

## **What are the rights and obligations of fund investors?**

Investors have the right to enquire about the information contained in the relevant E&M or prospectus (“offering document”) and semi-annual or annual report from the fund company or intermediary before making an investment in a fund. After subscription of the fund, investors can also request the fund company or intermediary to provide the price of the fund, monthly fund fact sheet and the current semi-annual or annual report. Investors have the right to file a complaint whenever encounter dissatisfaction.

At the same time, fund investors have the obligations to read the fund’s offering document carefully, assess the suitability of the investment and consider whether they can bear the risks involved in the related fund. Investors should also pay attention to the disclosure of key risks featured within a window on the front cover or first page of the offering document. Should investors have any question regarding their investments, they should consult their investment advisor before making their investment decision. To seek the investment advisor’s guidance on the suitability of the recommended fund and whether it match the investment objective and risk profile of the investor. Also, they should review the changes in fund performance regularly to assess whether the fund is still suitable for them.

## **Why does one need to read the fund offering document carefully?**

Before the purchase of any funds, investors should read the fund’s offering document carefully. It describes the investment objectives, investment strategy, fees, transaction procedures, risk disclosure, triggers for delay, suspension of transaction and even the conditions resulting in the termination of operation, as well as other important information of the fund. It is important to understand the nature of the fund, its investments and risks from the offering documents to obtain adequate information for investment decisions. When reading the offering document, investors should pay special attention to the followings:

### *Fund Details and Structure*

Information of the fund, including the fund name, investment objectives, currencies of denomination and different share classes, will be written clearly in the offering document. In addition, an offering document will include information relating to the domicile of the fund, whether the fund is established as a mutual fund or a trust fund and the information concerning the investment manager, custodian or trustee.

### *Investment Policy and restrictions*

The investment restrictions and relevant guidelines of the fund, the specific weighting limits on any investment vehicles or shares held by the fund under normal circumstances will be available in the offering document and the fund manager has to invest in accordance with the guidelines.

### *Risk disclosure*

The offering document should include sufficient disclosure of the risks associated with the fund and its investments. The key risks of the fund should also be listed within a window on the cover or front page of the offering document. In general, the risks involved may include credit risk, management risk, market risk, liquidity risk, etc. In addition, the fund may involve risks related to derivatives or hedging markets, which should be carefully read and considered by investors.

### *Charges, Valuation, Dealing Procedures and Operation Details*

The fees of the fund, including subscription fee, annual management fee and other related fees will be provided in the offering document. At the same time, to foster a better understanding of the fund operation, information related to the valuation of the fund, the

transaction processes, including subscription, redemption and switching procedures, cut-off time of transaction on each trade day, are available in the offering document. Also, investors should note that mechanisms for the temporary suspension of trade are in place, and the board of directors of the fund can restrict the purchase of certain funds. All the details can be found in the offering document.

All in all, fund offering documents contain various kinds of important information and may not be fully covered here. To protect your investment interest, please read all the details to assess whether the investment in a particular fund is suitable for you. Investors should also pay attention to latest announcements of the fund as these announcements may not be immediately available in the offering document.

(Investment involves risk. Please refer to the offering document for further details including the risk factors.)

Hong Kong Investment Funds Association