Mutual Funds

Product Features

General

- Mutual fund is a general term for an investment vehicle that allows you to pool your money with that of other investors and have it managed by a team of investment professionals. The term may vary across countries but mutual funds may also be referred to as collective investment schemes, investment funds, unit trusts or simply as funds.

- The pooling of your money generally creates greater buying power for the investment manager of the mutual fund so you are able to gain exposure to a wider range of investments than is possible for most individual investors. Each investor in a fund owns units (or shares) which represent a part of a fund's portfolio holdings.

- Mutual funds can be categorised by the type of assets they invest in such as equity securities (e.g. shares, stocks), fixed income securities (e.g. bonds), cash or other securities or financial products. You can refer to a mutual fund's offering documents (e.g. prospectus) and factsheets to get a better understanding of its respective investment objectives and policy (e.g. type and mix of investments) and past performance.

- The price per unit or share of a mutual fund will vary depending on the performance of the mutual fund and is generally referred to its net asset value ("NAV"). The NAV is calculated as follows: (mutual fund's assets - mutual fund's liabilities) ÷ number of outstanding units or shares of the mutual fund.

- Mutual funds are most commonly open-ended funds, meaning they issue and redeem units at times specified to meet subscription or redemption requests made by investors. Some mutual funds may be closed-ended, meaning they do not offer or redeem units and any trading of units would occur in a secondary market at either a premium or discount to the mutual fund's value.

- Mutual funds do not provide you with any capital or principal protection of your investment, so by investing in mutual funds you are at risk of losing some or all of your investment.

Fees and Charges

- Mutual funds charge various fees and it is best to refer to the fund's prospectus to understand what you are being charged for a particular mutual fund. Some fees are charged to you directly and some fees are paid out of fund assets and will be indirectly borne by you.

WARNING: The product described herein is not a deposit. Do not invest in it unless you fully understand and are willing to assume the risks associated with it. If you are in any doubt about the risks involved in this product, you may clarify with the intermediary or seek independent professional advice. The investment decision is yours and you are advised to exercise caution in making any investment decision, including understanding the extent of your exposure to loss of your initial investment with regards to your financial situation, investment experience and investment objectives. This document contains a brief summary of some (and NOT ALL) of the product terms, features and risk disclosures and is not meant to be an exhaustive summary. You should refer to the relevant product documentation issued by the product issuer or manager ("Product Documentation"), as provided or otherwise made available by SCB, for complete details of the product including meanings of the capitalised terms not defined here. The terms of any transaction will be set out in a post-confirmation notice that Standard Chartered Bank (operating through one of its branches or subsidiary entities) sends to you. The contents of this document have not been reviewed by any regulatory authority. If English is not your preferred language, please check with your Relationship Manager or your SCB branch representative if this document and other Product Documentation relating to this product is available in your preferred language. Some Product Documentation may only be available only in English. If this is the case and you do not understand the contents of either this document or other Product Documentation relating to this product, you should not invest in this product. Any translations of Product Documentation are provided to you for reference only, and where there is any inconsistency between a translation and the original English version, the original English version will prevail. Where your Relationship Manager or your SCB branch representative provides you with a copy of a translation of any Product Documentation, please ensure that you also receive a copy of the original English version.

Version 02/07/2015

- Examples of the types of fees that may be charged:
  - Front-end fee / subscription charge – paid by you directly and typically deducted directly from the subscription amount;
  - Management fee – charged to the fund to pay the investment manager of the fund;
  - Custodian / trustee fee – charged to the fund to pay for services provided by a custodian or trustee of the fund;
  - Switching fee – paid by you to switch between funds managed by the same manager or within the same group; and
  - Redemption fee – deducted directly from the redemption amount.

Types of Mutual Funds

- There are many types of mutual funds, the following are some common categories:
  - Equity Funds
  - Bond Funds
  - Money Market Funds
  - Hybrid Funds
  - Index Funds
  - Exchange Traded Funds ("ETFs")

  - Equity Funds – Invest mainly in stocks or shares and they are one of the most common types of mutual funds. Often Equity Funds focus on a particular type of investment strategy, such as Growth, Value, Large Caps, Small Caps or themes such as Property, Energy or Healthcare. Also, Equity Funds may focus on particular area for investment, such as global, region or in single countries.

  - Bond Funds – Invest mainly in bonds (i.e. fixed income securities) including government bonds, corporate bonds or high yield bonds. The return that a Bond Fund may have can vary depending on the type of bonds it invests in. Typically, Bond Funds that invest in government bonds tend to be less volatile. Bond Funds that invest in corporate or high yield bonds generally do so to obtain higher yields, thus they tend to be more volatile and carry greater risk.

