InteractiveBrokers

RISK FACT SHEET FOR BONDS

Risk Fact Sheet is provided to you to highlight the common risks of trading in bonds and complements the trading agreement and associated risk disclosures furnished by Interactive Brokers Singapore Pte Ltd ("IB-SG").

1. This Risk Fact Sheet does not disclose all the risks of trading in bonds. It is important to read the trading agreement and associated risk disclosures before deciding whether to trade in bonds. You should also carefully consider whether trading in bonds is appropriate for you in the light of your experience, objectives, financial resources and other relevant circumstances. Before trading bonds, you should consider consulting a financial adviser, who can provide advice on whether a particular investment suits your financial goals and for your full understanding of the bonds you may choose to transact in.

2. The following link and the related links within it provide a valuable source of information on bonds sponsored by the Securities Industry and Financial Markets Association: - www.investinginbonds.com. If you do not have a copy of the trading agreement and associated risk disclosures, please contact IB-SG to request for a copy. You should not trade in bonds if you do not understand the product or are not comfortable with the accompanying risks.

3. IB-SG only provides execution services and does not provide specific or any trading or investment advice or recommendation. IB-SG also claims the benefit of all exemptions available to it for dealing with the client as an accredited investor under the Securities and Futures Act. IB-SG will not monitor your trades and investments to determine if they are appropriate or suitable for your financial needs or otherwise.

Specific Risks of Bonds

Bonds remain 100% principal protected upon maturity subject to the credit risk of the issuer and/or the guarantor (if applicable)

Bonds are not alternative to bank savings or fixed deposits.

The price of bonds may fluctuate during its tenor and may even become valueless.

Before trading in any bond, you should understand the specific terms of the bond, including its credit rating (if applicable), maturity, interest or coupon rate, whether it is callable, and other relevant information.

Key Product Risks

It is important to understand the specific risks mentioned in the relevant offering documents for the bond (if applicable) before investing. Key risks of bonds include but are not limited to the following. If you are uncomfortable with any of the risks involved, you should not trade bonds.

Credit Risk: When you purchase a bond, you are lending money to the issuer of the bond (e.g. a company). You assume the risk that the issuer / guarantor's promise to pay interest and repay the principal on the agreed upon dates and terms will be upheld. Any changes to the credit rating of the issuer will likely affect the price and vale of the bonds. Bonds are subject to the risk of the issuer defaulting on its obligations i.e. if an issuer fails to make principal and interest/coupon payments when due. In the even the issuer / guarantor declares bankruptcy, you could risk losing your entire investment. Credit ratings assigned by credit rating agencies do not guarantee the creditworthiness of the issuer.

Liquidity Risk: The bond may have limited liquidity and may not be actively traded and/or quoted by brokers in the market. As such

1. The value of the bond and/or indicative bid/offer price will depend on market liquidity and conditions which may not be available at all times.

2. It may take a longer time, or it may be possible to sell the bond at prevailing market conditions.

3. The executable sale price may differ unfavourably by large amounts from the indicative bid price quoted.

Interest Rate Risk: Bonds are susceptible to fluctuations in interest rates and generally prices of bonds will fall when interest rates rise. Accordingly, the longer the tenor of the bond, the greater the interest rate risk that you will be exposed to.

Market Risk: The value of bonds may fluctuate due to changing political, legal and economic conditions and changes in interest rates. This is common to all markets and asset classes. Your return in bonds may be substantially less than the initial investment due to one or more of these factors.

Foreign Exchange or Currency Risk: For bonds denominated in a foreign currency, there may be an exchange loss when converting the interest received and bond redemption amount back to the local currency. Exchange rate fluctuations may have an adverse impact on the value of the bonds denominated in a foreign currency.

In addition to the risks listed above, high-yield bonds and complex bonds are subject to additional risks such as:

Higher Credit Risk: As high-yield bonds are typically rated below investment grade or are unrated, they are often subject to higher risk of issuer default.

Vulnerability to Economic Cycles: During economic downturns high-yield bonds typically fall more in value than investment grade bonds as investors become more risk averse and default risk rises.

It is important to note that complex bonds may contain special features and risks that warrant special attention. These include:
Perpetual Bonds: Perpetual bonds (debentures) do not have maturity date and hence the coupon payments depend on the viability of the issuer in the very long term. Specifically, coupon payments may be deferred or even suspended subject to the terms and conditions of the bond issue. Furthermore, perpetual debentures are often callable and/or subordinated and so additionally may bear re-investment risk and/or subordinated bond risk as detailed below.

Re-investment Risk or Callable Bond: If the bond is callable, the issuer may redeem the bond before maturity. The yield received when re-investing the redemption proceeds may be less than favourable.

Subordinated Bonds: Holders of subordinated debentures are exposed to a higher degree of credit risk than are holders of senior debentures due to a lower priority of claim in the event of the issuer's liquidation. In particular, subordinated debentures are unsecured and have lesser priority than that of an additional debt claim of the same asset. As such, they generally have a lower credit rating than senior debentures. You should carefully consider the credit information of this product, including the credit rating of the issuer, the debenture and/or the guarantor as the case may be.

Bonds with Variable Coupon / Coupon Deferral Features: If the bonds contain variable and/or deferral of interest payment terms, you may face uncertainly over the amount and frequency of the interest payments

Bonds with Extendable Maturity Date: If the bonds contain extendable maturity date terms, you would not have a definite schedule of principal repayment. This invariably exposes you to further inflation and liquidity risk.

Convertible or Exchangeable Bonds: These bonds can be converted to common stock of the issuer based on the terms and condition of the issue. This invariably exposes you to both to equity and bond investment risk. The bonds may additionally have a contingent write-down or loss absorption feature, meaning the bonds may be written-off fully or partially or converted to common stock on the occurrence of a trigger event.

ACKNOWLEDGEMENT OF RECEIPT OF THIS NOTIFICATION ON THE RISK FACT SHEET FOR BONDS

Your signature on the account opening forms will indicate your acknowledgement that you have read this NOTIFICATION ON THE RISK FACT SHEET FOR BONDS and understand its contents.