

**Asset class: Traditional investment funds
(excluding alternative investments)
Educational document for clients**

Banque Bordier & Cie SCmA

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*This educational document provides a simple overview of collective investments (investment funds) as collective investment vehicles and their risks, which mainly enable investment in traditional financial instruments (equities, bonds, money market instruments, listed real estate). It is intended for clients without financial expertise **and is not a substitute for a KID or an official prospectus.***

This fact sheet does not cover hedge funds, private equity, unlisted real estate, commodities or structured products. These asset classes are covered in separate educational fact sheets due to their specific characteristics (liquidity, horizon, risks, regulatory framework).

1. Introduction

Investment funds have become an essential tool for investors seeking professional management, portfolio diversification and exposure to markets or strategies that are sometimes inaccessible to individual investors. This document aims to support our clients in understanding this asset class by explaining its characteristics, advantages, risks and role in building a balanced allocation.

2. What is an investment fund?

An investment fund is a legal structure that pools the capital of several investors in order to manage it collectively, according to a defined investment policy. The portfolio may be diversified across several asset classes (equities, bonds, real estate, etc.), concentrated in a particular sector, region or strategy, and managed actively or passively. Funds can be open-ended (subscription and redemption possible at any time) or closed-ended (fixed capital, often invested in illiquid assets).

The management of this portfolio is entrusted to a professional management company, which applies a defined investment strategy (e.g. cautious, balanced or dynamic). Investors hold units in the fund in proportion to the capital invested: the value of their units changes in line with the overall performance of the portfolio.

3. Main characteristics of investment funds

The legal form of a fund depends on the regulations of its country of domicile: SICAV, mutual fund, unit trust, etc. Funds are highly regulated to protect investors, and only authorised providers may perform key functions (management, custody, administration). Funds may be intended for the general public or for qualified investors, and may be structured into sub-funds or classes, allowing for great flexibility in management and distribution.

Key factors to consider include the following:

- **Net Asset Value (NAV):** this is the price of a fund unit, calculated by dividing the total value of the portfolio by the number of units in circulation. It forms the basis for subscriptions and redemptions.
- **Investment strategy:** each fund defines a clear policy (equities, bonds, real estate, mixed, alternative, etc.) that determines its return and risk profile.
- **Management fees and commissions:** fees are charged to remunerate the management company and cover the costs associated with administering the fund. They have a direct impact on the net performance for the investor.
- **Liquidity:** depending on the type of fund, the frequency of subscriptions and redemptions varies (daily for open-ended funds, more limited for real estate or alternative funds).
- **Regulatory framework:** There are different regulatory frameworks depending on the legal domicile of the funds. These can vary greatly and have different implications. In Switzerland, for example, funds are subject to strict regulations under CISA/CISO. In particular, they must provide standardised documentation (prospectus, Key Information Document (KID)). This ensures that investors receive clear information about the risks, costs and objectives of the fund.

4. Objective of investment funds

Investment funds enable investors to benefit from professional management, access specialised markets or managers, and pool costs and risks. They play a major role in financing the economy and offer added value in terms of diversification and access to a variety of strategies.

5. What are the different types of investment funds?

Investment funds come in different forms and asset classes: equity funds, bond funds, mixed funds, real estate funds, alternative funds, and index funds (including ETFs and other index-tracking funds).

- **Equity funds**

These funds invest primarily in shares of publicly traded companies. They offer high long-term return potential but are exposed to significant volatility depending on stock market conditions.
- **Bond funds**

These funds invest most of their capital in bonds (sovereign or corporate). They generally offer regular income (coupons) and present a lower risk than equity funds, although they are sensitive to interest rate fluctuations and issuer risk.
- **Mixed (or balanced) funds**

These combine several asset classes (equities, bonds, cash, and sometimes real estate) in order to diversify the portfolio and balance return and risk. They are suitable for investors looking for an "all-in-one" solution.

- **Listed real estate funds** These funds invest directly or indirectly in real estate (residential, commercial, infrastructure). They allow investors to participate in the real estate market without having to purchase property themselves, while generating regular income (rent). When these funds are not private investments, they are often structured as exchange-listed vehicles, the share price of which is influenced by supply and demand in addition to the valuation of the fund's underlying assets.
- **Index funds (ETFs or Mutual Funds)** These are publicly traded funds that track the performance of an index (e.g. SMI, S&P 500). They offer good transparency, low fees and high liquidity, as they are traded like shares.

Funds investing in alternative or private assets are deliberately excluded from this fact sheet.