  - Money Market Funds – Invest mainly in short-term, high grade fixed income securities sold in the money market, which are generally the more stable securities available in the relevant local market, such as treasury bills, certificates of deposit and commercial paper. Thus Money Market Funds tend to be less volatile and may carry less risk than other Bond Funds.

  - Hybrid Funds – Invest in a mix of shares and bonds and may also hold money market instruments.

  - Index Funds – Invest in the component shares of a market index or other financial products in order to replicate the return of the relevant index. Index funds could be passively managed by holding derivative instruments that replicate synthetic exposure to the relevant index or actively managed through holding the representative components of the relevant index.

  - ETFs – Mutual fund securities that are traded on a stock exchange and track a market index. An ETF may track the same underlying market index as an Index Fund, but there are still differences between the two. The key difference is that ETFs are traded on a stock exchange and can be purchased through a brokerage account similar to any other shares on that exchange. In contrast, you can generally only redeem an Index Fund, via the relevant fund manager's process for redemption, at the prevailing price (NAV) of the fund.

- Other Funds

  - Alternative Strategy Funds such as Hedge Funds or Commodity Funds – These are some examples of funds that undertake a wider range of investments and trading activities than more standard mutual funds. For instance, these funds may employ alternative strategies such as event driven, relative value or tactical trading or invest in a broader and more complex group of derivatives, financial products, commodities, real estate, highly illiquid assets and even in operating businesses. They can also take on short positions and highly-leveraged transactions – both of which are generally not allowed for mutual funds. Alternative Strategy Funds generally aim to achieve higher absolute returns in all market conditions for their investors but they may be more volatile and carry greater risk than a standard mutual fund.

Investor's profile

- You would like to enjoy diversification by investing in mutual funds as your investment risk is spread over a basket of securities, thus potentially reducing the volatility of your portfolio.

- You would like to enjoy professional management when you invest in a mutual fund as the investment professionals will manage the funds on your behalf using their experience, skills and resources.

- In return, you are willing to accept that:
  - the mutual funds are designed for longer-term holding rather than short-term trading;
  - short-term trading by investors can hurt the fund performance due to higher transaction costs borne by the fund in order to unwind positions at possibly unfavourable times to meet frequent redemption requests of short-term trading; and
  - the money you invest in mutual funds is not protected in any way and depending on the performance of the mutual fund, you may lose part or all of your initial investment amount.

Key Risks

The risks listed below are representative of the key risks, although you should note that this document and the Product Documentation cannot disclose all possible risks relating to such mutual funds.

Market Risk	The value of a mutual fund's investments may fluctuate in response to broader market movements – for example, in the stock or bond markets. In addition, the market price (net asset value) of mutual funds themselves may fluctuate in response to volatility in their component investments.
Investment Risk	The mutual fund is a principal-at-risk product. You may lose some or all of your initial investment amount. Please bear in mind that past historical performance is not an indication of future performance. The value of any investments and generated income is not guaranteed and will fluctuate over time.
Foreign Exchange Risk	You should be aware that your investments can be negatively affected by foreign exchange risk if you hold mutual funds that invest in assets denominated in foreign currencies.
Tax Risk	You may be subject to taxation according to the laws and regulations applicable to you or the mutual funds and you shall remain responsible for any such taxation. The Bank recommends that you take independent tax advice before committing to purchase this mutual fund. The Bank does not provide tax advice and therefore you have full responsibility for any tax implication of investing in this product. Any tax treatment depends on your individual circumstances and may be subject to change in the future.
Credit Risk / Default Risk	This is the risk where the value of the mutual fund may substantially decline because the issuer of the specific securities in which the mutual fund is invested may go into default, or, a counterparty to a transaction that the mutual fund has entered into fails to deliver on the agreed trade. A decline in the value of the mutual fund happens because the default/failure would make the value of the relevant securities or transaction go down and may make it difficult for the mutual fund to sell the relevant securities or unwind the relevant transaction. As this happens, the mutual fund's net asset value will be affected by a decline in value.
Custodian risk	Assets of each mutual fund are safe kept by the custodian. In the case of bankruptcy of the custodian, unitholders are exposed to the risk of the custodian not being able to fully meet its obligation to restitute, in a short time frame, all of the assets of the mutual fund. Securities of a mutual fund will normally be identified in the custodian's books as belonging to that mutual fund and segregated from other assets of the custodian which mitigates (but does not exclude) the risk of non-restitution in case

