AVADIS

# Information sheet on investment principles

## Investment fund

An investment fund allows the investor to invest small sums in a wide range of securities, thereby diversifying the investment risk. A major emphasis is placed here on investor protection: Investment funds count as special assets and are settled separately in the event of the insolvency of the fund management company or custodian bank. All fund service providers are subject to strict supervision by the Swiss Financial Market Supervisory Authority (FINMA). Asset management is conducted professionally and transparently.

## Composition of the strategy funds

### *Equities (contained in the equities, aggressive, growth, balanced and defensive strategies)*

By purchasing an equity one becomes a shareholder of a company and accordingly possesses a share of the corporate assets. The value of the equity therefore depends directly on the corporate success. This is measured among other things on the basis of the company value and future development potential of the company. As well as corporate risks, the general stock market development as well as supply and demand play a role here. Equities entail greater fluctuation than bonds but their earnings potential is also higher.

### *Bonds (contained in the bonds, defensive, balanced, growth and aggressive strategies)*

If a company or country requires capital, it can borrow this on the financial market. In return, it normally pays the creditor an annual interest rate for the duration of the loan. At the end of the loan period the money is repaid. The interest payment and repayment depend strongly on the debtor’s ability to pay. The ability to pay (creditworthiness) is assessed and categorised by rating agencies. As well as creditworthiness, the general interest rate level, duration and supply and demand also play an important role for the pricing of a bond. If you sell a bond before it reaches maturity, you will not receive the original sum back but the current market value. Bonds are therefore also subject to value fluctuations. Falling interest rates result in rising bond prices (increasing returns on bond funds) and rising interest rates result in falling bond prices (decreasing returns on bond funds). While bonds essentially entail fewer risks than equities, their earnings potential is also lower.

### *Time deposits (contained in the stable strategy)*

Time deposits are bonds with a very short term to maturity (maximum of one year). Owing to their short term, time deposits pose a lower default risk than bonds with a longer term to maturity.

## Risk/return

The principle is that the greater the risk is, the greater are both the earnings potential and risk of loss. Equities fundamentally pose a greater risk than bonds. Bonds pose a greater risk than time deposits. An important indicator for assessing the risk is the fluctuation margin of the annual returns. High-risk investment strategies should only be selected if the risk can also be borne.

## Strategy selection

### *Investing money on a short-term or long-term basis*

A long-term investment horizon generally allows the investor to take on a greater risk. A strategy with lower risks is better in the case of a short-term investment horizon.

### *Bearable loss*

An investor must expect years with negative returns and still be able to sleep at night. He should not be influenced by current returns but always also take into account the possible loss potential when making his selection.

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