DANMARKS NATIONALBANK

3 MAY 2019

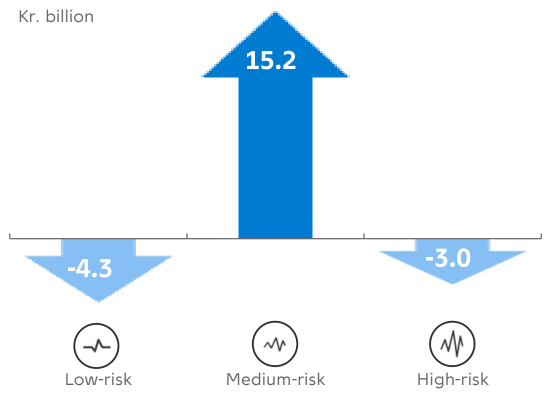
INVESTMENT FUNDS, 1ST QUARTER 2019

# Danes pursuit medium risk investments

Danish private investors primarily choose medium-risk when investing through investment funds[1]. Since the beginning of 2018, Danes' net investments in these funds total kr. 15.2 billion. Conversely, they sold either low- or high-risk investment fund shares for a total of kr. 7.3 billion over the same period.

The development, in particular, reflects that mixed investment funds, which invest widely in both equity and bonds, have become increasingly popular among Danish investors. Mixed funds are typically associated with medium risk, among other things, because a portfolio composed of both shares and bonds spreads the risks. In addition, Danes are increasingly transitioning from high-risk equity funds towards actively or passively managed medium-risk funds. The passively managed funds still only account for a limited share of equity funds, however, this share has been increasing over time (*link*). At the same time, Danes also sell their shares in bond investment funds in the low-risk category.

**Danes have invested in funds with medium risk since 2018**




Note: Net transactions in Danish UCITS, i.e. the part of the sector which is regulated by the order "Bekendtgørelse af lov om investeringsforeninger mv.".

It is a new situation that mixed funds attract the majority of Danes' new investments in funds. Previously, bond investment funds were Danes' favourite and consequently account for 43 per cent of the invested wealth. Next, equity funds account for 33 per cent, and finally mixed funds for 22 per cent of the total wealth in investment funds[2]. The investors' pursuit of medium-risk and mixed funds can, among other things, be motivated by historically low returns from low-risk bond investments, along with large price volatility on stock markets.

The rally on the global stock markets in the first quarter of this year reversed the tide for many investors, following a bad year in 2018 (*link*). In the first quarter of 2019, medium-risk funds gave investors an average return of 6.3 per cent. By comparison, low- and high-risk investment funds gave a return of 0.9 and 9.9 per cent, respectively. The realised return must be seen in the light of the investors' risk: With higher risk follow both the chance of greater returns and the risk of greater losses.

CLICK HERE FOR FURTHER INFORMATION

[1] The classification of the risk classes is based on the synthetic risk indicator (SRRI) and is measured on a scale of 1 (lowest) to 7 (highest). The "low-risk" categorization covers risk classes 1 and 2, "medium-risk" covers 3, 4 and 5 and "high-risk" covers classes 6 and 7.

[2] Their residual wealth is in hedge funds.