

## FAQ – Unit Trust Funds

### 1. What are Unit Trust Funds?

Unit Trust Funds (or Mutual Funds) are medium to long-term investment products. They give investors the opportunity to diversify even a small investment in securities, bonds, currencies and commodities in markets around the world. This is achieved by combining the funds of many investors into a pool of funds which can be spread over a number of different investments and over a wide geographical area. This range of investments is called a portfolio.

### 2. How can I benefit from Unit Trust Funds?

- Spreading the risk. You spread your investment across a diverse portfolio. This is usually less risky in comparison to investing in a single stock. Levels of risk and return also vary among different funds.
- Professional management. Unit Trust Funds are managed by fund managers, who specialise in equity analysis and managing investments.
- Access to markets where it is not easily accessible by individual.
- Economies of scale. With a large number of investors contributing to a single fund, operating costs and commissions can be amortised. Individual investors thus pay lower fees.
- Liquidity. You can buy and sell unit trust funds on any dealing / business day (as provided in the respective fund's prospectus). Your money need not be tied up for a specific period of time.
- Some unit trust products are linked to the index options listed on the various stock exchanges or sometimes to currency options. They can be slightly riskier than more diverse funds, but they potentially offer a greater return on your investment.
- You can also refer to Federation of Investment Managers Malaysia's ("FIMM") website for additional information by accessing the following link:-  
<http://www.fimm.com.my>

### 3. What are open-ended and closed-end Unit Trust Funds?

There are two types of Unit Trust Funds in the market, i.e. Open-ended fund and Closed-end Fund.

- Open-ended Fund. This type of fund has no restrictions on the amount of units the fund will issue. When an investor purchases units in such Fund, more units will be created to meet the purchase request. When investors redeem their units, the units will be cancelled. If the redemption amount is high, the fund manager may have to sell some of the fund's investment / underlying asset in order to meet the redemption request.

- Closed-end Fund. This type of fund has a limited number of units. Unlike Open-ended Fund, new units will not be created by the Fund Manager to meet demand from investors. Instead, the units can be redeemed / sold by the investors.

#### 4. What are the different types of Unit Trust Funds available through HSBC Bank Malaysia Berhad (“HSBC”)?

There are different types of Unit Trust Funds made available through HSBC.

- *Equity Fund.* This type of fund generally invests in equities or securities of listed companies. Suitable for investor seeking capital growth over a medium to long term period.
- *Balanced / Mixed Asset Fund.* This type of fund generally has a portfolio comprising equities, fixed income securities, and cash. Such fund generally has a certain ratio of equity and fixed income securities that reflects either a moderate (higher equity component) or conservative (higher fixed-income component) orientation. Suitable for investor seeking potential regular income and modest capital appreciation over a medium to long term period.
- *Fixed Income (or Bond) Fund.* This type of fund invests primarily in bonds and other debt instruments. The exact type of debt instruments such fund invests in depends on its investment mandates / focus, but generally may include government, corporate, municipal and convertible bonds, along with other debt securities like mortgage-backed securities. Suitable for investor seeking potential regular income with less emphasis on capital growth.
- *Capital Protected/Non Capital Protected Fund.* Capital Protected Fund is a Unit Trust Fund where the investor's principal amount is shielded from losses. Non Capital Protected Fund will be Unit Trust Fund where the principal amount is not protected, for example, an open-ended equity fund.
- *Islamic / Shariah Compliant Fund.* Unit Trust Funds can also be categorised as an Islamic/Shariah Compliant Fund. The main objective of Islamic/Shariah Compliant Funds is to provide an alternative avenue for investors sensitive to Shariah requirements. An Islamic/Shariah Compliant Fund will exclude those companies involved in activities, products or services related to conventional banking, insurance and financial services, gambling, alcoholic beverages and non-halal food products. An Islamic/Shariah Compliant fund must follow a variety of rules, including investing only in Shariah-compliant companies, appointing a Shariah Board, carrying out an annual Shariah audit and purifying certain prohibited types of income, such as interest, by donating them to a charity.

**5. How is investing in Unit Trust Funds different from investing directly into stocks?**

Unit Trust Funds are actively managed baskets of stocks, designed to outperform a benchmark with the assistance of a fund manager. A Unit Trust Fund generally holds a large number of stocks, where each stock may only comprise a small percentage of the portfolio. Hence the portfolio is automatically diversified and comprises a large variety of stocks. Individual stocks, on the other hand, can be purchased by any investor through a broking firm for which the investor makes the ultimate decision in the stock selection. Investors who are interested in active trading may be better suited to invest directly into stocks. However, both investment products carry inherent pros & cons, hence it is important for investor to understand the differences between them.

