

‘Funds in Focus’

Bank Julius Baer & Co. Ltd., Funds Secondary Trading

SIX Swiss Exchange’s Sponsored Funds trading segment provides continuous pricing information, delivering up-to-date mark-to-market prices for traditional investment funds and thus guaranteeing the same degree of ongoing tradability as for equities and exchange-traded funds (ETFs).

Published on a regular basis, the new ‘Funds in Focus’ series will take a closer look at a different topical investment theme in each issue, including a list of sponsored funds that relate to the given theme. First under the ‘Funds in Focus’ spotlight are gold mine funds, which have seen renewed interest from investors over the past twelve months.

Gold mine funds use their assets to buy shares in companies primarily involved in gold mining. Some products also invest in shares in companies whose business activities involve other precious metals, minerals, base metals and mining in general.

The Key Investor Information Document, or KIID, contains the most important details of a fund. Among other things, it is designed to provide investors with a meaningful indication of the fund’s general risk/return profile. This synthetic indicator (in full: synthetic risk and reward indicator, or SRRRI) is based on the volatility of the fund’s weekly or monthly returns over the past five years. A collective investment scheme is assigned a value from 1 to 7 depending on the volatility calculated in this way.

Risk/ return profile						
Lower risk						Higher risk
Typically lower returns					Typically higher returns	
						
1	2	3	4	5	6	7

Most gold mine funds have a rating of 7 – indicating typically higher returns with a higher level of risk – due to their historical fluctuations in value. Mining stocks generate returns that experience above-average fluctuations compared with other equities. Prompt order execution helps guard against unexpected price action. As with equities, using a limit order with a price limit is also a simple and effective way to execute an order at a fixed or, in some cases, a better price.

SIX Swiss Exchange’s Sponsored Funds trading segment enables investors to apply this kind of risk management approach to their gold mine funds. Primary trading – i.e. when the issuer issues and redeems fund units – is exposed to an increased and frequently underestimated market fluctuation risk resulting from terms of acceptance and the time lag in calculating the net asset value (NAV). This heightened risk is significantly lower on the secondary market – continuous trading directly on the stock exchange – because investment decisions can be implemented immediately and at current prices. Price limits and corresponding validity periods can also be set on the stock exchange. The gold mine funds that can be traded in the Sponsored Funds trading segment are listed below.

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The fund specialists at Bank Julius Baer handle the market making of traditional investment funds.