Managed Foreign Exchange Portfolios

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Product Fact Sheet

JYSKE GLOBAL
ASSET MANAGEMENT

Description

Managed Foreign Exchange (FX) Portfolios are portfolios on which the client has given JGAM power of attorney to invest the client's funds in currencies and according to the client's risk profile. Investment decisions are taken by JGAM's Investment Committee and reports on investment decisions are published on JGAM's website. FX Portfolios are available both leveraged and unleveraged. The minimum requirement for a Managed FX Portfolio is USD 100,000 (own capital).

Risk profiles

Available to clients with all risk profiles. The risk profile is determined between the client and the portfolio manager. The risk profile is reviewed at least annually.

Asset Classes

Managed FX Portfolios will invest in currencies using currency cash accounts. As Managed FX only invest in currencies, it should be used as a supplement to portfolios spread across other asset classes.

Leverage

Low Risk profiles cannot take advantage of leverage. However, Medium, High and Speculative Risk profiles may leverage the portfolio. Medium Risk profiles may use up to one times leverage, High Risk profiles may use up to two times leverage and Speculative profiles may use up to four times leverage. As JGAM only use cash accounts the leverage option may also be used to go long the US dollar (USD) by shortening a currency through a loan depositing the proceeds in an USD account (long position). The leverage will be obtained through a loan with the client's custodian bank. It is important to stress that leveraged investments are very risky. You risk losing all your own capital if assets 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 assets to cover the loan.

Performance

Every month the client receives a performance report on the portfolio. The performance is compared to a benchmark relevant for the client's risk profile.

Investment Strategy

The Managed FX Portfolios will invest in currency pairs with the limitation that one pair position shall maximum constitute 25% of the investable funds (i.e. the capital the client bring plus loan) at the time JGAM take the position (initial investment). According to the so called Interest Rate Parity (IRP) investing in foreign currencies does not give an extra return compared to a money market placement in your base currency if markets are believed to be efficient with rational investors. We believe however that markets are not always efficient and investors not always rational and therefore we expect to be able to make a profit by investing in currency pairs where we think the IRP hypothesis will not be fulfilled in a given period of time. When we make the investment in a chosen currency pair we will use a pre-defined stop loss and may adjust the stop according to the developments in the currency pair (trailing stop). As the strategy will be based on arbitrage opportunities the Managed FX Portfolios may have opposite positions to the Managed Asset Allocation Portfolios which typically have a more long-term view.

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.