	of bankruptcy. However, there may be no such segregation applied to cash which increases the risk of non-restitution in case of bankruptcy. In addition, the custodian may not keep all the assets of each mutual fund itself but may use a network of sub-custodians which are not part of the same group of companies as the custodian. Unitholders are exposed to the risk of bankruptcy of the sub-custodians in the same manner as they are to the risk of bankruptcy of the custodian. Further, a mutual fund may invest in assets in markets where custodial and/or settlement systems are not fully developed. The custodian may have no liability where the assets of the mutual funds are traded in such markets.
Legal / Regulatory Risk	There is no assurance that any future change in the laws or regulations governing these mutual funds will not affect the value, the level of return and other commercial considerations relating to this mutual fund and the amount of fees and charges the mutual fund shall incur. The mutual fund's operations are subject to various regulations affecting accounting of assets and taxation, for example. These regulations may change, and as a result, investors may experience lower investment returns or even losses depending on what a regulatory change entails. For instance, higher taxes would lower returns and a mandated precautionary loan loss provision could result in the mutual fund experiencing a loss in the value of assets.
Potential risk of Alternative Strategy Funds (such as Hedge Funds)	Alternative strategy funds, such as hedge funds, differ from traditional mutual funds in that they can undertake more risky investment strategies than traditional fund managers. For example, they may borrow to invest which can magnify potential losses or invest in highly illiquid or risky assets.
Potential risks of Derivatives (if applicable)	A derivative is a financial contract whose value depends on, or is derived from assets, liabilities or indices and includes a wide assortment of financial instruments such as forwards, futures, options, warrants and swaps. Derivatives are typically used to manage a mutual fund's risk, however, derivatives may also be used as part of a mutual fund's overall investment strategy. Mutual funds which use derivatives to obtain or hedge certain economic exposures may have higher volatility. The use of derivatives may result in losses that are greater than the principal amount invested. Derivatives are also subject to a number of risks including but not limited to liquidity, interest rate, market, counterparty and credit risk. You should not invest in a mutual fund that uses derivatives unless you understand the nature of derivative instruments and the extent of your risk exposure. You must satisfy yourself that a mutual fund which invests in or contains derivative instruments is suitable for you in light of your circumstances and financial resources.

Disclaimers

General disclaimer

This document is issued by Standard Chartered Bank, a firm authorised by the United Kingdom's Prudential Regulation Authority and regulated by the United Kingdom's Financial Conduct Authority and Prudential Regulation Authority. It is not a prospectus and no action has or will be taken in any jurisdiction to permit a public offering (except in circumstances which will result in compliance with applicable laws and regulations). It is for discussion purposes only and does not constitute any advice, offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices or any representation that any such future movements will not exceed those shown in any illustration.

SCB makes no representation or warranty of any kind, express, implied or statutory regarding this document or any information contained or referred to in the document. This document is distributed on the express understanding that, whilst the information in it is believed to be reliable, it has not been independently verified by us. This document is provided for general circulation and information purposes only, it does not take into account the specific investment objectives, needs or financial situation of any particular person or class of persons and it has not been prepared as investment advice for any such person(s). Prospective investors should seek advice from a financial adviser on the suitability of an investment, taking into account these factors before making a commitment to invest in an investment. SCB accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental or consequential loss or damage) from your use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any part thereof or any contents or associated services.

The indicative terms are neither complete nor final and are subject to further discussion and negotiation. The terms of the transaction entered into are subject to and will be recorded in the applicable Product Documentation. You must seek your own independent advice regarding the appropriateness of investing in any securities, financial instruments or investment strategies referred to in this document. In the event that you choose not to seek your own independent advice, you should carefully consider whether the product or service is suitable for you. SCB has no fiduciary duty towards you and (unless it is required to do so under any applicable law or regulation) it does not assume any responsibility to advise on, or make any representation as to the appropriateness, suitability or possible consequences of, the prospective transaction. You are advised to exercise your own independent judgment with respect to any matter contained herein.

This document must be read together with the relevant Product Documentation, which contains detailed information relating to the Investment (including the applicable definitions and terms and conditions).

Neither this document nor any copy of it may be sent or given to any U.S. Person (as defined under Regulation S of the U.S. Securities Act of 1933).

Country-specific disclaimers

The Bank is not the Product Provider of this Product and assumes no fiduciary responsibility or liability for any consequences, financial or otherwise, arising from the subscription or acquisition of this instrument.