



Funds without capital protection

Funds are popular products in Belgium. They offer certain advantages to less experienced savers and investors. But do you know what a fund is?

One big pot

Everyone talks about “funds” or “investment funds”. But this general term conceals some important differences. Most funds are Undertakings for Collective Investment (UCI). Each UCI can be considered as an undertaking in its own right and is often set up by a bank. The aim is to bring many investors’ savings together in one big pot. For each fund, managers invest the capital thus collected according to a predefined strategy and conditions. Investment products in which the manager can invest are shares, bonds, derivatives, property, etc. Often, the manager invests in a combination of these products.

As soon as you know which fund you want to invest in, you can purchase shares (or units) in it. Depending on the sum you wish to invest, you can purchase a certain number of shares in the fund. Imagine that the fund closes at the end of the day with a value of 200 euros per share and you want to invest 5,000 euros: in this case, you receive 25 shares from the fund (excluding fees).

A yearly dividend or not?

Certain funds distribute their returns yearly, others do not. If you invest in **income shares**, you receive a yearly dividend. This dividend is made up of the income realised by the fund, less the fees it incurred. This income can come from the dividends of shares, but also from interest on bonds, capital gains, etc.

If you opt for **accumulation shares**, you do not receive a dividend. These funds reinvest their yearly income which is incorporated into the value of the fund. You receive it when you sell your shares.

With or without redemption date

Certain funds have a due date. On this date, the fund no longer exists. Investors who invested in it are then reimbursed. Precisely how much they receive depends on the value of the investment products in which the fund had invested by the due date.

In the case of a fund without a due date, you can decide on the right moment for you to leave the fund.

Main fees and taxes

- **Entry fees** are the only fees to pay when buying shares in a fund. They are generally expressed as a percentage of the capital you invest. Most funds charge from 2% to 3%. If you purchase 15,000 euros of shares in a fund and entry fees are 3%, your banker or financial intermediary will therefore retain 450 euros of the amount invested as entry fees.
- **Management fees** are recurrent yearly charges. On average, they are situated between 1% and 2% but they can be higher for funds where the manager is very active. You do not need to pay these fees at the time of purchasing the fund: they are deducted from returns on the fund each year.

- You hold shares in a fund with a due date and you want to recover your money or a part of it before the due date? In this case, you will have to pay **exit fees**. These are expressed as a percentage of the amount that you claim before the due date.
- You must also pay **stock exchange tax** when you sell shares of certain funds. Ask your banker or financial intermediary when you should pay this tax.

Risks

Each fund is assigned a **risk category** varying from 1 to 7, which indicates the market risk. This shows the risk of variations in the value of financial instruments (shares, bonds, etc.) in which the fund invests.

These variations can occur following changes in currencies, strong fluctuations in interest rates and/or stock exchange prices in general. Funds associated with a high market risk are assigned a category 6 or 7. Funds associated with a weak market risk are assigned a lower category 1 or 2. The risk category is reassessed regularly. For other risks associated with funds, consult the prospectus and the Key Investor Information Document.

Test your knowledge on funds

Did you know...?

- ❖ An investment fund is like a "common pot". Thousands of investors put money into it, which is subsequently invested by specialists in shares, bonds, real estate, cash, etc.
- ❖ An investment fund allows you to invest in a highly diversified way.
- ❖ Fund managers must issue regular reports on performance. These reports may be consulted on our website or at your branch.
- ❖ You can choose between an accumulation package and a distribution package.
- ❖ Income from funds is liable to withholding tax.
- ❖ Apart from a possible coupon or dividend, you also have a right to capital gains if the fund performs well.
- ❖ Investing in an investment fund results in the collection of fees.

Like to know more about funds?

Go to www.wikifin.be or consult our Financial Instruments Information Brochure on our website www.bnpparibasfortis.be/saveandinvest > MiFID > Like to know more about MiFID?

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