Example

Assuming that you purchase ABC Corporation bond with face value of $20,000 USD on August 18th in 2018. The bond price is $106.80 USD, and the settlement date is three working days after.

The basic conditions of ABC Corporation bond

Maturity: 2023/9/21
Coupon Rate: 4.50%
Coupon Frequency (semiannually): March 21th & September 21th
Price (2018/8/18): $106.80 USD
Yield to Maturity: 3.044%

The amount you should pay for purchasing this foreign bond:
Principal payable $21,360 USD ($20,000X $106.80/ $100 par value)
+
Accrued interest (152-day) $380 USD (4.5% X $20,000X 152 / 360 days)
=
Total amount $21,740 USD

Your investment outcomes (depends on your holding period and bond price)

A. If you decide to hold the bond until its maturity date (2023/09/21)

You won’ t be influenced by bond price fluctuations. The final bond price is $100 USD. If the issuer does not default, you can receive fixed coupon payment semiannually and the face value ($20,000 USD) at maturity.

Final amount receivable:
Principal $20,000 USD ($20,000X$100/$100 par value)
+
Final coupon payment $450 USD (4.5%X$20,000)/2
=
$20,450 USD

Total return during holding period:
Final amount $20,450 USD
+
10 times fixed coupon payment $4,500 USD (4.5%X$20,000)/2X10
-
Total costs $21,740 USD
=
$3,210 USD

B. If you decide to sell the bond before maturity

Assuming that you sell the bond after one year (2019/9/12) and complete the settlement after three working days (2019/9/15)

申購日: Subscription date
交割日: Settlement date
配息日: Coupon payment date
贖回日: Redemption date
152天前手息: 152-day accrued interest

債券持有期間: holding period
174天應計利息: 174-day accrued interest

Scenario 1: The bond price rises, and you sell out the bond at $107.61 USD
Principal $21,522 USD ($20,000X$107.61/$100 par value)
+
174-day accrued interest $435 USD (4.5%X$20,000X174/360 days)
=
$21,957 USD

Total return during holding period:
Final amount $21,957 USD
+
2 times fixed coupon payment $900 USD (4.5%X$20,000)/2X2
-
Total costs $21,740 USD
=
$1,117 USD

Scenario 2: The bond price decreases, and you sell out the bond at $101.80 USD
Principal $20,360 USD ($20,000X$101.80/$100 par value)
+
174-day accrued interest $435 USD (4.5%X$20,000X174/360 days)
=
$20,795 USD

Total return during holding period:
Final amount $20,795 USD
+
2 times fixed coupon payment $900 USD (4.5%X$20,000)/2X2
-
Total costs $21,740 USD

=
-$45 USD

Note 1: The seller has the right to claim the accumulated interest since last coupon payment date, which is the interests accumulated during the 152 days from last coupon payment date to settlement date (2018/3/21~2018/8/23).

Note 2: There is 10 coupon payment during 2018/8/18~2023/9/21 (Final fixed coupon payment not included)

Note 3: The seller has the right to claim the accumulated interest since last coupon payment date, which is the interests accumulated during the 174 days from last coupon payment date to settlement date(2019/3/21~2019/9/15).

Note 4: There is 2 coupon payment during 2018/9/21~2019/3/21

*The basic conditions of bond and calculation results/amounts from the example above are just the assumed values. Moreover, the potential returns from the example do not represent the actual return Trustors can gain from future investment decisions.