax rate, while interest income earned up to 31 December 2015 continues to be subject to 16% tax. If the sale, income or interest payment is arranged through a statutory paying agent, the tax is assessed, deducted and paid by the paying agent on a transaction-by-transaction basis and does not have to be reported by the individual in his/her tax return.

From 1 January 2017, Section 3/A of Act LXVI of 1998 on Health Care Contributions will be repealed. Under the change, the 6 percent health care contribution on interest income will be abolished, so that the 6 percent health contribution will not be deducted from interest income credited after 31.12.2016.

The above rules also apply to **non-resident individual** investors, with the difference that in possession of a certificate of residence issued by the foreign state in which the individual is resident for tax purposes, the paying agent determines the tax deduction liability and the tax rate on the basis of double taxation treaty, or, failing this, in accordance with the provisions of the Personal Income Tax Act. In addition, in the case of a foreign individual whose state of residence does not have a double taxation treaty with Hungary, the organisation that is deemed to be the paying agent under the law must deduct 15% tax on the interest income.

In the case of an investment under a long-term investment contract with an investment service provider pursuant to the provisions of the Personal Income Tax Act in effect at the time of the preparation of this Product Information, the investor may apply the preferential tax rules provided for by the Act under the conditions set out in the Personal Income Tax Act. In addition, it is also possible, subject to compliance with the conditions laid down by law, to place investment units in a pension savings account.

For more information on the pension savings account scheme, its advantages and tax features, please visit our website ([http://ersteinvestment.hu/hu/erste\\_nyugdijjelotakarekossagi\\_szamla.html](http://ersteinvestment.hu/hu/erste_nyugdijjelotakarekossagi_szamla.html)).

Investment units can also be bought in a Long-Term Investment Account. For more information on the Long-Term Investment Account, its advantages and tax features, please visit our website ([http://ersteinvestment.hu/hu/erste\\_tbsz.html](http://ersteinvestment.hu/hu/erste_tbsz.html)).

The tax information is not exhaustive. Before making your decision, please check out the information in detail on the legal conditions for interest income, long-term investment accounts (TBSZ), pension savings accounts (NYESZ-R) and other taxation issues (including the case where the transaction is not concluded through an investment service provider) and consult your tax advisor as the tax conditions and the choice of a scheme for the Long-Term Investment Account can only be weighed on the basis of the investor's individual circumstances. Tax laws and their interpretation may change and Erste Befektetési Zrt. cannot be held liable for the consequences thereof.

## 8. Further Conditions

The information contained in this document is not exhaustive and Erste Befektetési Zrt. reserves the right to make changes.

The content of this document does not constitute an investment offer, an invitation or solicitation to make an offer, investment advice or tax advice. It is intended solely to provide investors with certain specific information about the Investment Loan to assist them in obtaining sufficient information about this form of investment prior to entering into a transaction.

Further information on the Investment Loan is also contained in our **Terms and Conditions of Business** and our notices, which are available on the website of Erste Befektetési Zrt. ([www.ersteinvestment.hu](http://www.ersteinvestment.hu)).

Please contact our staff and they are happy to help you if you need further information on this product or service in addition to the above in order to make a prudent investment decision. We also ask you to carefully consider the object of your investment, its risk, its charges, the fees and charges related to the management of your account and the losses that may result from your investment before making your investment decision.