Dear investor,

When investing in a securities investment fund, you may obtain certain investment benefits while facing certain investment risks. In order to better protect your rights and benefits of the investment, JPMorgan Chase Bank (China) Company Limited (abbr. Our company) remind that you are urged to understand the following before making any securities fund investment decision:

Basic fund knowledge

What is a fund?

i. A security investment fund (abbr. Fund) refers to a benefit and risk sharing portfolio investment method that gathers a number of investors' funds to form an independent asset to be managed by a fund custodian and fund managers.

ii. The difference between a fund, equity, bond, deposit and other financial instruments:

	Fund	Equity	Bond	Bank deposit
Different economic relations	Trust, which is a beneficiary certificate. Investors purchase the fund shares and become fund beneficiaries. Fund managers only manage the funds for the investors and don't bear any risk of losing money.	Ownership, which is an ownership certificate. Investors purchase to become company shareholders.	Credit and debt relationship, which is a credit certificate. Investors purchase to become company creditor	Bank liability, which is a credit certificate. Bank is legally liable to pay interests to depositors.
Different investment portfolio	Indirect investment tool, mainly invest in securities includes equity and bond	Direct investment tool, mainly invest in industrial area	Direct investment tool, mainly invest in industrial area	Indirect investment tool. Bank is responsible for using and investing the money.
Different risk return	Invest in many securities to effectively diverse risk, moderate risk and comparatively stable income	High price volatility, high risk and high return	Lower price volatility than equity, low risk and low return.	Bank deposit rate is comparatively fixed; possibility of loss is very small, safe investment.
Income source	Interest income, dividend income and capital gain	Dividend income and capital gain	Interest income and capital gain	Interest income
Investment channel	Fund management company and distribution institutions such as bank, security company	Security company	Bond issuer and distribution institutions such as bank, security company	Bank, credit cooperatives, postal saving bank

Fund classification

1) Funds could be divided into close-ended funds and open-ended funds according to different modes of operation.
A close-ended fund is a fund operation method that fund shares could be traded legally but not be redeemed at a stock exchange, with the number of fund shares in the fund contract fixed within the contract lifetime.
An open-ended fund is a fund operation method that fund shares could be subscribed and redeemed within agreed time at agreed place, with fund shares not fixed.

2) Funds can be divided into stock funds, bond funds, money market funds and hybrid funds.
According to the classification criteria of the fund categories in the “The operation of securities investment fund management method”, it’s an equity fund if over 60% of the fund assets are invested in equities; it’s a bond fund if over 80% of the fund assets are invested in bonds; it’s called money market fund if all the fund assets are invested in money market instruments; it’s called a hybrid fund if the fund assets are invested in equity, bond and money market fund and only if the equity investment and bond investment ratios don’t apply to the equity fund and bond fund rule. These funds are ranked by the order from highest return and risk to lowest: equity fund, hybrid fund, bond funds, money market funds. Therefore equity funds have the highest risk and return while money market funds has the lowest risk and return.

3) Special types of funds

i. Series fund, which is also called umbrella fund, refers to a fund structure where a fund contract used by multiple funds, sub funds operate independently and could be switched from one to another.
ii. Capital preservation fund ensures that investors’ investment objective is to lock the downside risk and also strive to have the opportunity for potentially high returns.
iii. Exchange traded funds (ETF) and ETF underlying Fund . ETF is an open-ended fund that is traded on stock exchange with changeable fund shares. It combines the open-ended fund and closed-ended funds operational characteristics, its share can be traded in the stock exchange, subscription and redemption.

(4) Listed open-ended funds (LOF).LOF is an open-ended fund that could either be subscribed and redeemed at OTC market or be traded, subscribed and redeemed at a stock exchange.

(5) QDII funds refer to the security investment funds that invest in offshore security market. Investors could use foreign currencies such as RMB or USD to subscribe and redeem to achieve relative investment benefits while undertaking offshore market investment risks. The major difference between QDII funds and normal security investment funds is their different investment scopes.

(6) Separate Funds refer to the risk of income distribution prior agreement by the Fund, will be the basis of the share of the expected risk into different sub-share gains, and will share some or all of the securities investment funds listed on structured transactions.

Fund rating

Fund rating is to make pros and cons evaluation by doing fund product analysis according to specific standard. Investors could refer to the fund evaluation result when investing in the fund but shouldn’t take the fund evaluation as sole standard. Besides, fund rating only shows the previous performance of the fund manager but not represents the future performance.
Our company performs cautious investigation and risk evaluation on the fund product according to sales applicability principle.

Fund fees

Fund fees includes two big categories: one is the fees bear by fund investors, mainly including sales charges, subscription fee, redemption fee and fund conversion fee. Those fees are usually charged when investors purchase, subscribe, redeem or convert the fund. Among which subscription fee is charged as front end purchase fee when investors purchase the fund; it could also be charged when investors sell the fund as back end purchase fee. The fee usually declines with holding maturity days. Another category is the fees that happen during the fund management, including fund management fee, fund custodian fee, information disclosure fee, etc, which should be bear by the fund. For money market funds and partial bond funds that don't charge subscription fees or redemption fees, a certain amount of sales service fee that is not higher than 2.5% would be charged from the fund asset.

Fund share holder rights

i. Share fund asset income
ii. Participate in allocating remain fund assets after liquidation
iii. Convert or apply for redemption legally
iv. Request for fund share holder meeting according to regulations
v. Exercise the right to vote for the matters in the fund shareholder meeting
vi. Inspect or copy public fund information materials
vii. Proceed the litigation for any harm towards fund managers, fund custodians and fund distribution institutions
viii. Other rights in the fund contract

Investment risk disclosure

i. A fund is a long-term investment tool. Its main function is to diversify the investment risk to reduce the individual risk of investing in a single security. Unlike financial tools that provide fixed return expectations such as bank savings and bonds, fund investors not only enjoy the possible gains generated by the investments of the fund based the number of shares held, but also share the possible losses brought by the fund's investments.
ii. During the investment process, the fund may face various kinds of risks, including market risk as well as the fund's own management risk, technical risk and compliance risk, etc. Large redemption is a risk specifically associated with open-ended funds, i.e. for a given single trading day, if the net redemption applications exceed 10% of the total shares of the fund, investors may not be able to redeem fund shares in a timely fashion.
iii. Investors shall fully understand the difference between the fixed-time and fixed-amount fund investment and the lump-sum withdrawal/fixed amount deposit savings account. Fixed-time and fixed-amount investment is a simple and practical investment style for long-term, cost-averaging investing. However, fixed-time and fixed-amount investing cannot avoid the intrinsic risks of fund investments. In addition, it cannot guarantee gains for the investors and is not an equivalent financial management substitute for bank savings.
iv. Fund managers are committed to manage and operate the assets of the funds with the principles of honesty, integrity and due diligence but do not guarantee profitability or minimum returns. Past performance of the fund and the level of its net asset value do not indicate future performance. Fund managers remind investors of the "purchaser responsible" principle when investing in a fund. After an investment decision is made, the Investor is responsible to take all the investment risk resulted from the operation of the fund and change of the Net Asset Value of the Fund.
v. Our company will investigate and evaluate on the fund investor's risk tolerance and recommend the corresponding fund type. However our company's recommendation is only for investor's reference and investor should chose the fund product and undertake the risk according to his own risk tolerance.