

## 5. Increased risk product



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# Product brochure

## Real estate 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.

By purchasing investment fund shares in the real estate fund, investors acquire a "portfolio" covering various segments of the real estate market, and are thus able to achieve the same yield as an individual investor investing in a single segment of the real estate market, but with lower risk. The fund manager's main task is to select the best investments for the fund and rent them out to achieve the highest profit for the fund's investors. The distinction is made between real estate developer and real estate selling funds. The former are involved in the construction of real estate assets, while the latter deal in sales and rental of completed real estate assets. The fund's assets not invested in real estate are kept in liquid instruments (bank deposits, government securities). In case of real estate funds, when making an investment decision — due to the limited liquidity of real estate —, the terms and conditions for trading investment fund shares (redemption options, suspension of trading, etc.), specified in the fund's management policy, must be particularly into particular consideration.

### When is it recommended?

- If you are looking for a long-term investment vehicle with a higher yield than government securities, and are willing to take on additional liquidity risk alongside real estate market risk.

### Product risk

1. VERY LOW	2. LOW	3. MODERATE	4. MEDIUM	5. INCREASED	6. HIGH	7. EXTREMELY
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**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 making up the basic portfolio and the revenues arising from the utilization or sale of the real estate owned by the fund, and any related expenditures may be denominated in different currencies, so the value of these securities or real estate expressed in a foreign currency may, when converted into the settlement currency, change depending on the exchange rate fluctuations between the given currencies.
Real estate market risk	The payback period for real estate purchase prices is relatively long, therefore investing in real estate should only be done in the long run. The real estate market typically moves in cycles of several years which may differ from the cycles of other economic sectors, in other words the yields that may be realized on the real estate market do not necessarily coincide with developments in yields on alternative investment instruments.
The risk of the secondary trading of investment fund shares	In the case of open-ended real estate funds, the trade/redemption of investment fund shares may be suspended in the cases defined in the law or the management policy. The investment fund shares of close ended funds may be freely transferred on the stock exchange with the involvement of the investment service provider during the term of the fund (secondary trading). The price of investment fund shares in the context of secondary trading is defined by the prevailing supply and demand, therefore the price on bid and offer transactions may diverge substantially from the net instrument value per investment fund share valid on a specific day.
Liquidity risk	Selling the elements of the portfolio — particularly real estate and longer-maturity securities — or investing the real estate 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 and real estate markets becomes insufficient from time to time due to a relatively small number of participants and ample supply. In addition, the price of securities and real estate may be strongly shaped by highly volatile market supply and demand.

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### Scenarios\*

- Example 1 Let's assume that on 12 January 2016 you decide to invest HUF 1,000,000 in a domestic real estate fund, and thus purchase 403,939 investment fund shares at a price of HUF 2.475623 each. If on 24 February 2020 you decide to redeem your investment fund shares at a price of HUF 3.125417 each, you will realise a profit of HUF 262,477 on your investment  $([HUF\ 3.125417 - HUF\ 2.475623\ HUF] \times 403,939\ units)$ .
- Example 2 Let's assume that on 21 April 2016 you decide to invest HUF 2,000,000 in a domestic real estate development fund, and thus purchase 1,268,462 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 1.575543 each, you will incur a loss of HUF 1,484 on your investment  $([HUF\ 1.575543 - HUF\ 1.576713\ HUF] \times 1,268,462\ units)$ .

**\*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.