

Leveraged Investments

September 2011

Product Fact Sheet



JYSKE GLOBAL
ASSET MANAGEMENT

Description

Leverage is simply borrowing money to invest with the goal to excel your return. Financial theory tells us that by leveraging you can obtain an even higher return for a given level of risk. With leveraged investment you take out a loan with the custodian bank based on your own capital held with your custodian bank. The loan is normally valid for a number of years. You will pay interest on the loan (only on the drawn amount) at the current market rate. The proceeds from the loan plus your own capital will be invested into one of JGAM's Managed Portfolios. The available Managed Portfolio and the degree of leverage will depend on your risk profile. Investment decisions including the degree of leverage are taken by JGAM's Investment Committee and reports on investment decisions are published on JGAM's website.

Risk profiles

Before setting up a leveraged investment, we need to know and understand your financial expectations, like when you invest in our non-leveraged portfolios. It is important that your risk profile allow for a leveraged investment. JGAM only allow clients with a risk profile of medium risk or higher to leverage a portfolio. The risk profile is reviewed at least annually.

It is important to stress that leveraged investments are very risky. You risk losing all your own capital if securities or currencies you are invested in fall in price or loan currencies rise in value. A price fall will reduce the collateral value of your portfolio and your custodian bank will ask for additional collateral (i.e. more of your own capital) or sell your securities and use the proceeds to cover the loan.

Asset Classes and funding

Leveraged Asset Allocation Portfolios operate with four asset classes: Fixed Income, Equities, Alternatives and Cash. Your risk profile determines the mix of asset classes in the portfolio. For further information see the fact sheet on Managed Asset Allocation Portfolios. Leveraged Foreign Exchange Portfolios operate with only two asset classes: Fixed Income (foreign currencies) and Cash (USD). For further information see the fact sheet on Managed FX Portfolios. The funding of the loan can be in any currency available with the custodian bank. Both funding currencies and degree of leverage is decided by JGAM's Investment Committee.

Performance

The leveraged portfolios are monitored daily by JGAM's portfolio managers. Furthermore, every month you receive a performance report on your portfolio. The performance is compared to a benchmark relevant for your specific portfolio and degree of leverage.

Price

JGAM fees are paid according to JGAM's Fee Schedule.

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Investments on the basis of this publication are subject to risk. The price of and return on securities may fall as well as rise. Past performance is not a guide to the future, and investors may not get back the full amount invested. The price of emerging-market securities can be extremely volatile.

When an investment is denominated in a currency other than the investor's base currency, the investor must be warned that changes in exchange rates may have an adverse effect on the value and price of or return on an investment.

Bond investment involves risk. Many factors, including the country’s credit quality, willingness to pay, liquidity, social conditions and economic developments may affect the price of a bond. Indirect factors may also affect the price of a bond, for instance global economic factors, global risk tolerance and geopolitical risks.

Equity investments are associated with risk. Movements in the equity market, the sector and/or news flow, etc. regarding the company may affect the price of the equity. In connection with an ADR or similar papers, the foreign exchange risk exists relative to the currency in which the underlying equity trades.

Alternative investments (including commodity investments) involve risk. Movements in the credit market, the sector and/or the news flow, etc. regarding the issuer may affect the price of an alternative investment.

Leveraged investments are very risky, exposed to all the above mentioned factors as well as a fall in the value of collaterals combined with an increase in the value of the loan currencies. Leveraged investments are only recommended for investors with a suitable risk profile.

All of the above mentioned risk factors should not be regarded as exhaustive.