

RISK DISCLOSURE: units in collective investment schemes

1. There are many different types of collective investment schemes. Generally, a collective investment scheme will involve an arrangement that enables a number of investors to pool their assets and have these professionally managed by an independent manager. Investments may typically include gilts, bonds and quoted equities, but depending on the type of scheme, may go wider into derivatives, real estate or any other asset. There may be risks on the underlying assets held by the scheme and investors are advised, therefore, to check whether the scheme holds a number of different assets, thus spreading its risk. Subject to this, investment in such schemes may reduce risk by spreading the investor's investment more widely than may have been possible if he or she was to invest in the assets directly.
2. The reduction in risk may be achieved because the wide range of investments held in a collective investment scheme can reduce the effect that a change in the value of any one investment may have on the overall performance of the portfolio. Although, therefore, seen as a way to spread risks, the portfolio price can fall as well as rise and, depending on the investment decisions made, a collective investment scheme may be exposed to many different generic risk types.
3. The valuation of a collective investment scheme is generally controlled by the relevant fund manager or the investment adviser (as the case may be) of the collective investment scheme. Valuations are performed in accordance with the terms and conditions governing the collective investment scheme. Such valuations may be based upon the unaudited financial records of the collective investment scheme and any accounts pertaining thereto. Such valuations may be preliminary calculations of the net asset values of the collective investment schemes and accounts. The collective investment scheme may hold a significant number of investments which are illiquid or otherwise not actively traded and in respect of which reliable prices may be difficult to obtain. In consequence, the relevant fund manager or the investment adviser may vary certain quotations for such investments held by the collective investment scheme in order to reflect its judgement as to the fair value thereof. Therefore, valuations may be subject to subsequent adjustments upward or downward. Uncertainties as to the valuation of the collective investment scheme assets and/or accounts may have an adverse effect on the net asset value of the relevant collective investment scheme where such judgements regarding valuations prove to be incorrect.
4. A collective investment scheme and any collective investment scheme components in which it may invest may utilise (inter alia) strategies such as short-selling, leverage, securities lending and borrowing, investment in sub-investment grade or non-readily realisable investments, uncovered options transactions, options and futures transactions and foreign exchange transactions and the use of concentrated portfolios, each of which could, in certain circumstances, magnify adverse market developments and losses.
5. Collective investment schemes, and any collective investment scheme components in which it may invest, may make investments in markets that are volatile and/or illiquid and it may be difficult or costly for positions therein to be opened or liquidated.
6. The performance of each collective investment scheme and any collective investment scheme component in which it may invest is dependent on the performance of the collective investment scheme managers in selecting collective investment scheme components and the management of the relevant component in respect of the collective investment scheme components.
7. In addition, the opportunities to realise an investment in a collective investment scheme is often limited in accordance with the terms and conditions applicable to the scheme and subject to long periods of advance notice (during which the price at which interests may be redeemed may fluctuate or move against you). There

may be no secondary market in the collective investment scheme and therefore an investment in such a scheme may be (highly) illiquid.

8. We recommend that you carefully read the collective investment scheme's offering document prior to investing in the units of a collective investment scheme. The offering document contains important information about the objectives, investment strategies, risks and expenses of a collective investment scheme. Please note that we cannot verify or otherwise guarantee the accuracy or completeness of any offering document, statement of additional information, report to holders or proxy solicitation materials.
9. Past performance of a collective investment scheme is no indication of future results. A collective investment scheme's performance can change over time depending upon a variety of market conditions and share prices can fluctuate on a daily basis. Your investment may be worth more or less than your original cost when you redeem your units.
10. Collective investment schemes that invest in international securities can carry certain additional risks, including, but not limited to, political and economic instability, fluctuations in currency exchange rates, foreign taxes, and differences in regulatory requirements and financial accounting standards.
11. Some collective investment schemes may require a minimum holding period for their units.
12. Some collective investment schemes charge an early redemption fee if their units are sold before a stated holding period ends.
13. Some collective investment schemes impose marketing and shareholder servicing fees.