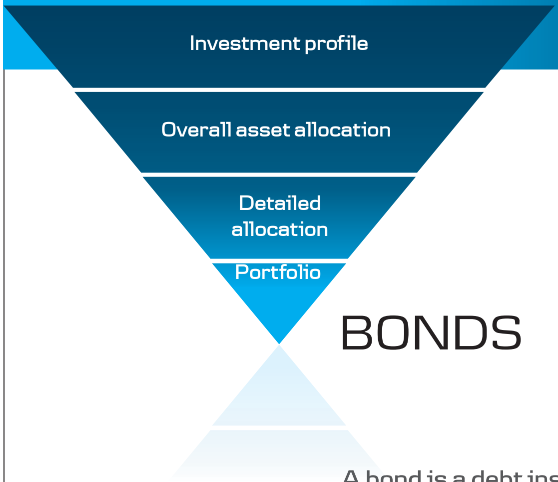

BONDS

A bond is a debt instrument where the issuer (the borrower) is obligated to pay fixed or floating interest rate and the principal during a fixed period of time. The return of a bond is made up of interest calculated on the basis of the bond's nominal value and of capital gains/losses.

The value of a bond is determined by the market interest rate. If the market rate increases, the bond price decreases depending on the price sensitivity of the bond. The degree of price sensitivity primarily depends on whether the bond has a short or a long term to maturity. The longer the term to maturity, the more sensitive the bond price to changes in the market interest rate.

RETURN

In terms of value, bonds often constitute the stable part of a securities portfolio. On the other hand, the expected return on bonds is typically relatively low compared to other asset classes. Bonds can be found in many different variations rendering them suitable for most investors' profiles in terms of investment horizon and attitude to risk.

RISK

Bond investments entail three overall types of risk:

- The market rate of interest increases – this implies that the bond price decreases (Interest rate risk)
- The issuer is unable to pay interest/principal (Credit/Default risk)
- The currency in which the bond is denominated decreases compared to the reference currency of the portfolio – this implies that the bond value decreases (Currency risk)

Government bonds

One of the most secure bonds in which investors can invest is a bond issued by the local government. There is no currency risk, and the risk that e.g. Denmark will be unable to meet its repayment obligations is minimal.

Mortgage bonds

Danish mortgage bonds, which are secured against recorded mortgage on real property are also highly secure bonds. Danish mortgage bonds are usually issued in Danish kroner, and therefore there is no currency risk associated with these investments for a local Danish investor.

Corporate/credit bonds

Today it has become common that large companies issue bonds when they need to raise capital. Corporate/credit bonds normally provide a higher return than those on government and mortgage credit bonds, since the credit/default risk typically is higher. Even though the company ends up paying back the principal at maturity, the bond may experience great price fluctuation during its term to maturity, if the company runs into financial difficulties or the market is struck by a financial crisis.

Currency

Trading in bonds issued in a foreign currency is associated with a currency risk - as opposed to trading in bonds issued in local currency. Changes in the exchange rate may affect the overall bond return either positively or negatively. Please note that the price development of global government bonds may be affected by the individual countries' economics and political stability.

Credit rating

The credit/default risk is typically assessed by rating agencies in order to indicate the quality of the individual bonds. Standard & Poor's, Moody's and Fitch are three independent agencies who make such credit ratings.

The rating, which is dynamic over time, consists of letter codes, which is an express of the agency's rating of the company's ability to pay back its debts.

Bonds are generally divided into two primary categories. The "secure" bonds are referred to as "Investment Grade" bonds, and the "less secure" bonds are referred to as "Speculative Grade" or "High Yield" bonds.

LIQUIDITY RISK

Bonds within this category are highly liquid and continuously priced in the market. If the issuer experience financial difficulties or the market is struck by e.g. financial crisis, the bond may, however, be difficult to sell.

INVESTMENT FUNDS

If you invest in bonds via investment funds you obtain the same characteristics as those associated with investing in similar individual bonds. However, you obtain a more efficient diversification and ongoing management of your investments.

YOUR RESPONSIBILITY AS INVESTOR

How your portfolio is complied is based on your risk tolerance and investment horizon in your investment profile. In the event that you experience a lack of clarity as to the composition of your portfolio or elements of it, it is important that you request more information from your advisor.