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Prior to entering into a transaction, you should understand the product and its associated risks in order to determine whether the product is suitable for you in light of your experience, objectives, financial position and other relevant circumstances. This document does not constitute nor deem to constitute an offer to sell any product, nor an offer to enter into any transaction.

Checklist

1. What is a Mutual Fund?

- A mutual fund allows a group of investors to pool their money together and invest in a portfolio of financial instruments.
- The mutual fund has a fund manager who is responsible for investing the pooled money into specific securities (equities, bonds and money market instruments) to meet the predefined investment objective.
- When investors invest in a mutual fund, they are buying units of the mutual fund and thus become a unit holder of the fund.

2. What are the benefits of investing in Mutual Funds?

- Professional Management:
  - Investors may not have the resources or the time to actively manage individual financial instruments on their own.
  - By contrast, mutual fund managers are professionals dedicated to researching and analyzing current and potential holdings for their mutual fund.
- Diversification
  - Diversification is an investing strategy that can be neatly summed up as "Don't put all your eggs in one basket." Spreading your investments across a wide range of companies and industry sectors can help lower your risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.
- Economies of Scale
  - Mutual funds buy and sell large amounts of securities at a time, thus help to reducing transaction costs, and help to bring down the average cost of the unit for their investors.

- Liquidity
  - Most Open-ended Mutual Funds are priced daily. Investors can sell their holdings in Mutual Fund investments anytime atapricelinkedtothefund'snetassetvalue. Investors do not need to worry about finding a buyer to purchase their units at an appropriate price.
- Affordability
  - In most instances, investors can get started in a mutual fund with as little as USD1,000.
- Access to international markets
  - Mutual fund can provide investors a convenient access to invest in international markets and sometimes restricted markets.
- Transparency
  - Prices of open-ended Mutual Funds are generally published daily. Disclosures of the portfolio holdings are available with the fund factsheets.

3. What are the risks in Mutual Funds investments? ☐

- No guarantees
  - Returns are not guaranteed and costs are still incurred even if fund performs poorly.
- Lack of Control
  - By investing in a mutual fund, you give up control over the choice of individual bonds, shares and other assets that go into the fund, as the mutual fund manager will make these decisions for the mutual fund.
- Impact of fees on returns
  - The total cost of sales charge and expenses can be higher than investing in individual securities. Investors should be cautious with mutual funds with high fees as they can potentially reduce the investment returns.
- Risk is an inherent aspect of every form of investment. As such, be prepared for fluctuations in the market price of your mutual funds.
- Market Risk
  - The major source of risk and volatility with Mutual Funds comes from the underlying assets held by the Fund.
- Liquidity Risk
  - Mutual Funds are relatively liquid with most mutual funds allowing access to funds within a reasonable short time frame. In times of severe economic downturns, however, mutual funds can reduce this liquidity, and potentially even freeze all redemptions for a period of time, so as to protect the holdings of the mutual fund and not disadvantage investors who want to stay in the mutual fund.
- Manager's Risk
  - The performance of the fund may be affected by the skill or reputation of the mutual fundmanager.Thismaygiveriseto'keypersonrisks'shouldtheparticularmutual fund manager leave the organization.

4. How are Mutual Funds priced?

- Net asset value (NAV) represents a fund's market value per unit.
- This is the price at which investors buy and sell fund unit to and from a mutual fund company.
- It is derived by dividing the total value of all the cash and securities in a mutual fund's portfolio, less any liabilities, by the total number of units in the mutual fund.
- The NAV computation is undertaken once at the end of each trading day based on the closing market prices of the portfolio's securities.

5. What comprises the returns of a Mutual Fund?

- Total return from a Mutual Fund is simply the sum of its capital appreciation and any income generated.
  - Capital appreciation: The underlying securities increase in price, which translates to an increase in the fund's unit price or Net Asset Value ("NAV").
  - Income: The underlying securities declare dividends, and this can either be distributed to investors or be kept within the fund and contributes towards the calculation of NAV.

6. What are the costs associated with investing in a Mutual Fund?

- Front-end Load
  - The front-end load is an initial sales charge an investor pays when they purchase a mutual fund. Typically its up to 5%.
- Back-end Load (or deferred sales load)
  - There are some funds that charge on the back-end instead of upfront.
  - Essentially, an investor is not charged upfront when they purchase a mutual fund, but pays when the fund is redeemed within a certain time frame.
- Management Fees
  - These are fees that are paid out from the fund assets to the fund manager for managing the fund's investment portfolio
- Performance Fee
  - A type of fee that gives a portion of the returns of a fund or investment to the fund manager as a reward for positive performance. The fee is generally a percentage of the profits made on the investments. This type of fee is designed to reward fund managers for increasing the value of a portfolio, since investors will see value only when the portfolio grows.
- Total Expense Ratio
  - A fund's total expense ratio ("TER") is the sum of all the expenses charged to the fund and reflected in the NAV.
  - TER includes management fees, transfer agent fees, custody fees, legal fees, audit fees and all other administrative costs.