6. The main players in an investment fund

An investment fund brings together several parties: the management company (fund management), the asset manager, the custodian bank, the administrator, distributors, auditors, and supervisory authorities. The fund's assets are segregated from the assets of the institutions that manage it, providing protection in the event of bankruptcy. Depending on the legal form, the investor may be a creditor (contractual fund) or a shareholder (SICAV), with economic and membership rights.

7. Return structure of an investment fund

The return on an investment fund comes from the increase in NAV (capital gains, undistributed income) and distributed income (dividends, interest, rent). Management, performance and operating costs reduce the net return. The Total Expense Ratio (TER) provides information on the weight of costs in the fund's assets.

8. Risk structure of an investment fund

Investing in this type of asset involves several sources of risk that it is important to be aware of before making any decisions. The main risks to which an investor may be exposed are as follows:

- **Market risk:** the net asset value of a fund fluctuates in line with changes in the underlying assets (equities, bonds, real estate, etc.) and general economic conditions.
- **Liquidity risk (suspension of redemptions):** some funds may temporarily restrict or suspend redemptions during periods of crisis, limiting the investor's ability to recover their capital quickly. However, this measure is mainly used to avoid forced sales in panic conditions, which would be detrimental to investors.
- **Concentration risk:** a fund may be heavily exposed to a particular sector, geographical region or small number of issuers, which increases the portfolio's vulnerability to specific events.

- **Currency risk:** if the fund invests in assets denominated in a currency other than that of the investor, exchange rate fluctuations may affect the final performance.
- **Fund manager risk:** the quality of management plays a key role. Poor stock selection, an inadequate strategy or excessive fees can adversely affect the fund's performance.

Each risk can be mitigated through diversification, careful selection of funds and providers, and the use of appropriate hedging tools.

9. Main advantages and disadvantages

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Immediate diversification ▪ Professional management ▪ Access to a wide range of markets ▪ Regulatory oversight 	<ul style="list-style-type: none"> ▪ Management fees can sometimes be high ▪ Less direct control for the investor ▪ Risk of underperformance relative to the market ▪ Can become illiquid during periods of crisis

The above is a summary and non-exhaustive presentation of the main advantages and disadvantages of investment funds.

10. How to invest in investment funds

Investments are made by subscribing to open-ended funds or purchasing units in listed closed-ended funds. The essential documents (prospectus, KID, annual report, marketing documentation) are available free of charge and enable investors to analyse the characteristics, risks and performance of the fund.

11. How to redeem a share in an investment fund

The redemption of units depends on the type of fund: redemption at NAV for open-ended funds, sale on the secondary market for listed closed-ended funds, or according to the terms set out in the prospectus for other types of funds. The liquidity of units may vary depending on the nature of the assets and the structure of the fund.

12. Bordier's investment fund offering

Bordier & Cie offers its clients a carefully selected range of open-ended funds (actively managed and passive), closed-ended funds (private equity, real estate), and personalised support in choosing solutions tailored to their wealth management objectives; the specific features of these investments are outlined in dedicated educational materials.

Our approach focuses on quality, diversification and risk management.

13. Important information

This document is provided for informational and educational purposes only and does not constitute personalised financial advice. Nor should it be construed as advertising material or an offer of financial instruments. The content presented is neither exhaustive nor intended to cover all the characteristics and risks associated with the relevant category of financial instruments.

This information is intended to provide a factual overview and should not be used as the sole basis for investment decisions. Past performance is not indicative of future results, and the value of investments may fall as well as rise.

For general information on financial instruments, please refer to the Swiss Bankers Association's brochure entitled 'Risks inherent in trading in financial instruments', available on our website under the heading Legal & Compliance, Switzerland, FINSA, Guidelines Risks Involved in Trading Financial Instruments (published by SBA): <https://www.bordier.com/legal-and-compliance/switzerland/finsa/>.

If, for the relevant type of financial instrument, a key information document (KID) or a prospectus has been drawn up in accordance with the applicable legal provisions, these documents can be viewed and downloaded from our website under the heading Legal & Compliance, Switzerland, FINSA, Key Information Document (KID), at the following address: <https://www.bordier.com/legal-and-compliance/key-information-documents-kids/>

Before making any investment decision, investors are advised to carry out their own checks and carefully assess the potential risks. It is strongly recommended that they seek the assistance of a qualified financial adviser. The relationship manager is available to provide, upon request, any further information and to supply the relevant documentation. The Bank accepts no liability for decisions made on the basis of the information provided in this document.

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