Risk Factors

- Credit risk - Bonds are subject to the risk of the issuer defaulting on its obligations. It is the issuer's obligation to pay coupon/interest and pay principal of bonds to investors. If the issuer and the guarantor (if any) default, investors may not be able to receive the coupon/interest and principal of the bond. Investors must make their own assessment of the ability of the issuer and the guarantor (if any) to meet its obligations under the bonds. It should also be noted that credit ratings assigned by credit rating agencies do not guarantee the creditworthiness of the issuer.
- Liquidity Risk - Some bonds may not have active secondary markets and it would be difficult or impossible for investors to sell the bond before its maturity. Even if investors are able to sell the bond before its maturity, its price may be less than investors' original investment amount in the bond due to changes in market conditions. In that case, investors may suffer a loss in investors' investment
- Interest rate risk – Bonds are more susceptible to fluctuations in interest rates and generally prices of bonds will fall when interest rates rise.
- Market Risk - Indicative bond prices are available and bond prices do fluctuate when market changes. Factors affecting market price of bonds include, and are not limited to, fluctuations in interest rates, credit rating of the bond or its issuer/guarantor, the financial condition of the issuer/guarantor, and liquidity of the bond. The fluctuation in yield generally has a greater effect on prices of longer tenor bonds/notes. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling bonds.
- Exchange Rate Risk - There may be exchange rate risks if you choose to convert payments made on the bonds to investors' home currency.
- Tax Issue - Investors should carefully consider the tax consequences of investing in the bond and consult investors' tax advisor about investors' own tax situation.