Checklist

7. What are the different types of Mutual Funds?

- Mutual Fund schemes may be classified on the basis of their structure and their investment objective.

By Structure

- Open-ended Funds
  - An open-ended fund is one that is available for subscription all through the year. They do not have a fixed maturity.
  - Investors can conveniently buy and sell units at the fund's NAV generally on a daily basis.
- Close-ended Funds
  - A Close-ended Fund has a stipulated maturity period.
  - The fund is open for subscription only during a specified period. Investors can invest in the scheme at the specified time when the fund is offered and hold it till maturity.

By Asset Classes

- Equity Funds
  - These funds generally invest in equities, either across geographic regions or across sectors.
  - The objective is to provide capital appreciation over the medium to long term.
  - These are ideal for high risk investors who are seeking long term growth returns.
- Bond Funds
  - These funds generally invest in fixed income securities such as government bonds, corporate bonds and mortgage-backed securities.
  - The objective is to provide regular and steady income to investors. Capital appreciation may be limited, though risks are typically lower than that in an equity fund.
  - These are ideal for conservative investors seeking capital stability and a regular income.
- Balanced Funds
  - These funds invest in a mixture of equities, bonds, etc.
  - The objective is to promote long-term growth of both principal and income.
  - These are ideal for investors who are seeking long term growth returns and capital stability.
- Money Market Funds
  - These funds generally invest in safer short-term instruments such as Treasury Bills, Certificates of Deposit and Commercial Paper.
  - The objective is to provide easy liquidity, preservation of capital and moderate income.
  - These are ideal for risk adverse investors as a means to park their surplus funds for short periods.

Checklist

8. What should investors consider before investing in a mutual fund?

- Mutual funds differ in terms of investment objectives, strategies, risks and costs. Investors should consider the following when choosing a Mutual Fund:
- Risk Profile

  Your risk profile (Investor Rating) is determined based on your risk tolerance, investment objective and the risk capacity.

  - Risk tolerance is the investor's sensitivity to the variability of returns over a one year time horizon. This is based on the investor's willingness to absorb potential losses and acceptance of being unable to liquidate investments in a timely manner or at a certain price.
  - Investment Objective expresses the investment goals for the investor – whether for capital preservation, generation of regular income or providing regular or providing capital growth.
  - Risk Capacity considers the factors which may limit the investor in taking risk and will differ depending on investor's age, financial situation in terms of liquidity needs and the time horizon to achieve the investment objective.
- Investment Strategy
  - Even mutual funds with the same investment objective may use different investment strategies to achieve the same goal. Some fund managers choose companies that offer good "value", while others choose companies for their "growth" potential. Make sure that the fund's investment strategies are in line with your own investment objectives. Some mutual funds focus on certain asset classes, geographical regions or industry sectors.
- Foreign Exchange Risks
  - Mutual funds that invest in foreign currency-denominated assets while being priced in local currency will be exposed to foreign exchange risks. This also applies to mutual funds that are priced in foreign currencies. Depending on the direction of exchange rate movements, you may be subject to foreign exchange gains or losses when you invest in such funds.
- Time Horizon
  - Your investment time horizon is the time period that you stay invested until your expected withdrawal. It is a critical factor in determining what types of investments are right for you and ensure the time horizon is appropriate of meeting your financial goals and objectives. Investments that offer higher potential returns also involve greater risk of price fluctuation and therefore require a longer time horizon.
- Fund Manager
  - As the fund manager is the one looking after your mutual fund investment, you should be comfortable that the firm and its staff have the necessary resources, experience and skills to manage your investment.

Checklist

9. Documents Clients Should read prior to Investing in Mutual Funds

Fund's Prospectus and fund related information required by local regulator (countries to adapt accordingly)	FT Nextstep Prospectus-SG.pdf; FT NS PHS-20824-SG-en-GB
Fund's Factsheet, Brochure and Fund Commentaries	FT Nextstep fact-sheet.pdf; FT Nextstep fund-commentary.pdf; FT Nextstep-fund-brochu

Checklist

General Disclosures
Mutual Funds are (i) Not insured by any government agency; (ii) Not a deposit or other obligation of, or guaranteed by, the depository institution nor Citigroup Inc. and its subsidiaries and affiliates (unless expressly provided for); and (iii) Subject to investment risks, including possible loss of the principal amount invested.

Client Acknowledgement
I/We have read and understood the educational materials and content on Mutual Funds as detailed in this document. I/We acknowledge that the risks, disclosures and other information set out herein are not an exhaustive description of the risks involved in a transaction and will consult my legal, regulatory, tax, financial and/or accounting advisors to the extent I consider necessary. I/We have also read the brochure and/or all other marketing materials pertaining to the specific product prior to entering into a financial transaction. Client Signature ________________________________ Date_________________________

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RP Acknowledgement I acknowledge having utilized the above materials to educate the client(s)/authorized representative for the referenced Product Category. RP Signature __________________________________Date__________________________