Overview of all the risks associated with fLAB UCITS Funds

- “Equity” risk. The price of an equity security may vary, sometimes due to factors that have nothing to do with the company’s intrinsic value. Equity prices may be affected by economic factors and market conditions, such as a general decrease in share prices or conditions that affect one or more specific issuers, such as changes in earnings forecasts.
- Interest rate risk. An increase in interest rates may cause the value of the sub-fund’s bonds to decrease.
- Credit risk. An issuer may be unable to meet its obligations. If an issuer’s solvency position deteriorates, the value of the issuer’s bonds or of derivative instruments that are linked to this issuer may decrease.
- Counterparty risk. The sub-fund may suffer losses if a counterparty defaults and is unable to meet its obligations, particularly if the transaction with the counterparty involves over-the-counter derivatives.
- Exchange rate risk. The risk that the exchange rate of a given currency may vary with respect to that of another currency over the near or medium term.
- The risk of using certain financial techniques. The use of complex products, such as derivative contracts, may amplify changes in the price of the sub-fund’s securities.
- Liquidity risk. The sub-fund invests in markets which may be adversely affected by a decrease in liquidity. These market conditions may affect the price at which the asset manager buys or sells a given security.
- Discretionary management risk. Since the investment strategy is based on projected changes in the various markets, there is a risk that the sub-fund may not be invested in the best-performing markets at any one time.
- Operational risk. The risk of an error or wrongdoing on the part of a party involved in the management, valuation and/or custody of the sub-fund’s assets.

Financial Terms Glossary

Volatility: a statistical measure that describes the frequency and intensity of price fluctuations in an asset. It is usually defined as the standard deviation of the asset's returns over a given time horizon.

Duration: indicates the average life of a fixed-income security (calculated by discounting the expected cash flows, weighted by their amount and the time remaining until they are received). It also serves as a tool to measure the sensitivity of a bond's price to changes in interest rates (thus providing a measure of risk).

Correlation: measures how securities or asset classes move in relation to each other. Highly correlated investments tend to rise and fall in unison, while poorly correlated investments tend to move differently in different market conditions, allowing investors to benefit from diversification. Correlation is measured between 1 (perfect positive correlation) and -1 (perfect negative correlation). A correlation coefficient of 0 denotes no correlation.

Sharpe Ratio: an indicator that measures the risk-adjusted return of an investment, calculating the excess return of an asset above a risk-free rate, divided by its volatility (risk). In an Investment Fund, it indicates how many extra units of return a fund generates for each unit of risk assumed; a higher ratio signifies a better trade-off between return and risk, helping to compare investments and funds more efficiently.

VaR (Value at Risk): statistical measure that quantifies the maximum expected loss that a portfolio or financial asset can suffer over a given period, with a specific level of confidence (probability). In short, it tells you "how much money you could lose at most in a day/week/month, with X% certainty," helping you manage and understand your exposure to market risk.

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