

Guidelines for investments

1 Introduction

Investing in stocks and funds, brings an uncertainty but also a positive expectation. It works because companies often have more plans than they have money to implement them, so they sell shares in themselves to get money to expand their stock, hire more people or research new technologies, for example. In this way, they expand their business and hopefully make more money than they sold shares for. Then, as things are built, things become more efficient, research advances and bonds are created between the world's various players, the overall value of the planet increases, as reflected in rising corporate valuations. By owning shares in companies (called stocks), you can share in this overall increase in value.

Trying to predict stock market movements or find undervalued stocks or funds can be difficult. It is something that some people can do successfully, but far from all. In the short term, it's about buying and selling at better times than everyone else, but the competition is fierce.

Equity funds have either active management, where someone actively selects stocks (often at a higher fee), or passive management (index funds) where everything is managed automatically according to some criterion such as "Sweden's 350 highest valued companies". Index funds of the "Swedish index" or "global index" type reflect economic developments, in Sweden or globally, well. If you buy these types of funds, you know what you are getting and they have historically returned about 7-8% per year adjusted for inflation. For actively managed funds, however, the outcome is more unpredictable, with some funds managing to outperform indices while others underperform them. However, it has been shown that, on average, actively managed funds underperform indices.

The F-guild does not try to predict stock market movements or find undervalued stocks or funds. We invest in equity funds and fixed income funds issued by Swedish fund companies. We prioritise low fees and apply some scepticism towards active management. We try to diversify away from sector and geographical risk but accept the general market risk of investing in equity funds. Sustainability will be taken into account in the selection of funds and all funds selected will have scored average or better than average in Avanzas sustainability indicator. Investment decisions are also made with the long-term in mind and each security should be able to be owned for many years without necessarily needing to be reviewed.

Changing a fund requires a more reasonable statement of intent than the current one, perhaps as a result of the appearance of a new reasonable alternative, a change in the fee or a change in sustainability considerations. The same applies to changes in geographical distribution and allocation between funds where a reasonable justification is required.

2 Geographical distribution

The Guild's funds shall be invested according to the following geographical breakdown:

- Global: 45%
- Sweden: 35%
- Asia or emerging markets: 20%

With global funds, you get shares in companies from all over the world. However, they are very heavy on the US and Asia is often absent. There are many good and cheap Sweden funds available to us, and when you invest outside the country you are spending money in, you add a currency risk that in itself adds no value. The "Other" emerging markets category which includes Asia has previously been associated with high fees, but now in May 2020 there are a bunch of cheap and reasonable funds.

3 Funds

These are the specific funds in which the guild invests in the different geographical areas.

3.1 Global

- Länsförsäkringar Global Indexnära.
Share: 40%.

Statement of purpose: This is a low-fee global index fund that invests in 1,600 of the world's largest listed companies that meet a certain sustainability criterion. Länsförsäkringar also has some influence on the companies it invests in. The fund is the 4th most owned on Avanza and has a good Morningstar rating. As of May 2020, the fund has a total fee of 0.22%.

It may look like Avanza Global has a lower fee than this fund, but due to the agreements between countries, Länsförsäkringar pays 15% tax on dividends in the US compared to Avanza which pays 30% which means the funds effectively get about the same fee, and then the sustainability perspective makes Länsförsäkringar take the prize.

- Handelsbanken GI Småbolag Ind Cri A1 SEK.
Share: 5%.

Statement of purpose: Handelsbanken's global small companies fund invests in about 1900 so-called small companies, which are nevertheless very large companies. With small companies you often get slightly better returns but at higher volatility. There will also be higher fees, but this one has a relatively low total fee of 0.68% as of April 2020. This is the fund on Avanza with the most owners in its category. The fund tracks the Solactive ISS ESG Screened Developed Markets Small Cap index, which has more of a sustainability perspective than the more common MSCI World Small Cap index.

3.2 Sweden

- SEB Hållbar Sverige Indexnära.
Share: 10%.

This is the broadest Swedish index fund with holdings in 300+ companies. An alternative to this fund would have been Avanza Zero which has both lower fees (0, 00%) and more owners on Avanza. However, the big difference is that SEB Hållbar Sverige Indexnära should be close to the performance of SIXPRX (OMXSCAPGI on Avanza), which is the Stockholm Stock Exchange's broad index consisting of of all 300+ companies, unlike Avanza Zero which follows OMXS30GI, which is an index consisting of the 30 most traded stocks on the Stockholm Stock Exchange. SIXPRX has historically outperformed the OMXS30GI, and with that in mind and the broader exposure you get with SIXPRX, the assessment is that SEB Sverige Indexfond is the better choice. In January 2021, the fund has a total fee of 0.26%. The fund also has a good Morningstar rating.

- Spiltan Aktiefond Investment Company.
Share: 15%.

Statement of purpose: This is a fund that invests in Swedish investment companies. Investment companies are companies that own shares in other companies. Investment companies are therefore more or less like funds. As such, this fund closely follows the performance of the Swedish index, but has historically managed to outperform over time. Swedish investment companies have a very good history, in some cases going back over 100 years. As of April 2020, the fund has a low fee of 0.27%, is the 2nd most owned fund on Avanza, and has a good Morningstar rating.

- PLUS Småbolag Sverige Index.
Share: 10%.

Statement of purpose: There are many actively managed small company funds that have performed well for many years, but it is difficult to determine what is luck and what is actually effective management. There is a survivorship bias whereby funds that have not been lucky and have underperformed mysteriously disappear, making it appear that a large percentage of actively managed small company funds have actually overperformed. Some started appropriately just after the 2008 stock market crash, presumably after the previous fund was closed. In addition, they sometimes change managers, which really makes them brand new funds with no history. We stay away from these and instead choose the only index fund in the Swedish small companies category. The fund passively invests in about 250 companies with a market capitalization of less than 50 billion and has a total fee of 0.44% in May 2020.

3.3 Asia and Emerging Markets

- Avanza Emerging Markets.
Share: 10%.

Statement of purpose: This is the cheapest fund with exposure to emerging markets. That means around 50% in Asia and 50% in the "other" category, which includes Brazil, South Africa and Russia. It overlaps about halfway with Swedbank Robur Access Asia but spreads the savings a little further. The fund invests in about 600 companies and in May 2020 has a total fee of 0.29%. The fund is, despite its short life, one of the most owned funds on Avanza.

- Swedbank Robur Access Asia.
Share: 10%.

Statement of purpose: This is the cheapest pure Asia fund on Avanza. Asia has a lot of potential but perhaps still slightly higher uncertainty than the US, Europe and Sweden. The fund invests in about 600 companies and in May 2020 has a total fee of 0.35%. It differs slightly from its index because companies are excluded if they violate Swedbank's sustainability criteria. The fund is the most owned fund in its category on Avanza and has a good Morningstar rating.