

10 Questions to Ask Before Investing in a Fund

In recent years, a wide range of funds is being sold in the retail market and there has been an explosion of information about investing. In view of the diversity and complexity of funds especially hedge funds, it is essential that you take time to consider and examine the characteristics and suitability of each investment opportunity before making an investment. Here's a checklist of questions to help you make an informed investment decision.

- 1 Is the fund SFC-authorized?
- 2 What are the fund's investment objective and policies?
- 3 Does the investment match my financial goals? Are my investments diversified?
- 4 What are the main risks involved with the investment? Do I understand the key factors that may have impact on the return of the fund?
- 5 What are the main fees and expenses involved with the investment?
E.g. subscription fees, upfront charges, redemption fees, performance fees
- 6 How do I buy and sell the fund? What is the dealing frequency? Any related fees?
E.g. any restrictions and redemption fees
- 7 How experienced is the management company in managing related investment?
- 8 How well did the fund perform? How does the past performance of the fund compare with its peers and the benchmark?
- 9 How do I obtain pricing information of the fund?
- 10 Do I have the prospectus or offering document explaining the investment?



Additional Questions to Ask Before Investing in a Hedge Fund

- ➔ Do I understand whether the fund is a **Single Hedge Fund** or a **Fund of Hedge Funds**? Do I understand the kinds of investment strategies employed?
- ➔ What are the risk and reward characteristics of the investment strategy? What are the investment and borrowing restrictions?
- ➔ What are the restrictions and fees on redemption? After submitting the redemption request, how long do I normally need to wait to get my money back?
- ➔ For **Funds with Guarantees**, what are the terms including the scope and validity of the guarantees and the circumstances under which the guarantee may be terminated?
- ➔ For **Fund of Hedge Funds**, what are the fees involved? Are fees charged at both the parent fund level and the underlying funds level?
- ➔ For **Fund of Hedge Funds**, what is the due diligence process for selecting and monitoring of underlying funds? What is the replacement mechanism for underlying funds?



Note that SFC authorization is not a seal of recommendation and does not mean that the fund is safe. Besides, past performance cannot predict future results.

For more details, please visit the Electronic Investor Resources Centre (eIRC) at www.hkeirc.org.

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