**6. How do I buy/sell products through HSBC?**

At HSBC, we offer a full range of investment products for customer's consideration with respect to his / her investment objectives, financial situation, risk attitude and specific needs. Kindly contact your Relationship Manager or your branch of account today for an Individual Financial Review, risk tolerance assessment and profiling of investment preferences.

**7. Can I invest online through HSBC?**

Currently, this service is not available in HSBC. Kindly contact your Relationship Manager or your branch of account for investment opportunities/method.

**8. How soon can I get my funds back upon redeeming my Unit Trust investment?**

Redemptions are payable within 10 calendar days from date of redemption request and the redemption price is based on forward pricing i.e. the Net Asset Value per unit at the next valuation point after the request is received.

**9. What are the risks associated with investing into Unit Trust Funds? Do all Unit Trust Funds have the same risks?**

All Unit Trust Funds are subject to investment risks (including possible loss of the principal amount invested). Different types of Unit Trust Funds carry

different levels of risk. Some are higher in risk than others. The general risks of investing in Unit Trust Funds are returns not guaranteed, general market risk, security specific risk, liquidity risk, inflation risk, risk of non-compliance, manager/management risk and others. For further details / additional information on each risk, you should refer to respective fund's latest copy of prospectus. A copy of the prospectus can be obtained from HSBC's branches and the respective fund house's offices. Electronic copy of the prospectus is also available on the respective fund manager's official website. You can also refer to Federation of Investment Managers Malaysia's ("FIMM") website for additional information on the funds by accessing the following link:- <http://www.fimm.com.my>

#### **10. Is there a currency risk associated with investing in Unit Trust Funds?**

Currency risk, also known as foreign exchange risk, is a risk associated with investments denominated in foreign currencies. A Ringgit Malaysia denominated Unit Trust Fund that has investment mandate to invest off-shore (for example, invest in global / regional markets securities denominated in other foreign currencies), will be exposed to foreign currency fluctuation due to exchange rate movements between Ringgit Malaysia and that of the assets which are denominated in currencies other than Ringgit Malaysia. When the foreign currencies fluctuate in an unfavourable movement against Ringgit Malaysia, the investments will face currency losses in addition to the capital gain / losses. This may lead to a lower Net Asset Value of the Fund.

#### **11. What are the different fees & charges in Unit Trust Funds?**

There are three main types of fees & charges in a Unit Trust Fund.

- *Initial Service Charge / Sales Charge / Front End Load.* The upfront cost that an investor incurs upon subscription / purchase. This cost is levied primarily to cover the marketing and distribution of the Unit Trust Funds as well as monitoring of the investor's investments by the Unit Trust Consultant for the duration during which the investment is held.
- *Exit Fee.* This fee is also known as redemption fee, back-end load or contingent deferred sales charge. The exit fee is charged to an investor for withdrawing the units prior to a previously stipulated date (for example, Exit Fee of 1% will be imposed, if the investor redeems within 6 months from the date of purchase). This fee represents a deduction by the Fund Manager from the redemption proceeds. Normally the exit fee charged is ploughed back into the Unit Trust Fund.
- *Annual Management Fee.* Management expenses include expenses for portfolio management, trustee and custody fees, audit fees, administrative

charges like printing of annual reports, distribution management, postage and other services incurred in the administration of the Unit Trust Fund. These costs are paid out of the Fund's assets.

There are other direct and / or indirect fees and charges that may be charged to a fund. You are advised to consider them before investing in a fund. For further details / additional information on fees and charges, please refer to the respective fund's latest copy of prospectus.

**12. Where can I see these charges?**

All these fees and charges are available in the respective fund's prospectus. Investors can also access HSBC's public website under the Rates & Charges section: HSBC Tariff and Charges for the charges details.

**13. Where can I get the information on the various Unit Trust Funds distributed by HSBC?**

If you have Personal Internet Banking with HSBC, you can access the online Unit Trust Fund analytical tool, i.e. HSBC Fund Navigator. This tool provides comprehensive information and in depth analysis of the different funds distributed by HSBC.

**14. Will HSBC provide me with regular statements of my investment?**

Yes. HSBC will provide you a monthly statement. As an HSBC customer, you may also access your investment portfolio via Personal Internet Banking.